SILO WELLNESS INC.

CONSOLIDATED FINANCIAL STATEMENTS

For the years ended October 31, 2022 and 2021

(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. and its subsidiaries (the "Company"), which comprise the consolidated statements of financial position as at October 31, 2022 and 2021 and the consolidated statements of loss and comprehensive loss, changes in shareholders' deficiency and cash flows for the years 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, 2022 and 2021, and its consolidated financial performance and its consolidated cash flows for the years then ended in accordance with International Financial Reporting Standards ("IFRS").

Basis for Opinion

We have conducted our audits 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 audits of the consolidated financial statements in Canada, 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 exceeded current assets by $5,304,092. The Company has incurred several years of losses and as of October 31, 2022, had a cumulative deficit of $15,052,475 (2021 - $8,991,935); negative cash flows from operations for the years ended October 31, 2022 were $524,875 (2021 – $3,798,254); and had a shareholders' deficiency of $5,304,091 as at October 31, 2022 (2021 - $358,971). 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 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 MD&A and we do not express any form of assurance conclusion thereon.

In connection with our audits of the consolidated financial statements, our responsibility is to read the MD&A identified above and, in doing so, consider whether the MD&A is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audits, 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 MD&A, we conclude that there is a material misstatement of this MD&A, 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 to 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 audits. 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.

- 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.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Company to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the company audits. We remain solely responsible for our audit opinion.

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

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 audits resulting in this independent auditors' report is Laurence W. Zeifman, CPA, CA.

Zeifmans LLP

Toronto, Ontario
March 31, 2023

Chartered Professional Accountants
Licensed Public Accountants

SILO WELLNESS INC.
CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
AS AT OCTOBER 31, 2022 AND 2021
(Expressed in U.S. dollars)

As at:	Notes	October 31, 2022	October 31, 2021
		$	$
ASSETS			
Current			
Cash		**115**	98,345
Other receivables and prepaid expenses	10(v)	**64,066**	425,229
Inventories		**-**	89,520
Total current assets		**64,181**	613,094
Non-current			
Intangible assets	7	**1**	-
Total assets		**64,182**	613,094
LIABILITIES			
Current			
Accounts payable and accrued liabilities	13	**4,098,783**	686,850
Due to related parties	12	**530,067**	215,239
Loans payable	8	**33,478**	33,234
Convertible loan	9	**-**	24,785
Make-whole amount payable	9	**705,945**	-
Derivative liability	9	**-**	11,957
Total current liabilities		**5,368,273**	972,065
Total liabilities		**5,368,273**	972,065
SHAREHOLDERS' DEFICIENCY			
Share capital	10	**7,807,571**	6,838,594
Warrants	10	**1,110,462**	1,110,462
Options	11	**767,923**	658,167
Contributed surplus	11	**-**	26,693
Accumulated other comprehensive income (loss)		**62,428**	(952)
Accumulated deficit		**(15,052,475)**	(8,991,935)
Total shareholders' deficiency		**(5,304,091)**	(358,971)
Total liabilities and shareholders' deficiency		**64,182**	613,094

Going concern (Note 1)
Commitments and contingencies (Note 13)
Subsequent events (Note 18)

Approved and authorized for issue by the directors on March 31, 2023

__”Mike Arnold”__________ Director

__”Greg Biniowsky”__________ Director

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

SILO WELLNESS INC.
CONSOLIDATED STATEMENTS OF LOSS
AND COMPREHENSIVE LOSS
FOR THE YEARS ENDED OCTOBER 31, 2022 AND 2021
(Expressed in U.S. dollars, except per share amounts)

	Notes	**Year ended October 31, 2022**	Year ended October 31, 2021
		$	$
Sales		**335,811**	120,120
Cost of goods sold		**(212,849)**	(388,614)
Gross profit (loss)		**122,962**	(268,494)
Expenses			
Advertising and promotion		**3,643,165**	1,517,336
Consulting and management fees	12	**736,658**	1,394,075
General and administrative expenses	17	**533,075**	578,993
Impairment of Dyscovry assets acquired	7	**402,207**	-
Stock based compensation	11	**109,756**	620,903
Professional fees		**107,550**	554,989
Interest expense and bank charges		**12,408**	68,727
Amortization	7	**-**	54,520
		5,544,819	4,789,543
		(5,421,857)	(5,058,037)
Other income (expenses)			
Transaction costs	9	**(380,664)**	(1,173,121)
Foreign currency translation gain		**14,832**	16,064
Change in fair value of convertible loan	9	**(19,355)**	6,212
Loss on issuing shares for debt	9	**(5,356)**	-
Net loss for the year		**(5,812,400)**	(6,208,882)
Other comprehensive loss:			
Foreign currency translation loss		**(63,380)**	**(952)**
Comprehensive loss for the year		**(5,875,780)**	(6,209,834)
Basic and diluted loss per share		**$ (0.87)**	$ (2.00)
Weighted average number of common shares outstanding - basic and diluted		**6,665,500**	3,096,855

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

SILO WELLNESS INC.
CONSOLIDATED STATEMENTS OF CHANGES IN SHAREHOLDERS’ DEFICIENCY
FOR THE YEARS ENDED OCTOBER 31, 2022 AND 2021
(Expressed in U.S. dollars, except share amounts)

	Notes	Class A shares		Warrants	Options	Contributed Surplus	Accumulated Deficit	Accumulated other comprehensive (loss) income	Shareholders' Deficiency
		#	$	$	$	$	$	$	$
Balance, October 31, 2021		3,570,125	6,838,594	1,110,462	658,167	26,693	(8,991,935)	(952)	(358,971)
Shares issued for debt	9,10	18,346,752	689,838	-	-	(26,693)	(248,140)	-	415,005
Warrants issued with convertible debt	9	-	-	-	-	-	-	-	-
Stock based compensation	11	-	-	-	109,756	-	-	-	109,756
Shares issued for acquisition	10	12,762,325	279,139	-	-	-	-	-	279,139
Loss and comprehensive loss for the year		-	-	-	-	-	(5,812,400)	63,380	(5,749,020)
Balance, October 31, 2022		34,679,202	7,807,571	1,110,462	767,923	-	(15,052,475)	62,428	(5,304,091)
Balance, October 31, 2020		1,753,337	2,747,434	-	-	-	(2,783,053)	-	(35,619)
Private placement	10	990,966	2,813,838	1,085,915	-	-	-	-	3,899,753
Share issue costs	10	-	(233,742)	(88,467)	-	-	-	-	(322,209)
Broker's units	10	24,600	70,398	26,645	-	-	-	-	97,043
Compensation units	10	-	-	125,740	-	-	-	-	125,740
Issue costs	10	-	(161,957)	(60,827)	-	-	-	-	(222,784)
Private placement	10	19,456	54,544	21,456	-	-	-	-	76,000
Change of control settlements	10	38,160	108,503	-	-	-	-	-	108,503
Issuance of shares on reverse takeover	10	263,014	747,847	-	63,957	-	-	-	811,804
Shares issued for debt	10	480,593	691,729	-	-	-	-	-	691,729
Stock based compensation	13	-	-	-	620,903	-	-	-	620,903
Expiry of stock options	13	-	-	-	(26,693)	26,693	-	-	-
Loss and comprehensive loss for the year		-	-	-	-	-	(6,208,882)	(952)	(6,209,834)
Balance, October 31, 2021		3,570,125	6,838,594	1,110,462	658,167	26,693	(8,991,935)	(952)	(358,971)

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

SILO WELLNESS INC.
CONSOLIDATED STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED OCTOBER 31, 2022 AND 2021
(Expressed in U.S. dollars)

	Notes	Year ended October 31, 2022	Year ended October 31, 2021
		$	$
OPERATING ACTIVITIES			
Net loss for the year		**(5,812,400)**	(6,208,882)
Items not involving cash:			
Share-based compensation	11	**109,756**	620,903
Interest expense		**5,182**	58,758
Loss on issuance of shares for debt		**5,356**	-
Change in fair value of convertible loans	9	**19,355**	(6,212)
Impairment of asset acquired	7	**402,207**	-
Non-cash transaction costs	9	**380,664**	1,173,121
Amortization of intangible asset	7	**-**	54,520
		(4,889,880)	(4,307,792)
Net changes in non-cash working capital:			
Change in other receivables and prepaid expenses		**361,163**	(275,347)
Change in inventories		**89,520**	(82,086)
Change in accounts payable and accrued liabilities		**3,914,322**	866,971
Net cash flows (used in) operating activities		**(524,875)**	(3,798,254)
FINANCING ACTIVITIES			
Private placement		**-**	3,975,752
Share issue costs		**-**	(322,209)
Proceeds from loans payable, net of costs		**-**	111,284
Proceeds from convertible loan	9	**424,386**	250,000
Payments of loans payable	8	**-**	(335,831)
Proceeds from related parties		**-**	83,951
Cash acquired on reverse takeover	5	**-**	17,350
Net cash flows provided by financing activities		**424,386**	3,780,297
Effect of exchange rate change		**2,259**	(1,574)
CHANGE IN CASH DURING THE YEAR		**(98,230)**	(19,531)
CASH, beginning of the year		**98,345**	117,876
CASH, end of the year		**115**	98,345
SUPPLEMENTAL INFORMATION OF NON-CASH TRANSACTIONS			
Shares issued to settle loans payable		**338,297**	-
Shares issued to acquire assets		**279,139**	-
Shares issued as settlement of accounts payable		**351,541**	-

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

1. Description of business and nature and continuance of operations

Silo Wellness Inc. (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, and intellectual property. As at October 31, 2022 and 2021, 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, 2022, the Company's current liabilities exceeded current assets by $5,304,092. The Company has incurred several years of losses and as of October 31, 2022, had a cumulative deficit of $15,052,475 (2021 - $8,991,935); negative cash flows from operations for the years ended October 31, 2022 were $524,875 (2021 – $3,798,254); and had a shareholders' deficiency of $5,304,091 as at October 31, 2022 (2021 - $358,971). These conditions raise significant doubt about the Company's ability to continue as a going concern.

The Company will need to raise capital in order to fund its operations. This need may be adversely impacted by a lack of normally available financing. To address its financing requirements, the Company may seek financing through debt and equity financings, asset sales, and rights offerings to existing shareholders. The outcome of these matters cannot be predicted at this time (see note 18).

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

During the year ended October 31, 2022, the Company funded its working capital requirements and its capital and operating expenditures through retreat revenue, convertible debentures issuances and shares issued to settle debt. 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 October 31, 2022, 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. See note 13 for disclosure of a significant contingent liability.

Novel Coronavirus ("COVID-19")

Judgment has been exercised in considering the impacts that the Coronavirus (COVID-19) pandemic has had, or may have, on the Company based on known information. This consideration extends to the nature of the products and services offered, customers, supply chain, staffing and geographic regions in which the Company operates. Other than as addressed in specific notes, there does not currently appear to be either any significant impact upon the consolidated financial statements or any significant uncertainties with respect to events or conditions which may impact the Company unfavourably as at the reporting date or subsequently as a result of the Coronavirus (COVID-19) pandemic.

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 Accounting 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 effective as at March 31, 2023, 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. and Dyscovry 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). SW Holdings, Inc., which was incorporated in the State of Oregon, the United States, and 9382135 Canada Inc. ("Dyscovry") that is incorporated under the Canadian Business Corporations Act.

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 currency 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 year. 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 year, 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 years presented are adjusted retrospectively. If these changes occur after the reporting year but before the consolidated financial statements are authorized for issue, the per share calculations for those and any prior year 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.

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, loans payable, due to related parties, and make-whole amount payable 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.

3. Significant accounting policies (continued)

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.

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

3. Significant accounting policies (continued)

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.

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.

3. Significant accounting policies (continued)

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.

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.

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.

3. Significant accounting policies (continued)

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.

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.

3. Significant accounting policies (continued)

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.

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.

3. Significant accounting policies (continued)

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.

Recently issued accounting pronouncements

Adoption of amendments and interpretations to accounting standards

The Company has not adopted new accounting standards during the current year.

Accounting standards issued but not yet effective

A number of new standards, amendments to standards and interpretations are not yet effective at October 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 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.

Convertible debentures valuation

The Company uses judgement and assumptions and estimates in determining the fair value of the convertible loans and debentures, and embedded derivatives.

Going concern

The Company uses judgement and assumptions and estimates in determining the Company will have working capital and be able to raise fund to meet its obligations for the coming 12 months and be able to continue as a going-concern.

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.

4. Significant accounting judgments and estimates (continued)

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.

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 (the shares numbers in this note are pre the 20-to-1 share consolidation in June 2022, see note10):

(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 was 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 $1,173,121 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

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 October 31, 2022, included $nil (October 31, 2021 – 89,520) of functional mushroom tinctures the Company purchased for resale. See note 18.

7. Intangible asset

Acquisition of Dyscovry

Dyscovry is a Toronto-based biotechnology research company which has an agreement (the “NRC Agreement”) with the National Research Council of Canada (the “NRC”) for the research and development of the production of pyilocybin by biotechnology using E. coli. On September 22, 2022, the Company entered into a share exchange agreement with Dyscovry and its former shareholders, to acquire 100% of the common shares of Dyscovry, by issuing 12,726,325 common shares of the Company or 49% of the Company’s common shares outstanding at that date, and assuming CAD$120,000 ($87,918) debt of Dyscovery owed to its former shareholders and accounts payable of $35,151 (CAD$47,977). The fair value of the 12,726,325 common shares was determined to be $279,139 (CAD$382,870) based on the fair market value of the Company’s shares on the date of issuance.

The Company has determined that this was an asset acquisition as the research and development activity of Dyscovry and the project did not meet the definition of a business. Total consideration paid for the acquisition was $402,208 (CAD$550,847) that was allocated to the net assets acquired at the date of acquisition being the Agreement with NRC.

Subsequent to the acquisition, the Company has determined there was an impairment of the asset and has written off the asset value to $1 and reported an impairment of $402,207, as the expiry date of the NRC Agreement was January 31, 2023 and the Company did not renew the NRC Agreement and allowed it to expire.

8. Loans payable

(1) 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. They 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, 2022, the unpaid principal plus interest was CAD$41,259 ($30,228) (2021 – CAD$37,145 or $29,994).

(2) 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 loan 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, 2022, the balance of principal plus interest was CAD$4,435 ($3,250) (2021 – CAD$4,012 or $3,240).

(3) In March 2022, the Company’s subsidiary SW Holdings Inc. entered into an agreement with a lender in the United States for a revolving line of credit facility for $12,000, that had $nil balance as of October 31, 2022.

9. Convertible loan and make-whole amount payable

(a) 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 $2.20; expected life of 0.33 years; $nil dividends; 100% volatility; risk-free interest rate of 0.47% and a conversion price of $1.80.

On August 12, 2021, the Company repaid $144,000 of the Loan principal by issuing 125,000 common shares of the Company valued at CAD $1.44 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 75,000 common shares of the Company valued at CAD$1.12 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 $1.5; expected life of 0.23 years; $nil dividends; 100% volatility; risk-free interest rate of 0.42% and a conversion price of $1.2.

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 $1.8; expected life of 0.11 years; $nil dividends; 100% volatility; risk-free interest rate of 1.08% and a conversion price of $1.4.

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.

The Company recorded $924 in interest expense for the year ended October 31, 2021, and $623 for the year ended October 31, 2022.

9. Convertible loan and make-whole amount payable (continued)

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

	2022	2021
	$	$
Loan		
Balance, beginning of the year	**24,785**	-
Issuance	**-**	250,000
Less: fair value assigned to derivative liability	**-**	(99,517)
Less: fair value assigned to share capital	**(25,409)**	(126,622)
Interest during the year	**624**	924
Balance, end of the year	**-**	24,785
Derivative liability		
Balance, beginning of the year	**11,957**	-
Value assigned from convertible loan	**-**	99,517
Less: fair value assigned to share capital	**(11,957)**	(81,348)
Change in fair value	**-**	(6,212)
Balance, end of the year	**-**	11,957

On December 27, 2021, the Company issued 53,131 common shares of the Company valued at CAD$1.00 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 $5,356.

(b) On April 13, 2022, the Company entered into a senior unsecured convertible debentures and warrants agreement (the "Subscription Agreement") with Global Tech Opportunities 14 (the "Investor") whereas the Investor committed to fund the Company up to CAD$5,950,000 ($4,651,353) (the "Total Commitment") by subscribing for CAD$7,300,000 ($5,706,602) aggregate principal amount of the debentures, including the commitment fee, in twenty tranches, each tranche in the aggregate principal amount of CAD$350,000 ($273,609), (the "Debentures"). The Debentures are issued for 85% of the principal value of the Debentures, or CAD$297,500 ($232,568) cash consideration in each tranche. Warrants were attached only to the first tranche in accordance with the terms of the Subscription Agreement. The commitment fee are two instalments of CAD$150,000 ($117,261) each that will be paid by the Debentures. The twenty tranches and the commitment fee for CAD$7,300,000 ($5,706,602) of the Debentures have a maturity date of 36 months from closing.

The Debentures can be converted into common shares of the Company any time at the option of the Investor or automatically converted upon the maturity date of the Debentures, at a conversion price that is the lower of (i) the closing price of the common shares on the Canadian Securities Exchange ("CSE") at the time of the conversion notice (or in the automatic conversion, the maturity date): and (ii) CAD$0.05.

The make-whole amount: if the conversion price of a tranche is greater than the theoretical conversion price, which is defined as the lowest volume weighted average price observed over the 15 trading days immediately preceding the date of the relevant conversion notice (or the maturity date), the amount by which the aggregate conversion price of such Debentures exceeds the theoretical conversion price, calculating as follows: (A/B – A/C) multiplied by D, where:

9. Convertible loan and make-whole amount payable (continued)

A = the total principal amount of Debentures to be converted
B = the theoretical conversion price
C = the conversion price
D = 110% of the closing price of the common shares on the CSE on the trading date immediately preceding the date on which a conversion notice is delivered to the Company (this was amended by both parties from 110% to 100% on July 5, 2022)

From time to time if there is a make-whole-amount balance the subscription amount payable by the Investor to the Company may be reduced by the make-whole-amount.

On April 13, 2022, the first tranche was closed. The Company received CAD$297,500 ($232,568), and paid a transaction expense of CAD$50,000 ($39,488). CAD$500,000 ($390,870) principal amount of the Debentures (being CAD$350,000 first tranche plus CAD$150,000 commitment fee) were issued to the Investor. In addition, according to the Subscription Agreement, 2,082,500 warrants of the Company were issued to the Investor on the closing of the first tranche, each warrant entitles the holder to subscribe for the common share of the Company at an exercise price of CAD$1.00 for a period of 5 years from the first closing date.

The Company determined that there are several financial components of the tranche 1 of the Debentures. The significant ones include the debentures payable, the conversion rights, and the make-whole amount liability. There is also a standalone equity comment being the warrants issued. Additionally, the Subscription Agreement in effect gives the Investor 19 options where each option entitles the Investor to subscribe for a CAD$350,000 ($273,609) tranche of Debentures over the 24 months commitment period and in effect gives Investor the rights to subscribe for 350,000 common shares of the Company at an exercise price of CAD$0.85 (85% of CAD$1.00) a common share over the next three to five years, which the Company determines to be another standalone equity component. The Company elected to present the Debentures as a whole as convertible loan liability at fair value through profit or loss (PVTPL). The fair value of the Debentures outstanding at a given date (except for the initial CAD$350,000 principal amount of each tranche at the issuance date that is initially recognized at cost) is determined by the total liabilities the Company would have to pay to the Investor assuming the Investor converts the Debentures on that date, being (i) the fair value of the common shares if the Debentures are converted on that date, (ii) the make-whole amount of the conversion, and (iii) the balance of the unpaid make-whole amount before that date.

The Company determined the fair value of the CAD$350,000 ($273,609) convertible loan liability to be CAD$297,500 ($232,568) on the first closing date of April 13, 2022, and assigned a value of CAD $nil to the warrants and CAD $nil to the options using the residual approach. The CAD$150,000 ($117,261) principal amount of Debentures issued for the first instalment of commitment fee were expensed at a fair value of CAD$216,000 ($170,588) on April 13, 2022, and CAD$150,000 ($117,261) principal amount of Debentures for the second instalment of commitment fee were also accrued as convertible loan payable at a fair value of CAD$216,000 ($170,588) and expensed. The Company recorded the two installments of commitment fees and the CAD$50,000 ($39,488) in total of $380,644 as transaction costs during the year.

On June 22, 2022 the Investor subscribed for the second and the third tranche of Debentures. CAD$350,000 ($273,609) of the make-whole amount balance was used to reduce the amount payable for the second and the third tranche. The second commitment fee of CAD$150,000 was also added to the second tranche Debentures. The Company received $231,306 (CAD$297,500) for the second and the third tranches and issued Debentures of $662,822 (CAD$850,000) principal amount to the Investor. On subscribing the second and the third tranche, the Investor has waived the condition of the exercise of all the outstanding warrants. The make-whole-amount term brings significant financial risks and contingency liability to the Company. See note 13 significant contingency liability.

9. Convertible loan and make-whole amount payable (continued)

During the year ended October 31, 2022 the Investor converted all the CAD$1,350,000 principal amount of tranche 1, 2 and 3 Debentures into 16,375,000 common shares of the Company, valued at $338,297 (CAD$440,350), and resulting into a make-whole-amount of CAD$1,270,050 ($991,908). CAD$350,000 make-whole was used to reduce the third tranche subscription. As at October 31, 2022 the ending Debentures principal amount was $nil and the ending make-whole amount was CAD$963,550 ($705,945). The Company recorded a change in fair value of the Debentures of CAD$24,900 ($19,355) loss for the year ended October 31, 2022. For the make-whole-amount larger than the conversion amount, the Company recorded it as a transaction with a shareholder and recorded an adjustment of $26,693 to the contributed surplus and $248,140 to the accumulated deficit (see note 18).

10. Shareholders' deficiency

Authorized

Unlimited number of common shares

Immediately prior to the completion of the RTO in March 2021, Yukoterre completed a consolidation of all of its 10,520,541 then 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. 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. In June 2022 the Company further completed another consolidation of all of its then 88,164,744 into 4,408,237 common shares in a basis of twenty to one consolidation. The consolidation of common shares, options, warrants and related share amounts have been reflected retrospectively in these consolidated financial statements. The number of shares, warrants and options information is presented all on post-June-2022 consolidation basis except for the shares information in the note 5.

a) Private placement

During the year ended October 31, 2021, the Company issued 19,456 units at a price of CAD $5.00 ($4.00) 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 $6.60 ($5.20) for a period of 24 months.

b) Brokered Private placement

On March 1, 2021, upon completion of the RTO transaction, the Company completed a brokered private placement of 990,966 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$6.60 ($5.40) 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 24,600 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 39,360 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$6.60 ($5.20) for a period of 24 months. Each compensation unit entitles the holder to acquire one unit of the Company at a price of CAD$5.00 ($4.00) 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$6.60 ($5.20) for a period of 24 months.

10. Shareholders' deficiency (continued)

c) Change of control settlements

On March 1, 2021, the Company issued 38,160 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).

d) Shares issued on reverse takeover

On March 1, 2021, as part of the RTO transaction, the Company issued 263,014 common shares to the shareholders of Yukoterre at a price of CAD$3.60 ($2.80) per share (see note 5).

e) Shares for debt

On April 7, 2021, the Company issued 15,093 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 125,000 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 75,000 common shares of the Company to repay $66,360 principal of the loan disclosed in note 9.

On August 12, 2021, the Company issued 250,000 common shares of the Company valued at CAD$500,000 ($399,200) based on the share price of the Company in settlement of debt to a service provider, of which CAD$nil (October 31, 2021 - CAD$388,889 or $314,024) was recorded as prepaid expenses as of October 31, 2022.

On August 12, 2021, the Company issued 15,500 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.

On November 11, 2021, the Company issued 19,608 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 30,000 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 61,636 common shares valued at $53,222 (CAD$67,800) to settle a debt owed to a service provider. On December 3, 2021, the Company issued 86,857 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 86,880 common shares to one director to settle $75,020 of consulting fees owed to the director.

On December 27, 2021, the Company issued 53,131 common shares valued $40,911 to settle the loan principal and interest due as disclosed in note 9(1).

Pursuant to the conversion of the debentures as described in note 9(2), the Company issued a total of 16,375,000 common shares to the Investor valued at $338,297 (CAD$440,350) for the year ended October 31, 2022, and as a result recorded a $26,693 adjustment to the contributed surplus and $248,140 adjustment to the accumulated deficit.

10. Shareholders' deficiency (continued)

Pursuant to the acquisition of Dyscovry as disclosed in Note 7, the Company issued 12,726,325 common shares to the former shareholders of Dyscovry, valued at $279,139 (CAD$382,870). The shares issued are subject to restrictions on resale for a period of 36 months from closing of the acquisition and are released on a schedule consistent with the release schedule for an "emerging issuer" prescribed by section 4.3 of National Instrument 46-201 Escrow for Initial Public Offerings unless an earlier release is agreed to by the parties and by unanimous vote of the board.

On October 31, 2022, the Company issued 1,633,640 common shares to settle $60,000 (CAD$81,682) debt then owed to a service provider for promotion consulting fee.

Escrowed Shares

As of October 31, 2022 there were 12,874,359 common shares in escrow.

Warrants

The following is a summary of the changes in warrants for the two years ended October 31, 2022:

	Number of warrants	Weighted average exercise price	
Balance, October 31, 2020	**-**	**$**	**-**
Issued	536,741		5.20
Balance, Oct 31, 2021	**536,741**	**$**	**5.20**
Issued	2,082,500		0.78
Balance, October 31, 2022	**2,619,241**	**$**	**1.69**

On March 1, 2021, there were 536,741 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$4.00; exercise price $5.20 (CAD $6.60) 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 39,360 compensation unit purchase warrants issued pursuant to the broker private placements (Note 10(ii)). 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$5.00; exercise price of $4.00 (CAD$5.00) 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 April 13, 2022, pursuant to the subscription of the convertible debentures described in note 9(2), 2,082,500 warrants were issued to the Investor, each warrant entitles the holder to subscribe for one common share of the Company at an exercise price of CAD$1.00 within of 5 years from the issuance date.

11. Options

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 is determined by the board at the time of grant, but in the event that the Shares are traded on the CSE 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 two years ended October 31, 2022:

	Number of Options	Weighted average exercise price	
Balance, October 31, 2020	-		
Granted	259,625	$	3.64
Expired/forfeited	(15,250)	$	3.16
Balance, October 31, 2021	244,375	$	3.66
Granted	2,550,000	$	0.04
Balance, October 31, 2022	2,794,375	$	0.36

The fair values of stock options issued during the years ended October 31, 2021 and October 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, the Company issued 6,125 options. Each stock option is exercisable into common shares of the Company at an exercise price of $4.00 per share, vesting immediately. The options expired 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 - $3.60, exercise price of $3.20 (CAD$4.00) 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, the Company issued 23,500 options. Each stock option is exercisable into common shares of the Company at an exercise price of $4.00 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 - $3.70, exercise price of $3.20 (CAD $(4.00) 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 197,500 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 $5.00 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 - $4.80, exercise price of $4.00 (CAD $5.00) 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 10,000 options to a director of the Company. Each stock option is exercisable into common shares of the Company at an exercise price of $3.00 (CAD $3.80) 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 - $3.60, Risk free interest rate – 0.90%, Expected life – 5 years, Expected annual volatility – 108%, Expected dividends – $Nil, Expected forfeiture rate – Nil.

11. Options (continued)

On June 4, 2021, the Company issued 12,500 options to a director of the Company. Each stock option is exercisable into common shares of the Company at an exercise price of $2.60 (CAD $3.20) 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 - $3.00, 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 10,000 options to a director of the Company. Each stock option is exercisable into common shares of the Company at an exercise price of $1.20 (CAD $1.40) 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 (CAD$10,890). For purposes of calculating the fair value of the options under the Black-Scholes model, the following assumptions were used: current share price - $1.40, Risk free interest rate – 0.90%, Expected life – 5 years, Expected annual volatility – 108%, Expected dividends – $Nil, Expected forfeiture rate – Nil.

On January 12, 2022, the Company granted 50,000 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$1.00 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 (CAD$47,206). For purposes of calculating the fair value of the options under the Black-Scholes model, the following assumptions were used: current share price – CAD$1.00 ($0.80), Risk free interest rate – 1.06%, Expected life – 5 years, Expected annual volatility – 170%, Expected dividends – $Nil, Expected forfeiture rate – Nil.

On September 26, 2022, the Company granted 2,500,000 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$0.03 until September 26, 2027. The options are subject to a four-month hold period, and vested immediately. The fair value of the options was determined to be $54,499 (CAD$74,726). For purposes of calculating the fair value of the options under the Black-Scholes model, the following assumptions were used: current share price – CAD$0.03 ($0.02), Risk free interest rate – 3.98%, Expected life – 5 years, Expected annual volatility – 257%, 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, 2022, was $109,756 (2021 – $690,903). As of October 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	14,375	14,375	$3.20	$ 37,264	1.90
March 23, 2026	197,500	197,500	$4.00	$ 583,810	3.39
April 20, 2026	10,000	10,000	$3.00	$ 24,026	3.47
June 4, 2026	12,500	12,500	$2.60	$ 23,910	3.59
September 29, 2026	10,000	10,000	$1.20	$ 8,547	3.92
January 12, 2027	50,000	37,500	$0.78	$ 35,867	4.20
September 26, 2027	2,500,000	2,500,000	$0.02	$ 54,499	4.91
	2,794,375	2,781,875		767,923	

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, 2022	Year ended ended October 31, 2021
Directors & officers compensation	**$ 374,005**	$ 600,092
Share-based payments	**109,756**	449,002
	$ 483,761	$ 1,049,094

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. As of October 31, 2022 the loan balance was CAD$41,259 ($30,228) (2021 – CAD$37,145 or $29,994). (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 (2022 - $nil).

The Company assumed $87,918 (CAD$120,000) debt of Dyscovry owed to a director, that are unsecured, non-interest bearing, and to be repaid by 12 months' installments. See also Note 7.

$75,000 was owed to the former CEO of the Company, that is unsecured, non-interest bearing and due on demand as of October 31, 2022.

As at October 31, 2022, $530,067 (2021 - $215,239) due to related parties of the Company are unsecured, and overdue.

Due to related parties	**October 31, 2022**	October 31, 2021
Compensations owed to	$	$
Former CEO	**75,000**	85,599
CEO	**165,000**	69,385
Former CFO	**14,902**	16,424
CFO	**97,996**	-
Directors and former directors and secretary	**177,169**	43,831
Total	**530,067**	215,239

See Note 18.

13. Commitments and contingencies

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 $803,756 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 $437,578 pursuant to the terms of these contracts.

Make-Whole Amount

According to the Subscription Agreement of the convertible debentures as described in note 9(2), that was amended on July 13, 2022 and December 22, 2022, when the Investor converts the principal amount of debentures in to common shares, there would be a make-whole amount being a liability of the Company to the Investor. As long as the theoretical conversion price, which is the volume weighted average price observed over the 20 trading days immediately preceding the date of conversion, is lower than the 100% of the closing price of the common shares on the CSE on the trading date immediately preceding the date of the conversion, which is almost always certain, there would be a make-whole-amount liability. This contingent liability will be very significant for the Company but at the date of the financial statement the impact could not be determined.

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.

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.

14. Financial instrument risk (continued)

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 make-whole amount payable.

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, 2022 the Company had the following balances in monetary assets and monetary liabilities which are subject to fluctuation against U.S. dollars:

	Denomiated in: CAD
Other accounts receivable	64,276
Accounts payable	(1,458,032)
Loans payable	(45,694)
Make-whole amount payable	(963,550)
Due to related parties	(308,561)
	(2,711,561)
Foreign currency rate	0.73265
Equivalent to U.S. dollars	**(1,986,625)**

Based on the above exposures at October 31, 2022, and assuming that all other variables remain constant a 10% change of the CAD against the U.S. dollar would impact the net loss by approximately $200,000.

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, 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. 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% is as follows:

	2022	2021
Loss before income taxes	$	$
	(5,812,400)	(6,208,882)
Expected income tax recovery based on statutory rate	(1,569,348)	(1,676,398)
Adjustment to expected income tax benefit:		
Change in fair value of derivative liability	5,226	(1,677)
Share issue costs	(20,639)	(86,996)
Non-deductible expenses	31,542	484,386
Other	94,891	-
Effect of different foreign tax rates	157,151	-
Change in unrecorded deferred tax assets	1,301,177	1,280,685
Tax provision	**-**	—

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:

	2022	2021
	$	$
Non-capital losses carry-forwards	3,237,469	1,922,132
Share issuance costs	55,438	69,597
	3,292,906	1,991,729
Valuation allowance	(3,292,906)	(1,991,729)
	-	-

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.

16. Income taxes (continued)

As at October 31, 2022, 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 $7,868,000 expire as follows:

	$
In the year ended October 31, 2037	30,000
2038	45,000
2039	1,325,000
2040	743,000
2041	3,876,000
2042	1,849,000
	7,868,000

The US non-capital losses of approximately $4,121,000 expire as follows:

	$
In the year ended October 31, 2039	165,000
2040	45,000
2041	348,000
2042	3,563,000
	4,121,000

17. General and administrative expenses

General and administrative expenses	October 31, 2022	October 31, 2021
	$	$
Office and administration	**285,849**	208,949
Insurances	**137,423**	69,983
Filing and transfer agent	**63,713**	130,636
Travel	**31,162**	60,632
Shareholders communications	**14,928**	108,793
Total	**533,075**	578,993

18. Subsequent events

(a) On December 22, 2022 the Company agreed with the Investor to set a floor on future tranches of the convertible debentures at the greater of CAD$0.01 or 20-day volume weighted average price rather than then contracted make-whole-amount formula, in favor of the Company. The Investor subscribed for the fourth tranche of CAD$350,000 ($276,416) principal amount of Debentures for CAD$297,500 ($234,953), by paying CAD$50,000 ($39,488) cash and offsetting CAD$247,500 ($195,465) from the make-whole-amount.

(b) During the period from February 27, 2023 to March 4, 2023, the Company issued 107,903,397 common shares each at CAD$0.011 ($0.008) to settle a total debt of CAD$1,186,937 ($875,322) of the Company.

(c) On March 24, 2023 the Company announced it is partnering with Oregon-based Satya, Inc. to develop a robust ecosystem aimed at supporting the well-being of psilocybin patients and Oregonian entrepreneurs alike. Silo and Satya have established a Raw Materials Supply and Purchase Agreement. The agreement includes a Right of First Refusal (ROFR) that guarantees Silo's affiliates first rights to any of Satya's psilocybin biomass that become available for sale.

(d) On March 27, 2023, the Company entered into a definitive stock purchase agreement dated March 27, 2023 with a non-arm's length entity owned by its board member Michael Hartman (the "Buyer") for the sale of the Company's wholly-owned subsidiary SW Holdings, Inc. ("SWHI") for $150,000 to be paid out of any net proceeds from licensing or other revenue after any current lienholders are satisfied.

For additional consideration, SWHI is to pay to the Company into perpetuity (following the clearing of all currently existing secured debt) a 50% royalty payment of any licensing fees or other revenue produced by SWHI or 50% of any assets sold. At any time within 60 days of the closing of the transaction, the Buyer can opt to pay USD $50,000 cash (or $75,000 for the following 180 days) to satisfy the purchase price and reduce the revenue/royalty payment from 50% to 25%. The Company also agreed to pay $10,000 to the Buyer at closing to contribute to attorney fees and closing costs.