SILO WELLNESS INC.

(FORMERLY YUKOTERRE RESOURCES INC.)

CONSOLIDATED FINANCIAL STATEMENTS

For the years ended October 31, 2021 and 2020

(Expressed in U.S. Dollars)

Zeifmans

INDEPENDENT AUDITORS' REPORT

To the Shareholders of Silo Wellness Inc.

Opinion

We have audited the consolidated financial statements of Silo Wellness Inc. (formerly, Yukoterre Resources Inc.) (the "Company"), which comprise the consolidated statement of financial position as at October 31, 2021, and the consolidated statements of loss and comprehensive loss, changes in shareholders' deficiency and cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Company as at October 31, 2021, and its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards ("IFRS").

Basis for Opinion

We have conducted our audit in accordance with Canadian generally accepted auditing standards ("GAAS"). Our responsibilities under those standards are further described in the *Auditors' Responsibilities for the Audit of the Consolidated Financial Statements* section of our report. We are independent of the Company in accordance with the ethical requirements that are relevant to our audit of the consolidated financial statements, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Material Uncertainty Related to Going Concern

We draw attention to note 1 of the consolidated financial statements, which indicates that the Company's current liabilities exceed current assets by $358,971. The Company has incurred several years of losses and as of October 31, 2021, has a cumulative deficit of $8,991,935; negative cash flows from operations for the year ended October 31, 2021 totaled $3,778,593; and had a shareholders' deficiency of $358,971 as at October 31, 2021. As stated in note 1, these events or conditions, along with other matters as set forth in note 1, indicate that a material uncertainty exists that may cast significant doubt on the Company's ability to continue as a going concern. Our opinion is not modified in respect of this matter.

Other matter

The consolidated financial statements of the Company for the year ended October 31, 2020 were audited by another auditor who expressed an unmodified opinion on those statements on February 11, 2021.

Other information

Management is responsible for other information. The other information comprises the information included in the Management Discussion and Analysis ("MD&A"), but does not include the consolidated financial statements and our auditors' report thereon.

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information identified above and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit, or otherwise appears to be misstated.

We obtained the MD&A prior to the date of this auditors' report. If based on the work we have performed on this other information, we conclude that there is a material misstatement of this other information, we are required to report the fact in this auditors' report. We have nothing to report in this regard.

Responsibilities of Management and Those Charged with Governance for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with IFRS, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due from fraud or error.

In preparing the consolidated financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters relating to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Company's financial reporting process.

Auditors' Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with GAAS will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements. As part of an audit in accordance with GAAS, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

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- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the consolidated financial statements or, if such disclosure is inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Company to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

The engagement partner on the audit resulting in this independent auditors' report is Ahmad Aslam, CPA, CA.

Zeifmans LLP

Toronto, Ontario
February 28, 2022

Chartered Professional Accountants
Licensed Public Accountants

SILO WELLNESS INC.
(FORMERLY YUKOTERRE RESOURCES INC.)
CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
AS AT OCTOBER 31, 2021 ND OCTOBER 31, 2020
(Expressed in U.S. dollars)

As at:	Notes	**October 31, 2021**	October 31, 2020
		$	$
ASSETS			
Current			
Cash		**98,345**	117,876
Receivables and prepaid expenses	10(v)	**425,229**	134,879
Inventories		**89,520**	7,434
Total current assets		**613,094**	260,189
Non-current			
Intangible assets	7	-	54,520
Total assets		**613,094**	314,709
LIABILITIES			
Current			
Accounts payable and accrued liabilities	14	**686,850**	118,424
Due to related parties	12	**215,239**	131,288
Loans payable	8	**33,234**	100,616
Convertible loan	9	**24,785**	-
Derivative liability	9	**11,957**	-
Total current liabilities		**972,065**	350,328
SHAREHOLDERS' DEFICIENCY			
Share capital	10	**6,838,594**	2,747,434
Warrants	10	**1,110,462**	-
Options	11	**658,167**	
Contributed surplus		**26,693**	-
Accumulated other comprehensive loss		**(952)**	-
Deficit		**(8,991,935)**	(2,783,053)
Total shareholders' deficiency		**(358,971)**	(35,619)
Total liabilities and shareholders' deficiency		**613,094**	314,709

Going concern (Note 1)

Commitments and contingencies (Note 14)

Subsequent events (Note 17)

Approved and authorized for issue by the directors on February 28, 2022

______________________ Director

______________________ Director

These accompanying notes are an integral part of these consolidated financial statements

SILO WELLNESS INC.
(FORMERLY YUKOTERRE RESOURCES INC.)
CONSOLIDATED STATEMENTS OF LOSS AND COMPREHENSIVE LOSS
FOR THE YEARS ENDED OCTOBER 31, 2021 AND 2020
(Expressed in U.S. dollars, except per share amounts)

	Notes	Year ended October 31, 2021	Year ended October 31, 2020
		$	$
Sales		**120,120**	6,220
Cost of goods sold		**(388,614)**	(48,507)
Gross loss		**(268,494)**	(42,287)
Expenses			
Advertising and promotion		**1,517,336**	62,195
Consulting and management fees	13	**1,394,075**	655,959
Professional fees		**554,989**	180,191
General and administrative expenses		**578,993**	121,847
Stock based compensation	11	**620,903**	-
Amortization	7	**54,520**	327,117
Interest expense and bank charges		**68,727**	1,846
		4,789,543	1,349,155
		(5,058,037)	(1,391,442)
Other income (expenses)			
Reverse takeover listing expense	5	**(1,173,121)**	-
Foreign currency translation gain		**16,064**	5,778
Change in fair value of derivative liability	9	**6,212**	-
		(1,150,845)	5,778
Net loss for the year		**(6,208,882)**	(1,385,664)
Other comphresive loss:			
Items that subsequently may be reclassified into net income:			
Foreign currency translation		**(952)**	-
Total comprehensive loss for the period		**(6,209,834)**	(1,385,664)
Basic and diluted loss per share		**(0.10)**	(0.06)
Weighted average number of common shares outstanding - basic and diluted		**61,937,095**	22,348,724

These accompanying notes are an integral part of these consolidated financial statements

SILO WELLNESS INC.
(FORMERLY YUKOTERRE RESOURCES INC.)
CONSOLIDATED STATEMENTS OF CHANGES IN SHAREHOLDERS' DEFICIENCY
FOR THE YEARS ENDED OCTOBER 31, 2021 AND 2020
(Expressed in U.S. dollars, except share amounts)

	Notes	Class A shares		Class B shares		Warrants	Options	Contributed surplus	Deficit	Accumulated other comprehensive loss	Total
		#	$	#	$	$	$	$	$		$
Balance, October 31, 2020		35,066,730	2,747,434	-	-	-	-	-	(2,783,053)	-	(35,619)
Private placements	10(ii)	19,819,328	2,813,838	-	-	1,085,915	-	-	-	-	3,899,753
Share Issue cost	10(ii)	-	(233,742)	-	-	(88,467)	-	-	-	-	(322,209)
Broker's units	10(ii)	492,000	70,398	-	-	26,645	-	-	-	-	97,043
Compensation units	10(ii)	-	-	-	-	125,740	-	-	-	-	125,740
Issue costs	10(ii)	-	(161,957)	-	-	(60,827)	-	-	-	-	(222,784)
Private placement	10(i)	389,120	54,544	-	-	21,456	-	-	-	-	76,000
Change of control settlements	10(iii)	763,200	108,503	-	-	-	-	-	-	-	108,503
Issuance of shares to Yukoterre on reverse takeover	10(iv)	5,260,271	747,847	-	-	-	63,957		-	-	811,804
Shares for debt	10(v)	9,611,856	691,729	-	-	-	-	-	-	-	691,729
Stock based compensation	11	-	-	-	-	-	620,903		-	-	620,903
Expiry of stock options	11	-	-	-	-	-	(26,693)	26,693	-	-	-
Loss and comprehensive loss for the year		-	-	-	-	-	-	-	(6,208,882)	(952)	(6,209,834)
Balance, October 31, 2021		71,402,505	6,838,594	-	-	1,110,462	658,167	26,693	(8,991,935)	(952)	(358,971)
Balance, October 31, 2019		13,365,141	2,167,361	250,000	5,000	-	-	-	(1,497,389)	-	674,972
Exchange of 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	10(vi)	817,106	60,482	-	-	-	-	-	-	-	60,482
Issuance of Class A shares to settle amounts payable	10(vii)	884,846	69,242	-	-	-	-	-	-	-	69,242
Issuance of Class A shares as a reduction in the outstanding balance due to the subscriber	10(viii)	299,640	14,982	-	-	-	-	-	-	-	14,982
Issuance of Class A shares related to Q3 2020 private placement	10(vi)	17,149,997	379,912	-	-	-	-	-	-	-	379,912
Cancellation of Class A shares	10(ix)	(1,000,000)	(100,000)	-	-	-	-	-	100,000	-	-
Issuance of shares for licensing contract		2,000,000	45,455	-	-	-	-	-	-	-	45,455
Loss and comprehensive loss for the year		-	-	-	-	-	-	-	(1,385,664)	-	(1,385,664)
Balance, October 31, 2020		35,066,730	2,747,434	-	-	-	-	-	(2,783,053)	-	(35,619)

These accompanying notes are an integral part of these consolidated financial statements

SILO WELLNESS INC.
(FORMERLY YUKOTERRE RESOURCES INC.)
CONSOLIDATED STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED OCTOBER 31, 2021 AND 2020
(Expressed in U.S. dollars)

	Notes	Year ended October 31, 2021	Year ended October 31, 2020
CASH (USED IN) PROVIDED BY:		$	$
OPERATING ACTIVITIES			
Net loss		**(6,208,882)**	(1,385,664)
Items not involving cash:			
Share-based compensation	11	**620,903**	385,815
Interest expense		**58,758**	1,846
Change in fair value of derivative liability	9	**(6,212)**	-
Transaction costs	5	**1,173,121**	-
Amortization of intangible asset	7	**54,520**	327,117
		(4,307,792)	(670,886)
Net changes in non-cash working capital:			
Receivables and prepaid expenses		**(275,347)**	-
Inventories		**(82,086)**	-
Change in accounts payable and accrued liabilities		**866,971**	55,388
Cash flows (used in) operating activities		**(3,798,254)**	(615,498)
FINANCING ACTIVITIES			
Proceeds from issuance of shares	10(i)(ii)	**3,975,752**	484,912
Share issue costs	10(i)(ii)	**(322,209)**	-
Proceeds from loans payable, net of costs		**111,284**	100,000
Proceeds from convertible loan	9	**250,000**	-
Repayments of loans payable	8	**(335,831)**	-
Proceeds from related parties		**83,951**	146,270
Cash acquired on reverse takeover	5	**17,350**	-
Cash flows (used in) financing activities		**3,780,297**	731,182
Effects of foreign currency translation on cash		**(1,574)**	-
CHANGE IN CASH FOR THE YEAR		**(19,531)**	115,684
CASH, beginning of the year		**117,876**	2,192
CASH, end of the year		**98,345**	117,876
SUPPLEMENTAL INFORMATION:			
Shares for services recorded as prepaid expenses		**-**	45,455
Non-cash amortization of prepaid expenses		-	325,333
Shares issued to settle loan payable	10(v)	**210,360**	-
Shares issued as settlement of accounts payable	10(v)	**481,369**	84,224

These accompanying notes are an integral part of these consolidated financial statements

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 Yukoterre 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. ("FlyOverture")) operating as Silo Wellness ("Silo Psychedelics"), and 1261466 BC Ltd. ("Yukoterre Subco"), a wholly-owned subsidiary of Yukoterre, which was incorporated on August 14, 2020. Completion of the transactions contemplated in the Amalgamation Agreement result in the reverse takeover ("RTO") of Yukoterre 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, 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.

The Company's head office is located at 200 Consumers Road Suite 702, Toronto, Ontario, M2J 4R4, Canada.

The Company offers a diverse and growing portfolio of functional mushroom products, psychedelic wellness retreats in Jamaica and Oregon, United States, 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 October 31, 2021, and October 31, 2020, the Company had only one reportable operating segment.

Going concern

These 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. As of October 31, 2021, the Company's current liabilities exceed current assets by $358,971. The Company has incurred several years of losses and as of October 31, 2021, has a cumulative deficit of $8,991,935 (2020 - $2,783,053); negative cash flows from operations for the year ending October 31, 2021, total $3,798,254 (2020 - $615,498); and had a shareholder deficiency of $358,971 as at October 31, 2021 (2020 - $35,619). These conditions raise significant doubt about the Company's ability to continue as a going concern.

During the year ended October 31, 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. During the period from November 1, 2021 to February 28, 2022, the date of issuance of these consolidated financial statements, the Company has secured approximately $1,000,000 in additional financing (see note 17). As at October 31, 2021, the consolidated financial statements do not reflect any adjustments to the carrying values of assets and liabilities or the reported expenses and consolidated statement of financial position classifications that would be necessary should the going concern assumption be inappropriate. Such adjustments could be material.

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 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. 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. At this time, the Company hasn't experienced any disruption of supply or manufacturing related to COVID-19.

2. Basis of presentation

Statement of compliance

The Company's consolidated financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS"), as issued by the International Account Standards Board ("IASB").

The polices applied to these consolidated financial statements are based on IFRS, which have been applied consistently to all periods presented. These consolidated financial statements were issued and effectives as at February 28, 2022, the date the Board of Directors approved these consolidated financial statements

Basis of measurement

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

Functional and presentation currency

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 ("USD"). These consolidated financial statements are presented in United States Dollars, unless otherwise noted.

2. Basis of presentation (continued)

Basis of consolidation

These 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.

Control of an entity is achieved when the Company:

- 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.

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

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

Foreign exchange translation

All figures presented in the consolidated financial statements are reflected in U.S. dollars unless otherwise noted.

Foreign currency transactions are translated into U.S. dollars at exchanges rates in effect on the date of the transactions. Monetary assets and liabilities denominated in foreign currencies at the statement of financial position date are translated to U.S. dollars at the foreign exchange rate applicable as that date. Realized and unrealized exchange gains and losses are recognized through profit or loss.

The assets and liabilities of foreign operations are translated into U.S. dollars at period-end exchange rates. Income and expenses, and cash flows of foreign operations are translated into U.S. dollars using average exchange rates. Exchange differences resulting from translating foreign operations are recognized in other comprehensive income (loss) and accumulated in shareholders' equity (deficiency).

Foreign currency translation gains or losses arising from a monetary items receivable or payable to a foreign operations, the settlement of which is neither planned nor likely to occur in the foreseeable future and which in substance is considered to form part of the net investment in the foreign operation, are recognized in other comprehensive income (loss) in the translation reserve.

3. Significant accounting policies (continued)

Cash

Cash in the 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 capitalization, 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 authorized for issue, the per share calculations for those and any prior period consolidated 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 contributed surplus.

Warrants

Warrants are recognized at fair value on the date of grant and are measured using the Black-Scholes option pricing model. Upon exercise of warrants, consideration paid by the warrant holder together with the amount previously recognized in warrants is recorded as an increase to share capital. Unexercised expired warrants are transferred to contributed surplus.

Income taxes

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

3. Significant accounting policies (continued)

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.

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 recognizes its derivative liability at FVTPL and level 2. 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

Classification
The Company determines the classification of financial instruments at initial recognition and classifies its financial instruments in the following measurement categories:

- Those to be measured subsequently at fair value (either through profit or loss ("FVTPL") or through other comprehensive income ("FVOCI");
- Those to be measured at amortized cost.

The classification of debt instruments is driven by the Company's business model for managing the financial assets and their contractual cash flow characteristics. Assets that are held to collect contractual cash flows where those cash flows represent solely payments of principal and interest are measured at amortized cost. Equity instruments that are held for trading (including all equity derivative instruments) are classified as FVTPL. For other equity instruments, on the day of acquisition the Company can make an irrevocable election (on an instrument-by-instrument basis) to designate them as at FVOCI. Financial liabilities are measured at amortized cost, unless they are required to be measured at FVTPL (such as instruments held for trading or derivatives) or the Company has opted to measure them at FVTPL.

Financial instruments with embedded derivatives are considered in their entirety when determining whether their cash flows are solely payment of principal and interest.

Measurement
Financial instruments at amortized cost
Financial instruments at amortized cost are initially recognized at fair value, and subsequently carried at amortized cost less any impairment.

3. Significant accounting policies (continued)

Currently, the Company classifies cash and other receivables as financial assets at amortized cost and accounts payable and accrued liabilities, loans payable, convertible loan and due to related parties as financial liabilities at amortized cost.

Financial instruments at FVTLP
Financial instruments are initially recorded at fair value and transaction costs are expensed in the consolidated statements of loss and comprehensive loss. Financial instruments at FVTPL are subsequently measured at fair value, with gains and loss on disposition and unrealized gains and loss from changes in fair value are recognized in the statement of loss and comprehensive loss. The effective portion of gains and losses on financial instruments designed as hedges is included in the consolidated statements of comprehensive loss in the period in which it arise. When management has opted to recognize a financial liability at FVTPL, any changes associated with the Company's own credit risk will be recognized in other comprehensive income (loss).

Currently, the Company classifies derivative liability as FVTPL.

Financial instruments at FVOCI
Currently, the Company does not have any instruments classified as FVOCI.

Business model assessment
The Company makes an assessment of the objective of a business model in which an asset is held at a portfolio level because this best reflects the way the business is managed, and information is provided to management. The information considered includes:

- the stated policies and objectives for the portfolio and the operation of those policies in practice. In particular, whether management's strategy focuses on earning contractual interest revenue, maintaining a particular interest rate profile, matching the duration of the financial assets to the duration of the liabilities that are funding those assets or realizing cash flows through the sale of the assets;
- how the performance of the portfolio is evaluated and reported to the Company's management;
- the risks that affect the performance of the business model (and the financial assets held within that business model) and how those risks are managed;
- how managers of the business are compensated – e.g. whether compensation is based on the fair value of the assets managed or the contractual cash flows collected; and
- the frequency, volume and timing of sales in prior periods, the reasons for such sales and its expectation about future sales activity. However, information about sales activity is not considered in isolation, but as part of an overall assessment of the Company's stated objective for managing the financial assets is achieved and how cash flows are realized.

Assessment whether contractual cash flows are solely payments of principal and interest
For the purposes of this assessment, 'principal' is defined as the fair value of the financial asset on initial recognition. 'Interest' is defined as consideration for the time value of money and for the credit risk associated with the principal amount outstanding during a particular period of time and for other basic lending risks and costs (e.g. liquidity risk and administrative costs), as well as profit margin.

3. Significant accounting policies (continued)

In assessing whether the contractual cash flows are solely payments of principal and interest, the Company considers the contractual terms of the instrument. This includes assessing whether the financial asset contains a contractual term that could change the timing or amount of the contractual cash flows such that it would not meet this condition. In making the assessment, the Company considers:

- contingent events that would change the amount and timing of cash flows;
- leverage features;
- prepayment and extension terms;
- terms that limit the Company's claim to cash flows from specified assets (e.g. non-recourse asset arrangements); and
- features that modify consideration of the time value of money – e.g. periodical rest of interest

Reclassifications
The Company would only reclassify a financial asset when the Company changes its business model for managing the financial asset. All reclassifications are recorded at fair value at the date of reclassification, which becomes the new carrying value.

Financial assets are not reclassified subsequent to their initial recognition, except in the period after the Company changes its business model for managing financial assets.

Derecognition

Financial assets
The Company derecognizes a financial asset when the contractual rights to the cash flows from the financial asset expire, or it transfers the rights to receive the contractual cash flows in a transaction in which substantially all of the risks and rewards of ownership of the financial asset are transferred or in which the Company neither transfers nor retains substantially all of the risks and rewards of ownership and it does not retain control of the financial asset.

On derecognition of a financial asset, the difference between the carrying amount of the asset (or the carrying amount allocated to the portion of the asset derecognized) and the sum of (i) the consideration received (including any new asset obtained less any new liability assumed) and (ii) cumulative gain or loss that had been recognized in other comprehensive income ("OCI") is recognized in profit or loss.

Financial liabilities
The Company derecognizes financial liabilities only when its obligation under the financial liabilities are discharged, cancelled or expired. The difference between the carrying amount of the financial liability derecognized and the consideration paid or payable, including any non-cash assets transferred or liabilities assumed, is recognized in the consolidated statements of loss and comprehensive loss.

Modifications of financial assets and financial liabilities
Financial assets
If the terms of a financial asset are modified, the Company evaluates whether the cash flows of the modified asset are substantially different. If the cash flows are substantially different, then the contractual rights to cash flows from the original financial asset are deemed to have expired. In this case, the original financial asset is derecognized, and a new financial asset is recognized at fair value.

3. Significant accounting policies (continued)

If the cash flows of the modified asset carried at amortized cost are not substantially different, then the modification does not result in derecognition of the financial asset. In this case, the Company recalculates the gross carrying amount of the financial asset and recognizes the amount arising from adjusting the gross carrying amount as a modification gain or loss in profit or loss. If such a modification is carried out because of financial difficulties of the borrower, then the gain or loss is presented together with impairment losses. In other cases, it is presented as interest income.

Financial liabilities
The Company derecognizes a financial liability when its terms are modified, and the cash flows of the modified liability are substantially different. In this case, a new financial liability based on the modified terms is recognized at fair value. The difference between the carrying amount of the financial liability extinguished and the new financial liability with modified terms is recognized in profit or loss.

Offsetting
Financial assets and financial liabilities are offset, and the net amount presented in the statement of financial position when, and only when, the Company currently has a legally enforceable right to set off the amounts and it intends either to settle them on a net basis or to realize the asset and settle the liability simultaneously. Significant accounting policies (continued)

Income and expenses are presented on a net basis only when permitted under IFRS, or for gains and losses arising from a group of similar transactions.

Fair value measurement
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 in the principal or, in its absence, the most advantageous market to which the Company has access at that date. The fair value of a liability reflects its non-performance risk.

When one is available, the Company measures the fair value of an instrument using the quoted price in an active market for that instrument. A market is regarded as active if transactions for the asset or liability take place with sufficient frequency and volume to provide pricing information on an ongoing basis.

If there is no quoted price in an active market, then the Company uses valuation techniques that maximize the use of relevant observable inputs and minimize the use of unobservable inputs. The chosen valuation technique incorporates all of the factors that market participants would take into account in pricing a transaction.

The best evidence of the fair value of a financial instrument on initial recognition is normally the transaction price – i.e. the fair value of the consideration given or received. If the Company determines that the fair value on initial recognition differs from the transaction price and the fair value is evidenced neither by a quoted price in an active market for an identical asset or liability nor based on a valuation technique for which any observable inputs are judged to be insignificant in relation to the measurement, then the financial instrument is initially measured at fair value, adjusted to defer the difference between the fair value on initial recognition and the transaction price. Subsequently, that difference is recognized in profit or loss on an appropriate basis over the life of the instrument but no later than when the valuation is wholly supported by observable market data or the transaction is closed out.

If an asset or a liability measured at fair value has a bid price and an ask price, then the Company measures assets and long positions at a bid price and liabilities and short positions at an ask price.

3. Significant accounting policies (continued)

Portfolio of financial assets and financial liabilities that are exposed to market risk and credit risk that are managed by the Company on the basis of the net exposure to either market or credit risk are measured on the basis of a price that would be received to sell a net long position (or paid to transfer a net short position) for the particular risk exposure. Portfolio-level adjustment –e.g. bid-ask adjustment or credit risk adjustments that reflect the measurement on the basis of the net exposure – are allocated to the individual assets and liabilities on the basis of the relative risk adjustment of each of the individual instruments in the portfolio.

The fair value of a financial liability with a demand feature is not less than the amount payable on demand, discounted from the first date on which the amount could be required to be paid. The Company recognizes transfers between levels of the fair value hierarchy as of the end of the reporting period during which the change has occurred.

Impairment

Credit-impaired financial assets
At each reporting date, the Company assesses whether financial assets carried at amortized costs and debt financial assets carried at FVOCI are credit-impaired. A financial asset is 'credit-impaired' when one or more events that have a detrimental impact on the estimated future cash flows of the financial asset have occurred.

Evidence that a financial asset is credit-impaired includes the following observable data:

- Significant financial difficulty of the borrower or issuer;
- A breach of contract such as a default of past due event;
- The restructuring of a loan or advance by the Company on terms that the Company would not consider otherwise;
- It is becoming probable that the borrower will enter bankruptcy or other financial reorganization; or
- The disappearance of an active market for a security because of financial difficulties.

A loan that has been renegotiated due to a deterioration in the borrower's condition is usually considered to be credit-impaired unless there is evidence that the risk of not receiving contractual cash flows has reduced significantly and there are no other indicators of impairment.

Recognition of allowance of expected credit losses ("ECL") in the statement of financial position
The Company recognizes a loss allowance for ECL on trade receivables that are measured at amortized cost. The Company's applied the simplified approach for trade receivables and recognizes the lifetime ECL for these assets. The ECL on trade receivables is estimated using a provision matrix based on the Company's historical credit loss experience, adjusted for factors that are specific to the customers, general economic conditions and an assessment of both the current as well as the forecast direction of conditions at the reporting date, including time value of money where appropriate.

For all other financial assets measured at amortized cost or FVOCI, the Company recognizes lifetime ECL only when there has been a significant increase in credit risk since initial recognition. If the credit risk on such financial instruments has not increased significantly since initial recognition, the Company measures the loss allowance on those financial instruments at an amount equal to 12-months ECL.

Lifetime ECL represents the ECL that will result from all possible default events over the expected life of a financial asset. In contrast, 12-month ECL represents the portion of lifetime ECL that is expected to result from default events on a financial asset that are possible within 12 months after the reporting date. In assessing whether the credit risk on a financial asset has increased significantly since initial recognition, the Company compares the risk of default occurring on the financial asset at the reporting date with the risk of default occurring at the initial recognition. The Company considers both quantitative and qualitative factors that are supportable, including historical experience and forward-looking information that is available without undue cost or effort.

3. Significant accounting policies (continued)

Irrespective of the above assessment, the Company presumes that the credit risk on a financial asset has increased significantly since initial recognition when contractual payments are more than 30 days past due, unless the Company has reasonable and supportable information that demonstrates otherwise. Despite the foregoing, the Company presumes that the credit risk on a financial asset has not increased significantly since initial recognition if the financial asset is determined to have low credit risk at the reporting date.

The Company regularly monitors the effectiveness of the criteria used to identify whether there has been a significant increase in credit risk and revises them as appropriate to ensure that the criteria are capable of identifying significant increase in credit risk before the amount becomes past due.

Definition of default
For internal credit risk management purposes, the company considers a financial asset not recoverable if the customer balance owing is 90 days past due and information obtained from the customer and other external factors indicate that the customer is unlikely to pay its creditors in full.

Write off policy
Loans and debt securities are written off (either partially or in full) when there is no realistic prospect of recovery. This is generally the case when the Company determines that the borrower does not have assets or sources of income that could generate sufficient cash flows to repay the amounts subject to the write-off. However, financial assets that are written off could still be subject to enforcement activities in order to comply with the Company's procedures for recovery of amounts due.

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 is 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. Services are recognized over the period that the performance obligation is delivered.

3. Significant accounting policies (continued)

Recently issued accounting pronouncements

Adoption of amendments and interpretations to accounting standards

The Company has adopted the following amendments and interpretations to accounting standards during the current period and these amendments have not resulted in a material impact on these consolidated financial statements.

IAS 1 – Presentation of Financial Statements ("IAS 1") and IAS 8 – Accounting Policies, Changes in Accounting Estimates and Errors ("IAS 8") were amended in October 2018 to refine the definition of materiality and clarify its characteristics. The revised definition focuses on the idea that information is material if omitting, misstating or obscuring it could reasonably be expected to influence decisions that the primary users of general-purpose financial statements make on the basis of those financial statements. The amendments are effective for annual reporting periods beginning on or after January 1, 2020. The Company has adopted these standards from November 1, 2020.

Accounting standards issued but not yet effective

A number of new standards, amendments to standards and interpretations are not yet effective at October 31, 2021 and have not been applied in preparing these consolidated financial statements. Management has determined that none of these will have a significant effect on it's the consolidated financial statements of the Company.

4. Significant accounting judgments and estimates

The preparation of these 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.

4. Significant accounting judgments and estimates (continued)

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.

4. Significant accounting judgments and estimates (continued)

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.

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.

4. Significant accounting judgments and estimates (continued)

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.

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.

5. Reverse takeover of Yukoterre

On March 1, 2021, Silo Psychedelics and Yukoterre entered into a definitive agreement for the amalgamation of a wholly-owned subsidiary of Yukoterre ("Yukoterre Subco") and Silo Psychedelics which constituted a reverse takeover by the Company of Yukoterre.

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, on March 1, 2021, Silo Psychedelics completed a financing of CAD$4,954,832 ($3,899,753), by issuing 19,819,328 units of Silo Psychedelics at $0.25 per unit. Silo Psychedelics 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 Company to Silo Psychedelics 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 Company to holders of warrants and compensation options of Silo Psychedelics on a one (1) for one (1) basis with economically equivalent terms.

On closing of the RTO, the shareholders of Silo Psychedelics held 55,767,178 (or 91%) of the common shares of the Company, while shareholders of Yukoterre held 5,260,271 (or 9%) of the common shares of the Company. 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 Silo Psychedelics retained by the shareholders of Yukoterre based on the fair value of the Silo Psychedelics 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.

See also note 10(iii)(iv)

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

(In U.S. dollars, except share and per share amounts, unless otherwise noted)

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:

	$
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 Silo Psychedelics	252,814
	1,064,618
Other transaction costs:	
Change of control settlements	108,503
	1,173,121

	$
Cash	17,350
Accounts receivable and prepaid expenses	15,004
Accounts payable and accrued liabilities	(188,748)
Loans Payable	(96,420)
Fair value of net liabilities acquired	(252,814)

6. Inventories

The inventories as at October 31, 2021, included $89,520 of functional mushroom tinctures the Company purchased for resale.

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 became sole and exclusive property of the Company, without any additional compensation. The term of the contract was through December 31, 2020, and may be renewed by the parties by mutual agreement.

Cost		**Contract**
Balance, October 31, 2019	$	422,750
Balance, October 31, 2021 and October 31, 2020	**$**	**422,750**

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

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 ($54,563) in unsecured loans to the Company. These loans had an interest rate of 12% per annum. The are repayable in full within 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. As of October 31, 2021, the unpaid principal plus interest was CAD$37,145 ($29,994).

On August 13, 2020, the Company entered into a loan agreement with Forbes & Manhattan Inc. for CAD$3,500 ($2,808). The loan was unsecured and had an interest rate of 12% per annum. The is repayable in full within 18 months from the issuance date, and the Company may repay the loan at any time prior to the end of the term. As of October 31, 2021, the balance of principal plus interest was CAD$4,012 ($3,240).

9. Convertible loan and derivative liability

On August 11, 2021, the Company entered into a convertible loan agreement (the “Loan”) with Timothy Jury (the “Lender”) for the principal amount of $250,000. The loan is unsecured, bears interest at an annual rate of 6%. At the Lender’s option, the Lender may, at any time prior to full repayment of the Loan, require the company to repay all or a portion of the Principal amount of the Loan via an issuance of common shares of the Company, to be price at a 20% discount to the closing price of the common shares as of the last business day prior to the repayment date specified by the Lender, and using the published CAD to USD exchange rates as of the same date.

Since the conversion features offer a variable price and a variable number of shares to settle the Loan, the conversion feature has been accounted for as a derivative liability under IFRS. Accordingly, the fair value of the conversion feature, being $99,517 of the issuance proceeds was allocated to the derivative liability and the remaining $150,483 was allocated to the Loan.

The fair value of the derivative liability at the date of issuance was determined using the Black Scholes option pricing model with the following assumptions: share price of $0.11; expected life of 0.33 years; $nil dividends; 100% volatility; risk-free interest rate of 0.47% and a conversion price of $0.09.

On August 12, 2021, the Company repaid $144,000 of the Loan principal by issuing 2,500,000 common shares of the Company valued at CAD $0.072 per share (CAD $180,000 or $144,000). As result $86,678 and $57,322 were transferred from convertible loan and derivative liability, respectively to share capital.

On September 16, 2021, the Company repaid $66,360 of the loan principal by issuing 1,500,000 common shares of the Company valued at CAD$0.056 per share (CAD$84,000 or $66,360). As result $39,944 and $24,026 were transferred from convertible loan and derivative liability, respectively to share capital.

(In U.S. dollars, except share and per share amounts, unless otherwise noted)

9. Convertible loan and derivative liability (continued)

The fair value of the derivative liability at repayment date of September 16, 2021 was determined to be $38,378 using the Black Scholes option pricing model with the following assumptions: share price of $0.075; expected life of 0.23 years; $nil dividends; 100% volatility; risk-free interest rate of 0.42% and a conversion price of $0.06.

The fair value of the derivative liability at reporting date was determined to be $11,957 using the Black Scholes option pricing model with the following assumptions: share price of $0.09; expected life of 0.11 years; $nil dividends; 100% volatility; risk-free interest rate of 1.08% and a conversion price of $0.07.

As a result, the Company recognized a gain on the revaluation of the embedded derivative of $6,212 for the year ended October 31, 2021 ($nil in 2020).

The Company recorded $924 in interest expense for the period to October 31, 2021.

The movement in the Loan and derivative liability is as follows:

	2021	2020
	$	$
Loan		
Balance, beginning of the year	-	-
Issuance	250,000	-
Less: fair value assigned to derivative liability	(99,517)	
Less: fair value assigned to share capital	(126,622)	-
Interest during the year	924	-
Balance, end of the year	24,785	-
Derivative liability		
Balance, beginning of the year	-	-
Value assigned from convertible loan	99,517	-
Less: fair value assigned to share capital	(81,348)	-
Change in fair value	(6,212)	-
Balance, end of the year	11,957	-

9. Convertible loan and derivative liability (continued)

On December 27, 2021, the Company issued 1,062,612 common shares of the Company valued at CAD$0.05 per share in settlement of the remaining principal and interest of $40,911.

10. Shareholders' equity

Authorized

Unlimited number of common shares

Immediately prior to the completion of the RTO, Yukoterre completed a consolidation of all of its 10,520,541 issued and outstanding common shares on the basis of two pre-consolidation common shares for one post-consolidation common share into 5,260,270 common shares after consolidation. The consolidation of common shares, options and related share amounts have been reflected retrospectively in these consolidated financial statements. Yukoterre issued one common shares to shareholders of Silo Psychedelics in exchange of one Class A common share of Silo Psychedelics in the Reverse Takeover.

i) Private placement

During the period ended October 31, 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 ($0.26) for a period of 24 months.

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 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. 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 $93,576 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 $125,740, which has been recorded as 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 is exercisable to acquire one common share of the Company at a price of CAD$0.33 ($0.26) for a period of 24 months. Each compensation unit entitles the holder 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 is exercisable to acquire one common share of the Company at a price of CAD$0.33 ($0.26) 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 (see note 5).

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 (see note 5).

(In U.S. dollars, except share and per share amounts, unless otherwise noted)

10. Shareholders' equity (continued)

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 share price of the Company, in settlement of debt to a non-arm's length service provider.

On August 12, 2021, the Company issued 2,500,000 common shares of the Company to repay $144,000 principal of the loan disclosed in the Note 9. On September 16, 2021, the Company further issued 1,500,000 common shares of the Company to repay $66,360 principal of the loan disclosed in note 9.

On August 12, 2021, the Company issued 5,000,000 common shares of the Company valued at CAD$500,000 ($399,200) based on the share price of the Company in settlement of debt to a service provider, of which CAD$388,889 ($314,024) was recorded as prepaid expenses as of October 31, 2021.

On August 12, 2021, the Company issued 310,000 common shares of the Company valued at CAD$31,000 ($24,750) based on the share price of the Company in settlement of debt to another service provider.

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 542,106 Class A shares with a value of $0.10 per share for $54,211. 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:

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	
Total fees	$385,815	$ 45,455	$ **431,270**	**$** 242,044

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.

(In U.S. dollars, except share and per share amounts, unless otherwise noted)

10. Shareholders' equity (continued)

(ix) Cancellation of Class A shares

In the year ended October 31, 2020, 1,000,000 Class A common shares of the Company previously issued for services were cancelled as the initial subscribers did not complete the work for these shares. The 1,000,000 Class A common shares were initially issued to two consultants of the Company for work to be completed and recorded as a prepaid expense on October 31, 2019, and fully expensed before these shares were cancelled.

Warrants

The following is a summary of the changes in warrants for the years ended October 31, 2021 and 2020:

	2021		2020	
	Number of warrants outstanding	Weighted average exercise price	Number of warrants outstanding	Weighted average exercise price
Share purchase warrants				
Opening balance	-	-	-	-
Granted	10,350,224	0.26	-	-
Balance, October 31	10,350,224	0.26	-	-
Compensation unit warrants				
Opening balance	-	-	-	-
Granted	393,600	0.20	-	-
Balance, October 31	393,600	0.20	-	-
Total	10,743,824	0.26	-	-

On March 1, 2021, there were 10,350,224 share purchase warrants issued pursuant to the brokered private placements (Note 10(i) and (ii)). The issue date fair value of the warrants was estimated at $1,134,016 using the Black Scholes option pricing model with the following weighted average assumptions: current stock price of CAD$0.20; exercise price $0.26 (CAD $0.33) expected dividend yield of 0%; expected volatility of 183.4%; risk-free interest rate of 1.89% and an expected life of 2 years.

On March 1, 2021 there 787,200 compensation unit purchase warrants issued pursuant to the broker private placements (Note 10(i)). The issue date fair value of the warrants was estimate at $125,740 using the Black Scholes option pricing model with the following weighted average assumptions: current unit price of CAD$0.25; exercise price of $0.20 (CAD$0.25) expected dividend yield of 0%; expected volatility of 183.4%; risk-free interest rate of 1.89% and an expected life of 2 years.

(In U.S. dollars, except share and per share amounts, unless otherwise noted)

10. Shareholders' equity (continued)

The following table shows all warrants outstanding as at October 31, 2021:

Expiry date	Number of warrants outstanding	Exercise price	Estimated grant date fair value $	Weighted average remaining contractual life (in years)
Share purchase warrants				
March 1, 2021	10,350,224	0.26	1,134,016	1.330
	10,350,224		1,134,016	1.330
Compensation unit warrants				
March 1, 2021	787,200	0.20	125,740	1.330
	787,200		125,740	1.330
Less issuance costs			(149,294)	
	11,137,424		**1,110,462**	**0.655**

Note: Each compensation unit is exercisable into one common share and one-half common share purchase warrant. See Note 10(ii).

11. Options

Immediately prior to the completion of the RTO, 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. The consolidation has been reflected retrospectively in these consolidated 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 Securities 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.

The following is a summary of changes in options for the year ended October 31, 2021 and 2020:

	2021		2020	
	Number of options outstanding	Weighted average exercise price	Number of options outstanding	Weighted average exercise price
Opening balance	-	-	-	-
Granted	**5,192,500**	**0.182**	-	-
Expired	**(122,500)**	**(0.158)**		
Forfeited	**(182,500)**	**(0.158)**	-	-
Ending balance	**4,887,500**	**0.183**	-	-

11. Options (continued)

The fair value of stock options issued during the period ended October 31, 2021, was determined at the time of issuance using the Black-Scholes option pricing model with the following weighted average inputs, assumptions and results:

On March 1, 2021, as part of the RTO transaction, the Company issued 122,500 options. Each stock option is exercisable into common shares of the Company at an exercise price of $0.20 per share, vesting immediately. The options expire on September 24, 2021. The fair value of the options was determined to be $5,168. For purposes of calculating the fair value of the options under the Black-Scholes model, the following assumptions were used: current stock price - $0.18, exercise price of $0.16 (CAD$ 0.20) Risk free interest rate – 0.90%, Expected life – 0.57 years, Expected annual volatility – 160%, Expected dividends – $Nil, Expected forfeiture rate – Nil.

On March 1, 2021, as part of the RTO transaction, the Company issued 470,000 options. Each stock option is exercisable into common shares of the Company at an exercise price of $0.20 per share, vesting immediately. The options expire on September 25, 2024. The fair value of the options was determined to be $58,789. For purposes of calculating the fair value of the options under the Black-Scholes model, the following assumptions were used: current share price - $0.185, exercise price of $0.16 (CAD $(0.20) Risk free interest rate – 0.90%, Expected life – 3.57 years, Expected annual volatility – 160%, Expected dividends – $Nil, Expected forfeiture rate – Nil.

On March 23, 2021, the Company issued 3,950,000 options to directors, officers and various consultants of the Company. Each stock option is exercisable into common shares of the Company at an exercise price of $0.25 per share, vesting immediately. The options expire on March 23, 2026. The fair value of the options was determined to be $583,810. For purposes of calculating the fair value of the options under the Black-Scholes model, the following assumptions were used: current share price - $0.24,exercise price of $0.20 (CAD $0.25) Risk free interest rate – 0.90%, Expected life – 5 years, Expected annual volatility – 108%, Expected dividends – $Nil, Expected forfeiture rate – Nil.

On April 20, 2021, the Company issued 200,000 options to a director of the Company. Each stock option is exercisable into common shares of the Company at an exercise price of $0.15 (CAD $0.19) per share, vesting immediately. The options expire on April 20, 2026. The fair value of the options was determined to be $24,026. For purposes of calculating the fair value of the options under the Black-Scholes model, the following assumptions were used: current share price - $0.18, Risk free interest rate – 0.90%, Expected life – 5 years, Expected annual volatility – 108%, Expected dividends – $Nil, Expected forfeiture rate – Nil.

On June 4, 2021, the Company issued 250,000 options to a director of the Company. Each stock option is exercisable into common shares of the Company at an exercise price of $0.13 (CAD $0.16) per share, vesting in equal quarterly tranches over a one-year period. The options expire on June 4, 2026. The fair value of the options was determined to be $23,910. For purposes of calculating the fair value of the options under the Black-Scholes model, the following assumptions were used: current share price - $0.15, Risk free interest rate – 0.90%, Expected life – 5 years, Expected annual volatility – 108%, Expected dividends – $Nil, Expected forfeiture rate – Nil.

On September 29, 2021, the Company issued 200,000 options to a director of the Company. Each stock option is exercisable into common shares of the Company at an exercise price of $0.06 (CAD $0.07) per share, vesting in equal quarterly tranches over a one-year period. The options expire on September 29, 2026. The fair value of the options was determined to be $8,547. For purposes of calculating the fair value of the options under the Black-Scholes model, the following assumptions were used: current share price - $0.07, Risk free interest rate – 0.90%, Expected life – 5 years, Expected annual volatility – 108%, Expected dividends – $Nil, Expected forfeiture rate – Nil.

The total expense related to the fair value of options granted which was recognized in the year ended October 31, 2021, was $620,903 (2020 - nil).

(In U.S. dollars, except share and per share amounts, unless otherwise noted)

11. Options (continued)

As of October 31, 2021 the Company had outstanding options as follows:

Expiry date	Options outstanding	Options exercisable	Exercise price $	Grant date fair value vested $	Weighted average remaining contractual life (in years)
September 25, 2024	287,500	287,500	0.16	37,264	2.900
March 23, 2026	3,950,000	3,950,000	0.20	583,810	4.390
April 20, 2026	200,000	200,000	0.15	24,026	4.470
June 4, 2026	250,000	62,500	0.13	11,672	4.590
September 29, 2026	200,000	-	0.06	1,395	4.920
	4,887,500	4,500,000		658,167	4.340

12. Related party transactions (see also note 8)

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:

	Year ended October 31, 2021	Year ended ended October 31, 2020
Directors & officers compensation	**$ 600,092**	$ 283,327
Share-based payments	**449,002**	242,044
	$ 1,049,094	$ 525,371

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. ("2227") 2227 is a company wholly owned by Fred Leigh, who is a former director of the Company. In September 2020, October 2020 and February 2021, 2227 advanced loans of CAD$68,000 (see note 8). For the year ended October 31, 2021, the Company incurred expenses for consulting, rent and promotion services in the amount of CAD$15,000 ($12,104) (October 31, 2020 – nil) with 2227.

As at October 31, 2021, $215,239 (October 31, 2020 - $131,288) was owing to officers of the Company for travel expenses and was included in trade payables and accrued liabilities, and are unsecured, non-interest bearing and due on demand.

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 (ended July 31, 2021), $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. $150,000 royalty payable for the year 2 was accrued as at October 31, 2021.

Management contracts

The Company is party to certain management contracts with officers, directors and various consultants of the Company. These contracts require that additional payments of up to approximately $1,253,633 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 consolidated financial statements. The Company is also committed to payments upon termination of approximately $685,369 (2020 - $544,000) pursuant to the terms of these contracts.

14. Financial instrument risk

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

- credit risk
- liquidity risk
- interest rate risk
- currency 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.

(In U.S. dollars, except share and per share amounts, unless otherwise noted)

14. Financial instrument risk (continued)

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 balances. 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. 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 due to related parties, loans payable and convertible loan.

Interest rate risk

Interest rate risk is the risk that the fair value of interest bearing financial instruments will fluctuate due to changes in market interest rates. The majority of the Company’s interest bearing financial instruments are subject to fixed interest rates. As a result, the Company is not subject to significant amounts of risk due to fluctuations in the prevailing levels of market interest rates and considers interest rate risk insignificant.

Currency risk

The Company is exposed to currency risk to the extent that monetary operational expenses are denominated in both CAD and U.S. dollars while functional currency of U.S. dollars is used for reporting. The Company has not entered into any foreign currency contracts to mitigate this risk.

The Company had the following balances in monetary assets and monetary liabilities which are subject to fluctuation against U.S. dollars:

Denominated in:	**CAD**
Cash	707
Accounts payable	(370,708)
Loans payable	(41,157)
	(411,158)
Foreign currency rate	0.8075
Equivalent to U.S. dollars	**(332,007)**

Based on the above exposures at October 31, 2021, and assuming that all other variables remain constant a 10% change of the CAD against the U.S. dollar would impact net loss by approximately $3,200.

(In U.S. dollars, except share and per share amounts, unless otherwise noted)

15. Capital management

The Company considers the aggregate of its common shares, warrants, options, contributed surplus, accumulated other comprehensive loss 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.

On October 31, 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. Income taxes

Provision for Income Taxes

A reconciliation of actual income tax expense and the accounting loss multiplied by the Company's statutory tax rate of 27% (2020 – 27%) is as follows:

	2021	2020
	$	$
ss before income taxes	**(6,208,882)**	(1,385,664)
ected income tax recovery based on statutory rate	**(1,676,398)**	(374,000)
justments to expected income recovery:		
Change in fair value of derivative liability	**(1,677)**	-
Share issuance costs	**(86,996)**	-
Non-deductible expenses	**484,386**	104,000
Other	**-**	299,000
Change in unrecorded deferred tax assets	**1,280,685**	(29,000)
	-	-

(In U.S. dollars, except share and per share amounts, unless otherwise noted)

16. Income taxes (continued)

Deferred Income Tax

The significant components of the Company's deferred tax assets that have not been included in the consolidated statement of financial position are as follows:

	2021	2020
	$	$
Non-capital loss carryforwards	**1,922,132**	607,498
Share issuance costs	**69,597**	9,720
	1,991,729	617,218
Valuation allowance	**(1,991,729)**	(617,218)
	-	-

Deferred tax assets have not been recognized in respect of these items because it is not probable that future taxable income will be available against which the Company will be able to use these benefits.

As at October 31, 2021, the Company had non-capital losses which under certain circumstances can be used to reduce taxable income of future years. The Canadian non-capital losses of approximately $6,562,000 expire as follows:

		$
In the year ended October 31,	2039	1,394,000
	2040	646,000
	2041	4,522,000
		6,562,000

The US non-capital losses of approximately $558,000 expire as follows:

		$
In the year ended October 31,	2039	165,000
	2040	45,000
	2041	348,000
		558,000

17. Subsequent events

On November 11, 2021, the Company issued 392,156 common shares valued at $23,694 (CAD$30,000) to settle a debt owed to a service provider. On December 27, 2021, the Company issued 600,000 common shares valued at $23,694 (CAD$30,000) to settle a debt owed to the same service provider.

On December 3, 2021, the Company issued 1,232,727 common shares valued at CAD$67,800 to settle a debt owed to a service provider. On December 3, 2021, the Company issued 1,737,145 common shares of the Company to its CEO to settle $75,000 consulting fees owed to the CEO. On December 3, 2021, the Company issued 1,737,600 to one director to settle $75,020 of consulting fees owed to the director.

On December 27, 2021, the Company issued 1,062,612 common shares to settle the $40,911 loan principal and interest due as disclosed in note 8.

On December 27, 2021, the Company granted 1,000,000 common shares purchase options to directors and officers of the Company; each option entitles the holder to purchase one common share of the Company at CAD$0.05 until December 27, 2026. The options are subject to a four-month hold period, and vest in equal quarterly tranches over a year.

On February 3, 2022, the Company entered into a subscription agreement with Orthogonal Thinker, Inc. (the “Investor”), an arm’s length third-party, pursuant to which the Company is to issue 12,555,180 units (the “Units”) of the Company for aggregate gross proceeds to the Company of $495,000. Each Unit is to consist of one common share of the Company and one common share purchase warrant exercisable for one common share at a price per common share of CAD$0.05 for a period of two years after the date of issue. The Investor is obligated to purchase additional common shares of the Company (the "Follow-On Investment”), in one or more closings as follows: (a) within 120 days of the date of the agreement, an additional $250,000 of either, at the sole discretion of the Investor: (i) common shares at an issue price equal to a 25% discount to the closing market price of the Company’s common shares on the trading date immediately preceding the applicable closing date of the of the respective Follow-On Investment (the “Closing Price”) or (ii) secured convertible debt at a conversion price equal to the applicable Closing Price; and (b) within 180 days of the date of the agreement, and additional $255,000 of either, at the sole discretion of the Investor: (i) common shares at a price equal to a 25% discount of the applicable Closing Price; or (ii) secured convertible debt at a conversion price equal to the applicable Closing Price. Concurrently with the closing of each Follow-On Investment, the Company is to issue that number of common share purchase warrants (the “Follow-On Warrants”) as is equal to: (i) the number of common shares subscribed for by the Investor; or (ii) the number of common shares underlying the secured convertible debentures subscribed for by the Investor, as applicable. The Follow-On Warrants are to be exercisable at a price equal to the issue price of such Follow-On Investment plus a 35% premium, and are to have a term of two years from the date of issuance.

18. Comparative periods

The prior year’s amounts relate to Silo Psychedelics Inc. before the RTO.