SILO WELLNESS INC.

(FORMERLY YUKOTERRE RESOURCES INC.)

CONDENSED INTERIM

CONSOLIDATED FINANCIAL STATEMENTS

For the three months ended January 31, 2022 and 2021

(Expressed in U.S. Dollars)

(Unaudited)

Silo Wellness Inc. (formerly Yukoterre Resources Inc.)

NOTICE OF NO AUDITOR REVIEW OF INTERIM FINANCIAL STATEMENTS

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

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

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

SILO WELLNESS INC.
(FORMERLY YUKOTERRE RESOURCES INC.)
CONDENSED INTERIM CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
AS AT JANUARY 31, 2021 AND OCTOBER 31, 2021
(Expressed in U.S. dollars)
(Unaudited)

As at:	**Notes**	**January 31, 2022**	October 31, 2021
		$	$
ASSETS			
Current			
Cash		**4,207**	98,345
Other receivables and prepaid expenses	9(v)	**301,651**	425,229
Inventories		**61,706**	89,520
Total current assets		**367,564**	613,094
Total assets		**367,564**	613,094
LIABILITIES			
Current			
Accounts payables and accrued liabilities	14	**875,472**	686,850
Due to related parties	12	**260,300**	215,239
Loans payable	8	**33,251**	33,234
Convdertible loan	9	**-**	24,785
Derivative liability	9	**-**	11,957
Total current liabilities		**1,169,023**	972,065
EQUITY			
Share capital	10	**7,130,135**	6,838,594
Warrants	10	**1,110,462**	1,110,462
Options		**671,259**	658,167
Contributed surplus	11	**26,693**	26,693
Accumulated other comprehensive gain		**836**	(952)
Deficit		**(9,740,844)**	(8,991,935)
Total shareholders' deficit		**(801,459)**	(358,971)
Total liabilities and shareholders' deficit		**367,564**	613,094

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

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

________________________ Director

________________________ Director

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

SILO WELLNESS INC.
(FORMERLY YUKOTERRE RESOURCES INC.)
CONDENSED INTERIM CONSOLIDATED STATEMENTS OF LOSS AND COMPREHENSIVE LOSS
FOR THE THREE MONTHS ENDED JANUARY 31, 2022 AND 2021
(Expressed in U.S. dollars, except per share amounts)
(Unaudited)

	Notes	**Three months ended January 31, 2022**	Three months ended Janaury 31, 2021
		$	**$**
Sales		**67,479**	19,018
Cost of goods sold		**(32,216)**	(15,174)
		35,263	3,844
Expenses			
Advertising and promotion		**340,233**	45,455
Consulting and management fees	12	**316,144**	87,461
Professional fees		**49,686**	37,156
General and administrative expenses		**54,007**	50,770
Stock based compensation	11	**13,092**	-
Amortization	7	**-**	54,520
Interest expense and bank charges		**3,726**	1,432
Foreign exchange loss		**1,898**	476
		778,786	277,270
Loss on issuing shares for debt	9	**5,386**	-
Loss and for the year		**748,909**	273,426
Other comphresive loss:			
Items that subsequently may be reclassified into net income:			
Foreign currency translation		**(1,788)**	**-**
Total comprehensive loss for the period		**747,121**	273,426
Basic and diluted loss per share		**$ 0.01**	$ 0.01
Weighted average number of common shares outstanding - basic and diluted		**75,399,210**	35,066,730

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

SILO WELLNESS INC.
(FORMERLY YUKOTERRE RESOURCES INC.)
CONDENSED INTERIM CONSOLIDATED STATEMENTS OF CHANGES IN SHAREHOLDERS' DEFICIENCY
FOR THE THREE MONTHS ENDED JANUARY 31, 2022 AND 2021
(Expressed in U.S. dollars, except share amounts)
(Unaudited)

	Notes	Class A shares		Warrants	Optoins	Contributed Surplus	Accumulated Deficit	Accumulated other comprehensive gain	Equity
		#	$	$	$	$	$		$
Balance, October 31, 2020		71,402,505	6,838,594	1,110,462	658,167	26,693	(8,991,935)	(952)	(358,971)
Shares for debt	9(vi)	6,762,239	291,541	-	-	-	-	-	291,541
Stock based compensation	11	-	-	-	13,092	-	-	-	13,092
Loss and comprehensive loss for the period		-	-	-	-	-	(748,909)	1,788	(747,121)
Balance, January 31, 2022		78,164,744	7,130,135	1,110,462	671,259	26,693	(9,740,844)	836	(801,459)
Balance, October 31, 2020		35,066,730	2,747,434	-	-	-	(2,783,053)	-	(35,619)
Loss and comprehensive loss for the period		-	-	-	-	-	(273,426)	-	(273,426)
Balance, January 31, 2021		35,066,730	2,747,434	-	-	-	(3,056,479)	-	(309,045)

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

SILO WELLNESS INC.
(FORMERLY YUKOTERRE RESOURCES INC.)
CONDENSED INTERIM CONSOLIDATED STATEMENTS OF CASH FLOWS
FOR THE THREE MONTHS ENDED JANUARY 31, 2022 AND 2021
(Expressed in U.S. dollars)
(Unaudited)

	Notes	Three months ended January 31, 2022	Three months ended Janaury 31, 2021
CASH (USED IN) PROVIDED BY:		$	$
OPERATING ACTIVITIES			
Net loss for the year		**(748,909)**	(273,426)
Items not involving cash:			
Share-based compensation	11	**13,092**	-
Interest expense		**3,726**	-
Amortization of intangible asset	7	**-**	54,520
		(726,705)	(218,906)
Net changes in non-cash working capital:			
Change in accounts payable and accrued liabilities		**632,352**	27,566
Net cash flows (used in) operating activities		**(94,353)**	(191,340)
FINANCING ACTIVITIES			
Proceeds from loans payable, net of costs		**-**	175,000
Net cash flows provided by financing activities		**-**	175,000
Effect of exchange rate change		**215**	-
CHANGE IN CASH DURING THE PERIOD		**(94,138)**	(16,340)
CASH, beginning of the period		**98,345**	117,876
CASH, end of the period		**4,207**	101,536
SUPPLEMENTAL INFORMATION:			
Shares issued to settle loan payable	9(vi)	**40,911**	-
Shares issued as settlement of accounts payable	9(vi)	**250,630**	-

The accompanying notes are an integral part of these condensed interim 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 January 31, 2022, and October 31, 2021, the Company had only one reportable operating segment.

Going concern

These unaudited condensed interim consolidated financial statements have been prepared on the basis of accounting applicable to a going concern, which assumes the Company will continue in operation for the foreseeable future and will be able to realize its assets and discharge its liabilities in the normal course of business. As of January 31, 2022, the Company's current liabilities exceed current assets by $801,459. The Company has incurred several years of losses and as of January 31, 2022, has a cumulative deficit of $9,740,844 (December 31, 2021 - $8,991,935); negative cash flows from operations for the year ending January 31, 2022, total $94,353; and had a shareholder deficiency of $801,459 as at January 31, 2022 (December 31, 2021 - $358,971). These conditions raise significant doubt about the Company's ability to continue as a going concern.

During the period ended January 31, 2022, the Company funded its working capital requirements and its capital and operating expenditures through proceeds from 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. As at January 31, 2022, the unaudited condensed interim 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 accompanying condensed interim financial statements have been prepared by management in conformity with International Accounting Standard ("IAS") 34, Interim Financial Reporting and do not include all the disclosures required in full annual financial statements in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB"). These condensed interim consolidated financial statements should be read in conjunction with the Company's financial statements for the year ended October 31, 2021.

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 March 28, 2022, the date the Board of Directors approved these unaudited condensed interim consolidated financial statements

Basis of measurement

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

Functional and presentation currency

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 unaudited condensed interim consolidated financial statements are presented in United States Dollars, unless otherwise noted.

2. Basis of presentation (continued)

Basis of consolidation

These condensed interim consolidated financial statements include the accounts of the Company and its wholly-owned subsidiaries, Silo Psychedelics Inc, which was incorporated under the Business Corporations Act (British Columbia). and SW Holdings, Inc., which was incorporated in the State of Oregon, the United States.

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 policies used for preparation of these unaudited condensed interim consolidated financial statements were the same accounting policies and methods of application as the audited consolidated financial statements of the Company for the year ended October 31, 2021 and were consistently applied to all the periods presented unless otherwise noted below. They do not include all of the information and disclosures required for annual financial statements. For further information, see the Company's audited consolidated financial statements for the year ended October 31, 2021.

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 condensed interim consolidated financial statements.

Accounting standards issued but not yet effective

A number of new standards, amendments to standards and interpretations are not yet effective at January 31, 2022 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 condensed interim consolidated financial statements requires the Company to make judgments in applying its accounting policies and estimates and assumptions about the future. These judgments, estimates and assumptions affect the Company's reported amounts of assets, liabilities, and items in net loss, and the related disclosure of contingent assets and liabilities, if any. Such estimates are based on various assumptions that the Company believes are reasonable under the circumstances, and these estimates form the basis for making judgments about the carrying value of assets and liabilities and the reported amount of items in net loss that are not readily apparent from other sources. These estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant, and actual results may differ from these estimates under different assumptions or conditions.

Set out below are the most significant accounting judgments, estimates and assumptions that the Company has made in the preparation of these consolidated financial statements.

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

Consolidation

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

Asset acquisition

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

Expected credit losses on financial assets

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

Determination of CGUs

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

4. Significant accounting judgments and estimates (continued)

Functional currency

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

Useful lives and impairment of intangible assets

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

Provisions and contingencies

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

Income and other taxes

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

Changes or differences in underlying estimates or assumptions may result in changes to the current or deferred income tax balances on the consolidated statement of financial position, a charge or credit to income tax expense included as

part of net income (loss) and may result in cash payments or receipts. Judgment includes consideration of the Company's future cash requirements in its tax jurisdictions.

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

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.

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

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:

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

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

5. Reverse takeover of Yukoterre (continued)

	$
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 January 31, 2022, included $61,706 (October 31, 2021 – 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.

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

Accumulated Amortization and Impairment Losses		**Contract**
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

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 January 31, 2022, the unpaid principal plus interest was CAD$38,174 ($30,013) (October 31, 2021 - CAD$37,145 or $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 January 31, 2022, the balance of principal plus interest was CAD$4,118 ($3,238) (October 31, 2021 - CAD$4,012 or $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.

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, and $623 for the period ended January 31, 2022.

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

9. Convertible loan and derivative liability (continued)

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	-

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. The shares were valued $40,911, and the Company recorded a loss from the retirement of the loan and derivative liability of $5,386.

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$263,889 ($207,477) (October 31, 2021 - CAD$388,889 or $314,024) was recorded as prepaid expenses as of January 31, 2022.

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) 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 valued $40,911 to settle the loan principal and interest due as disclosed in note 9.

Warrants

The following is a summary of the changes in warrants for the three months ended January 31, 2022 and 2021:

	Number of warrants	Weighted average exercise price
Balance, October 31, 2020	-	$ -
Issued	10,734,824	0.26
Balance, Oct 31, 2021 and January 31, 2022	**10,734,824**	**$ 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). Subsequent to January 31, 2022, all the warrants expired unexercised.

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 the period ended January 31, 2022:

	Number of Options	Weighted average exercise price	
Balance, October 31, 2020	-		
Granted	5,192,500	$	0.182
Expired/forfeited	(305,000)	$	0.158
Balance, October 31, 2021	4,887,500	$	0.183
Granted	1,000,000	$	0.039
Balance, January 31, 2022	5,887,500	$	0.159

11. Options (continued)

The fair values of stock options issued during the period ended October 31, 2021 and January 31, 2022, were 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.

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

11. Options (continued)

On December 12, 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 12, 2027. The options are subject to a four-month hold period, and vest in equal quarterly tranches over a year. The fair value of the options was determined to be $37,754. For purposes of calculating the fair value of the options under the Black-Scholes model, the following assumptions were used: current share price - CAD$0.05 ($0.04), Risk free interest rate – 1.06%, Expected life – 5 years, Expected annual volatility – 170%, Expected dividends – $Nil, Expected forfeiture rate – Nil.

The total expense related to the fair value of options granted which was recognized in the period ended January 31, 2022, was $12,768 (2021 - nil). As of January 31, 2022 the Company had outstanding options as follows:

Date of expiry	Options outstanding	Options exercisable	Exercise price	Grant date fair value vested	Remaining life in years
September 25, 2024	287,500	287,500	$0.16	$ 37,264	2.65
March 23, 2026	3,950,000	3,950,000	$0.20	$ 583,810	4.14
April 20, 2026	200,000	200,000	$0.15	$ 24,026	4.22
June 4, 2026	250,000	125,000	$0.13	$ 17,783	4.34
September 29, 2026	200,000	50,000	$0.03	$ 3,579	4.66
January 12, 2027	1,000,000	-	$0.04	$ 4,797	3.21
	5,887,500	4,612,500		671,259	

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:

	Three months ended January 31, 2022	Three months ended January 31, 2021
Directors & officers compensation	**$ 127,912**	$ 274,670
Share-based payments	**$ 13,092**	-
	$ 141,004	$ 274,670

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) with 2227.

As at January 31, 2022, $260,300 (October 31, 2021 - $215,239) was owing to officers of the Company for consulting fees and 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. $300,000 royalty payable for the year 2 was accrued as at January 31, 2022.

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 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.

As at October 31, 2021 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 for the year 2021.

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 January 31, 2022, the Company has minimal cash-generating operations; therefore, the only source of cash flow is generated from financing activities or loans. The Company may enter into new financing arrangements to meet its objectives for managing capital, until such time as a viable business activity is operational and the Company can thereby internally generate sufficient capital to cover its operational requirements.

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

16. Subsequent events

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. As at the date of this financial statements, the Company is still in the progress of finalizing the term of the subscription agreement and is not certain if the agreement will be executed by the parties.

Subsequent to January 31, 2022, the 10,734,824 warrants disclosed in Note 10 all expired unexercised.