FLYOVERTURE EQUITY, INC.

UNAUDITED CONDENSED CONSOLIDATED INTERIM

FINANCIAL STATEMENTS

For the three months ended January 31, 2021 and 2020

(Expressed in U.S. Dollars)

NOTICE OF NO AUDITOR REVIEW OF CONDENSED INTERIM CONSOLIDATED 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 interim 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 Chartered Professional Accountants of Canada (CPA Canada) for a review of interim financial statements by an entity's auditor.

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UNAUDITED CONDENSED CONSOLIDATED INTERIM STATEMENTS OF FINANCIAL POSITION
(in U.S. dollars)

	Notes	As at January 31, 2021 $	As at October 31, 2020 $
Assets			
Current assets			
Cash		101,536	117,876
Inventory		3,434	7,434
Other receivables and prepaid expenses		78,690	134,879
		183,660	260,189
Non-current assets			
Intangible asset	6,7	-	54,520
Total assets		**183,660**	**314,709**
Liabilities			
Current liabilities			
Accounts payable and accrued liabilities		161,162	118,424
Due to related parties		55,927	131,288
Loan payable	8	275,616	100,616
Total liabilities		**492,705**	**350,328**
Shareholders' equity			
Share capital	9	2,747,434	2,747,434
Deficit		(3,056,479)	(2,783,053)
Total shareholders' equity		**(309,045)**	**(35,619)**
Total liabilities and shareholders' equity		**183,660**	**314,709**

Going concern (note 2)
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The accompanying notes are an integral part of these unaudited condensed consolidated interim financial statements.

Approved on behalf of the board:

"Craig Michael Arnold" *"Mo Yang"*

Director Director

FLYOVERTURE EQUITY, INC.
UNAUDITED CONDENSED CONSOLIDATED INTERIM STATEMENTS OF LOSS AND COMPREHENSIVE LOSS
(in U.S. dollars, except share amounts)

	Notes	For the three months ended January 31, 2021 $	For the three months ended January 31, 2020 $
Revenue			
Sales		19,018	-
Cost of goods sold		(15,174)	-
		3,844	**-**
Expenses			
General and administrative expenses		50,770	43,787
Director and management fees		83,010	125,362
Professional fees		37,156	18,108
Interest expense	8	1,432	615
Licensing fee		45,455	-
Consulting fees		4,451	58,355
Foreign exchange loss		476	-
Amortization	7	54,520	82,226
Total expenses and other items		**277,270**	**328,453**
Net loss and total comprehensive loss		**273,426**	**328,453**
Net loss per Class A share, basic and diluted	10	0.01	0.02
Weighted average number of Class A shares, basic and diluted	10	35,066,730	14,247,559

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

FLYOVERTURE EQUITY, INC
UNAUDITED CONDENSED CONSOLIDATED INTERIM STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY
(in U.S. dollars, except share amounts)

		Share capital (Class A Shares)		Share capital (Class B Shares)			
	Notes	**Number**	**Amount**	**Number**	**Amount**	**Deficiency**	**Total shareholders' equity**
Balance at October 31, 2019		**13,365,141**	**$ 2,167,361**	**250,000**	**$ 5,000**	**$ (1,497,389)**	**$ 674,972**
Net loss for the period		—	—	—	—	(328,453)	**(328,453)**
Exchange Class B Shares for Class A Shares	9(i)	500,000	5,000	(250,000)	(5,000)	—	—
Issuance of Class A Shares, net of issuance costs, related to private placement	9(ii)	1,050,000	105,000	—	—	—	**105,000**
Issuance of Class A Shares for services	9(iii)	225,000	22,500	—	—	—	**22,501**
Balance at January 31, 2020		**15,140,141**	**$ 2,299,861**	**—**	**$ —**	**$ (1,754,907)**	**$ 544,954**
Balance at October 31, 2020		**35,066,730**	**$ 2,747,434**	**—**	**—**	**$ (2,783,053)**	**$ (35,619)**
Net loss for the period		—	—	—	—	(273,426)	**(273,426)**
Balance at January 31, 2021		**35,066,730**	**$ 2,747,434**	**—**	**$ —**	**$ (3,056,479)**	**$ (309,045)**

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

FLYOVERTURE EQUITY, INC
UNAUDITED CONDENSED CONSOLIDATED INTERIM STATEMENTS OF CASH FLOWS
(in U.S. dollars)

	Notes	For the three months ended January 31, 2021	For the three months ended January 31, 2020
Operating activities			
Net loss		$ (273,426)	$ (328,453)
Adjustments for non-cash items:			
Shares issued for services	9(iii)	—	22,500
Amortization	7	54,520	82,226
		(218,906)	(223,727)
Net changes in non-cash working capital:			
Decrease (increase) in inventory		4,000	—
Decrease (increase) in other receivables and prepaid expenses		56,189	82,263
Increase in accounts payables and accrued liabilities		42,738	70,933
Increase (decrease) in due to related parties		(75,361)	—
Cash (used in) operating activities		**$ (191,340)**	**$ (70,531)**
Financing activities			
Proceeds from loans payable	8	$ 175,000	$ —
Proceeds from share issuance	9(ii)	—	105,000
Cash provided by financing activities		**$ 175,000**	**$ 105,000**
Net change in cash		$ (16,340)	$ 34,471
Cash, beginning of period		117,876	2,192
Cash, end of period		**$ 101,536**	**$ 36,663**
Non-cash transactions:			
Shares for services		$ —	$ 22,500

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

1. Description of business and nature of operations

FlyOverture Equity Inc. ("FlyOverture" or the "Company") was incorporated under the Business Corporations Act (British Columbia) on November 20, 2018. The Company's previous name was Eighteen Fifty Equity Inc., which was amended on June 27, 2019. The Company's registered address is 777 Hornby Street, Suite 600, Vancouver, BC V6Z 1S4. The Company has one subsidiary named SW Holdings, Inc. ("SW"), which was incorporated in State of Oregon, the United States.

On November 1, 2019, the Board of Directors was authorized to effect a reverse split ("Reverse Split") of the Company's outstanding Class A and Class B common shares, at an exchange ratio of 2-to-1. These unaudited condensed consolidated interim financial statements ("financial statements") have been retrospectively adjusted for the Reverse Split as of November 20, 2018 (incorporation).

The Company plans to engage in magic mushroom cultivation through vertical integration when it is legalized in the United States. As at January 31, 2021 and October 31, 2020, the Company had only one reportable operating segment.

2. Basis of presentation and going concern

Statement of compliance

These financial statements are unaudited and have been prepared in accordance with IAS 34, Interim Financial Reporting, ("IAS 34"). These financial statements do not include all notes of the type normally included within the annual financial statements and should be read in conjunction with the audited financial statements of the Company for the year ended October 31, 2020, which have been prepared in accordance with International Financial Reporting Standards ("IFRS") issued by the International Accounting Standards Board ("IASB") and interpretations issued by the IFRS Interpretations Committee ("IFRIC").

These financial statements were approved by the Board of Directors on September 7, 2021.

Basis of measurement

These 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 financial statements are presented on the accrual basis except for the condensed consolidated interim statements of cash flows.

Going concern

These 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 periods ended January 31, 2021 and 2020, 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. These financial statements do not reflect any adjustments to the carrying values of assets and liabilities or the reported expenses and condensed consolidated interim statement of financial position classifications that would be necessary should the going concern assumption be inappropriate. Such adjustments could be material.

2. Basis of presentation and going concern (Continued)

In March 2020, 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. The COVID-19 pandemic may negatively impact the Company's business through disruption of supply and manufacturing, which would influence the amount and timing of revenue and planned expenditure. Travel restrictions in Canada, the US and Jamacia delay and impact people's ability to attend retreats in Oregon and Jamacia.

Functional and presentation currency

These financial statements are presented in United States Dollars ("USD"), which is the functional currency of the Company and its subsidiary.

Principles of consolidation

These financial statements represent the accounts of FlyOverture and its subsidiary, including its controlled operating company and its controlled investments. Control is achieved when FlyOverture:

- has power over the investee;
- is exposed, or has rights, to variable returns from its involvement with the investee; and,
- has the ability to use its power to affect its returns.

As at January 31, 2021 and October 31, 2020, the only significant controlled legal entity is SW Holdings, Inc.

The Company reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control listed above.

Consolidation of a subsidiary or investment begins when the Company obtains control over the subsidiary or investment and ceases when the Company loses control of the subsidiary or investment. Specifically, income and expenses of a subsidiary acquired or disposed of during the year are included in the consolidated statement of loss and comprehensive loss from the date the Company gains control until the date the Company ceases to control the subsidiary or investment.

All intragroup assets and liabilities, equity, income, expenses and cash flows are eliminated in full upon consolidation.

3. Significant accounting policies

These condensed consolidated interim financial statements have been prepared following the same accounting policies used in the preparation of the audited financial statements of the Company for the year ended October 31, 2020

4. Significant accounting judgments and estimates

The preparation of these condensed consolidated interim 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 condensed consolidated interim financial statements.

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

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 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.

4. Significant accounting judgments and estimates (continued)

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.

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.

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.

(In United States Dollars, except share and per share amounts, unless otherwise noted)

5. Recently issued accounting pronouncements

Accounting standards, amendments and interpretations issued but not yet effective

Certain pronouncements were issued by the IASB or the IFRIC that are not yet effective for the Company's condensed consolidated interim financial statements for the periods presented. The Company has not early adopted any standards, amendments, or interpretations which are issued but not yet effective.

IAS 1 – Presentation of Financial Statements ("IAS 1") was amended in January 2020 to provide a more general approach to the classification of liabilities under IAS 1 based on the contractual arrangements in place at the reporting date. The amendments clarify that the classification of liabilities as current or noncurrent is based solely on a company's right to defer settlement at the reporting date. The right needs to be unconditional and must have substance. The amendments also clarify that the transfer of a company's own equity instruments is regarded as settlement of a liability, unless it results from the exercise of a conversion option meeting the definition of an equity instrument. The amendments are effective for annual periods beginning on January 1, 2023. The Company will adopt these amendments as of their effective date.

IAS 37 – Provisions, Contingent Liabilities, and Contingent Assets ("IAS 37") was amended. The amendments clarify that when assessing if a contract is onerous, the cost of fulfilling the contract includes all costs that relate directly to the contract – i.e. a full-cost approach. Such costs include both the incremental costs of the contract (i.e. costs a company would avoid if it did not have the contract) and an allocation of other direct costs incurred on activities required to fulfill the contract – e.g. contract management and supervision, or depreciation of equipment used in fulfilling the contract. The amendments are effective for annual periods beginning on January 1, 2022. The Company will adopt these amendments as of their effective date.

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 Company 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 is estimated based on a recent financing.

Carrying amount of previously held interest	$	29,000
Issuance of shares		393,750
Total consideration	**$**	**422,750**

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
Total consideration	**$**	**422,750**

(In United States Dollars, except share and per share amounts, unless otherwise noted)

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.

Cost		**Contract**
November 20, 2018 (incorporation)	$	—
Asset acquisition (Note 6)		422,750
Balance, October 31, 2020 and January 31, 2021	**$**	**422,750**

Accumulated Amortization and Impairment Losses		**Contract**
Balance, October 31, 2019	$	41,113
Amortization		327,117
Balance, October 31, 2020	**$**	**368,230**
Amortization		54,520
Balance, January 31, 2021	**$**	**422,750**
Carrying value at October 31, 2020	**$**	**54,520**
Carrying value at January 31, 2021	**$**	**0**

8. Loan payable

On October 28, 2020, the Company entered into an unsecured, non-revolving credit facility agreement with Jury Land & Energy, LLC, a company controlled by a director, 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 a $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.

9. Shareholders' equity

Authorized

Unlimited number of Class A shares, without par value. Each Class A share is entitled to one vote. All dividends are declared and paid according to the number of Class A shares held.

Unlimited number of Class B shares, without par value, with priority ranking to the Class A shares. Each Class B share is entitled to 500 votes. Holders of Class B shares are not entitled to dividends. The Company may redeem these shares at the Company's option at a price equal to their issue price at any time, at $0.01 per share.

2020 Fiscal year issuances

i) Exchange of Class B shares for Class A shares

During the period ended July 31, 2020, the Company issued 500,000 Class A shares to three directors in exchange for all the outstanding Class B shares of the Company. The exchange was recorded at the carrying amount of the Class B shares.

(In United States Dollars, except share and per share amounts, unless otherwise noted)

9. Shareholders' equity (continued)

ii) Issuance of Class A shares, net of issuance costs, related to private placement

During the three months ended January 31, 2020, the Company issued 1,050,000 Class A shares were issued at $0.10 per share for gross proceeds of $105,000.

iii) Issuance of Class A shares for services

The Company had various consulting and service agreements as at January 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 thee months ended January 31, 2020, the Company issued 225,000 Class A shares with a value of $0.10 per share for $22,500.

10. Net loss per share

Net loss per share is computed by dividing the net loss incurred during the period by the weighted average number of common shares outstanding during the period. Class B shares are excluded from the calculation because they are not classified as ordinary shares. Refer to Note 9 for terms. On November 1, 2019, the Board of Directors was authorized to effect a reverse split ("Reverse Split") of the Company's outstanding Class A and Class B common shares, at an exchange ratio of 2-to-1. In this net loss per share calculation, the Reverse Split was applied to all common shares retrospectively as of November 20, 2018. The Class B shares are excluded from the calculation of diluted earnings per share because they would be considered anti-dilutive.

11. Related party transactions

Total compensation to directors and key management are summarized as follows:

	Three month period ended January 31, 2021	Three month period ended January 31, 2020
Total compensation	$ 274,670	$ 125,689

As at January 31, 2021, the Company also owed $101,937 (October 31, 2020 - $72,521) to two directors and one officer (October 31, 2020 – one director) of the Company. These amounts are unsecured, non-interest bearing, with no fixed terms of repayment.

12. 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.

The Company has a leased space in the amount of $2,200 per month (agreement in effect until January 31, 2021).

13. Financial risk management

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. The Company's maximum exposure to this risk is equal to the carrying amount of this financial asset. The cash is held with a financial institution counterparty which is highly rated. As such, the Company has assessed an insignificant loss allowance on this financial instrument.

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.

13. Financial risk management (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 these financial statements 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, accounts payable and accrued liabilities, and loans payable approximate the fair value due to the short term to maturity.

14. Capital management

The Company's objectives when managing its capital are to maintain a sufficient capital base to: (i) meet its short-term obligations, (ii) sustain future operations and expansions, (iii) ensure its ability to continue as a going concern, and (iv) retain stakeholder confidence. The Company defines capital as its net assets, total assets less total liabilities. The Company managed net assets of $(309,045) as at January 31, 2021 (October 31, 2020 - $(35,619)).

15. Subsequent events

REVERSE TAKE-OVER TRANSACTION

Subsequent to January 31, 2021, the Yukoterre Resources Inc. (“Yukoterre)”) successfully completed its reverse take-over transaction (the “RTO”) with FlyOverture Equity Inc. (“FlyOverture”). The common shares of the Yukoterre (the “Resulting Issuer Shares”) commenced trading under the new ticker symbol “SILO” on March 5, 2021. Pursuant to the RTO, the Yukoterre indirectly acquired, through an amalgamation with its wholly owned subsidiary, all of the issued and outstanding securities of FlyOverture in exchange for common shares of the Yukoterre on a one-for-one basis. Immediately prior to the completion of the RTO, the Yukoterre 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.

15. Subsequent events (continued)

PRIVATE PLACEMENT

Immediately prior to the closing of the RTO, $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 Silo (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.

On August 11, 2021, Silo entered into a loan agreement with an arm's-length third party lender, pursuant to which the Silo borrowed US$250,000 for working capital and inventory growth purposes. Subsequently, the Silo entered into a debt settlement agreement with the lender to settle US$144,000 of the loan in exchange for 2.5 million common shares at a deemed price of 7.2 cents per common share, representing a 20-per-cent discount to the closing price of the common shares on August 11, 2021. The remaining principal amount of the loan remains outstanding. Completion of the shares for debt is subject to compliance with applicable regulations, including policies of the Canadian Securities Exchange.

On August 11, 2021, Silo has agreed to issue common shares to two arm's-length service providers in accordance with previously agreed arrangements. Pursuant to various agreements for services, the company intends to issue an aggregate of 5.31 million common shares with five million common shares issued at a deemed price of 13 cents and 310,000 common shares issued at a deemed price of 10 cents. Completion of the shares for services is subject to compliance with applicable regulations, including policies of the CSE.

Subsequent to January 31, 2021, Silo 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. Silo also 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 January 31, 2021, 140,000 stock options with an exercise price of CAD$0.20 ($0.16) expired unexercised.