



SILO WELLNESS INC.

(Expressed in United States Dollars)

**Management Discussion and Analysis
for the year ended October 31, 2022**

March 31, 2023

This Management’s Discussion and Analysis (“MD&A”) relates to the financial position and results of Silo Wellness Inc. (the “Company” or “Silo Wellness”) for the year ended October 31, 2022. This MD&A should be read in conjunction with the audited consolidated financial statements for the year ended October 31, 2022. Unless otherwise noted, all references to currency in this MD&A are in United States dollars.

All financial statement information discussed in this MD&A have been prepared using International Financial Reporting Standards (“IFRS”) applicable to a going concern, which contemplates the realization of assets and the payment of liabilities in the ordinary course of business. Should the Company be unable to continue as a going concern, it may be unable to realize the carrying value of its assets and to meet its liabilities as they come due.

The Company’s certifying officers are responsible for ensuring the audited consolidated financial statements do not contain any untrue statement of material fact or omit a material fact required to be stated or that is necessary to make a statement not misleading in light of the circumstances under which it was made. The Company’s officers certify that the consolidated financial statements fairly present, in all material respects, the financial condition, result of operations and cash flows, of the Company as of the date hereof. The Board of Directors approves the financial statements and ensures that management has discharged its financial responsibilities. The Board of Directors’ review is accomplished principally through the Audit Committee, which meets periodically to review all financial reports, prior to filing.

This MD&A is as of March 31, 2023. The reader should be aware that historical results are not necessarily indicative of future performance. Unless otherwise noted, all references to currency in this MD&A refer to **United States dollars**. On June 10, 2022 the Company had held a shareholders’ meeting and completed the 20 to 1 consolidation of the common shares of the Company (the number of common shares in this MDA and the audited consolidated financial statements are post-consolidation numbers unless otherwise specified).

CAUTIONARY STATEMENT ON FORWARD LOOKING STATEMENTS

Certain statements contained in this MD&A constitute “forward-looking information” and “forward-looking statements”. All statements, other than statements of historical fact, contained in this MD&A are forward-looking statements, including, without limitation, statements regarding future financial position, business strategy, budgets, the Company’s wellness retreats in Oregon and Jamaica, the development and commercialization of the patent-pending psilocybin nasal spray and the other related patent claims, and plans and objectives of management for future operations. Such statements can, in some cases, be identified by the use of forward-looking terminology such as “expect,” “likely”, “may,” “will,” “should,” “intend,” or “anticipate,” “potential,” “proposed,” “estimate” and other similar words, including negative and grammatical variations thereof, or statements that certain events or conditions “may” or “will” happen, or by discussions of strategy. The forward-looking statements included in this MD&A are made only as of the date of this MD&A and the Company assumes no obligation to update or revise them to reflect subsequent information, events or circumstances or otherwise, except as required by applicable securities laws.

Forward-looking statements in this MD&A are not guarantees of future performance and involve assumptions, risks and uncertainties that are difficult to predict. Therefore, actual results may differ materially from what is expressed, implied or forecasted in such forward-looking statements. Management provides forward-looking statements because it believes they provide useful information to readers when considering their investment objectives and cautions readers that the information may not be appropriate for other purposes.

Some of the risks which could affect future results and could cause results to differ materially from those expressed in the forward-looking statements contained herein include:

- significant contingent make-whole-liability (see section below)
- indebtedness;
- cash flows and profitability;
- novel coronavirus “COVID-19”;
- effective growth management;
- recruiting and retaining employees;
- competition;
- new product launches;
- financing requirements and availability of capital;
- price and volume volatility;
- fluctuation in operating results;
- reliance on senior management and other key employees;
- regulatory regime;
- economic risk;
- political conditions;
- Jamaican operations
- Emerging market risks;

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- uncertainty related to Oregon operations and other states;
- regulatory risks and uncertainties;
- non-compliance with laws;
- risks related to prescribing medication;
- credit risk;
- acquisition risk;
- information technology systems;
- changes in technology;
- foreign exchange;
- limited operating history;
- reliance on third-party licenses;
- limited products;
- limited marketing and sales capabilities;
- insurance coverage;
- product liability;
- trade secrets;
- patent law reform;
- patent litigation and intellectual property;
- protection of intellectual property;
- no profits or significant revenues;
- speculative nature of investment risk;
- dilution of common shares; and
- use of estimates and measurement uncertainty.

Although the forward-looking statements contained in this MD&A are based upon what management currently believes to be reasonable opinion, estimates and assumptions, the Company cannot assure prospective investors that actual results, performance or achievements will be consistent with these forward-looking statements. Despite a careful process to prepare and review the forward-looking information, there can be no assurance that the underlying opinions, estimates and assumptions will prove to be correct. In particular, the Company has made assumptions regarding, among other things:

- substantial fluctuation of losses from quarter to quarter and year to year due to numerous external risk factors, and anticipation that we will continue to incur significant losses in the future;
- uncertainty as to the Company's ability to raise additional funding to support operations;
- the fluctuation of foreign exchange rates;
- the duration of COVID-19 and the extent of its economic and social impact;
- the risks associated with the development of the Company's product candidates which are at early stages of development;
- competition from other psychedelic and functional food/nutraceutical companies;
- the Company's reliance on the capabilities and experience of the Company's key executives and the resulting loss of any of these individuals;
- the Company's ability to fully realize the benefits of acquisitions;
- the Company's ability to develop its intellectual property, including its patent-pending psilocybin nasal spray;

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- the Company’s ability to adequately protect the Company’s intellectual property and trade secrets;
- the approval by regulatory authorities of the patent-pending psilocybin nasal spray and related intellectual property;
- the approval by regulatory authorities of the Company’s psilocybin business plan in Oregon;
- the risk of patent-related or other litigation; and
- the risk of unforeseen changes to the laws or regulations in the United States, Jamaica, and Canada and other jurisdictions in which the Company operates or intends to operate and the impact of such changes on the Company’s operations.

The success of and demand for the Company’s Oregon and Jamaican wellness retreats are based on assumptions including the availability of psilocybin mushrooms, 5-MeO-DMT and the result of business development and permit acquisition in Oregon. The Company believes these assumptions are reasonable and are informed by current knowledge and information that develops.

In addition to the factors set out above and those identified in this MD&A under “Risk Factors”, other factors not currently viewed as material could cause actual results to differ materially from those described in the forward-looking statements. Although the Company has attempted to identify important risks and factors that could cause actual actions, events or results to differ materially from those described in forward-looking statements, there may be other factors and risks that cause actions, events or results not to be anticipated, estimated or intended. Accordingly, readers should not place any undue reliance on forward-looking statements.

CORPORATE OVERVIEW

RTO and Public Listing

Silo Wellness Inc. (formerly Yukoterre Resources Inc. (“Yukoterre”)) 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. Common shares of the Company were approved for listing on the Canadian Securities Exchange on September 20, 2019.

The Company now offers a global company bridging modern science and current laws to make psychedelics available now. Silo Wellness has a growing psychedelic wellness retreat business in Jamaica and plans in Oregon. As at October 31, 2021 and October 31, 2022, the Company had only one reportable operating segment (Jamaica retreats).

On March 1, 2021, the Company announced that it had successfully completed its amalgamation agreement (the “Amalgamation Agreement”) with Silo Psychedelics Inc. (formerly FlyOverture Equity Inc.), operating as Silo Wellness (“Silo Psychedelics”), and 1261466 BC Ltd. (“Yukoterre Subco”), a wholly-owned subsidiary of the Company, which was incorporated on August 14, 2020. Completion of the transactions contemplated in the Amalgamation Agreement result in the reverse takeover (“RTO”) of the Company by Silo Psychedelics. The transaction constituted 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 (the “Listing Date”).

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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 in exchange for common shares of the Company (the “Resulting Issuer Shares”) on a one-for-one basis. Immediately prior to the completion of the RTO, the Company completed a consolidation of all of its issued and outstanding common shares on the basis of two pre-consolidation common shares for one post-consolidation common share and disposed of its holdings of mining leases and claims in the Division Mountain Property to an arms-length third party.

Silo Psychedelics was incorporated under the Business Corporations Act (British Columbia) on November 20, 2018. It had a subsidiary named SW Holdings, Inc. (“SW”), which was incorporated in State of Oregon, the United States that was disposed of in March 2023

At the time SW was a company that held a consulting contract with a psychedelic intellectual property startup company. Prior to the going public, Silo Psychedelics purchased 15.55% of the common shares of SW for \$29,000 in cash. On September 15, 2019, the Silo Psychedelics entered into a share exchange agreement with SW and its former shareholder, to acquire the remaining 84.45% of the common shares of SW, by issuing 196,875 Class A shares of the Company valued at \$393,750. The fair value of the consideration is estimated based on a recent financing. The transaction is recorded as an asset acquisition and the Company recorded an intangible asset of \$422,750 for the transaction.

Silo Wellness Founding

SW was founded in Oregon and has been in the psychedelics and functional mushroom space since 2018 and ultimately formulated and announced a patent-pending psilocybin nasal spray in Jamaica in 2019. This metered-dosing delivery modality was created for potential consumer microdosing to address some of the primary issues that may prevent many from trying natural psychedelics for the first time, including dose reliability, taste, stomach upset, and stigma. The nasal spray bypasses the digestive system by entering the bloodstream through the nasal membranes. (See below regarding divestment of the subsidiary controlling this asset and related liabilities).

In addition to its IP portfolio, Silo Wellness is focusing on consumer product and wellness retreat brand development for psychedelics. Its initial go-to-market revenue strategy included scaling its United States Silo Reboot brand of functional mushrooms (via www.SiloReboot.com), launching the Marley One brand of functional mushrooms (via www.marleyone.com) and its magic mushroom cultivation and psychedelic retreat operations in Jamaica, ketamine assisted retreats in Oregon and psilocybin retreats in Jamaica.

The Marley One functional mushroom brand failed to meet revenue projections and resulted in considerable debt in the subsidiary. In [March 2023](#), the company divested the debt-laden subsidiary following the termination of the licensing agreement which occurred in [October 2022](#).

Currently, the Company’s business plans focus solely on Oregon and Jamaica psychedelic services. All functional mushroom businesses failed due to the Company failing to close any of the announced purchase orders or otherwise effectively launching the Marley One brand.

Silo Wellness anticipates that it will continue to grow its operations organically and by strategically integrating complementary businesses to its operations.

Psilocybin Nasal Spray and Patent Application Claims

In 2019, Silo Wellness established a proof of concept of psilocybin metered-dose nasal spray in Jamaica. The nasal spray bypasses the digestive system by entering the bloodstream through the nasal membranes. In July 2019, through SW Holdings, it filed a provisional patent application for psilocybin nasal spray (Provisional Application No 62/870,722). In December 2019, Silo Wellness announced the development of psilocybin nasal spray in Jamaica. In July 2020, Silo filed a non-provisional utility patent application for “Metered Dosing Compositions and Methods of Use of Psychedelic Compounds” of which the psilocybin nasal spray is one product example. Non-provisional International Patent Application Number: PCT/US20/40826 filed pursuant to the Patent Cooperation Treaty. This asset was divested with the sale of the subsidiary in order to remove this company’s debt from the Silo Wellness balance sheet, as announced in [March 2022](#).

Oregon Psilocybin: The First State

Silo Wellness was founded in 2018 by an Oregonian in order to be well positioned in time for the likely launch of the U.S. market in Oregon in 2023. Oregon’s Ballot Measure 109 was on the November 2020 election ballot and was passed by Oregon voters. Oregon became the first state in the United States to allow the use of psilocybin in facilitated service centers. The ballot measure does not decriminalize psilocybin. It remains a Schedule I controlled substance under federal rules and thus not approved for any medical uses. Instead, Measure 109 directed the Oregon Health Authority to create a state-licensed, psilocybin-assisted therapy program and determine how it would regulate the therapeutic use of the ingredient. Oregon began accepting license applications in January 2023. At the time of this MD&A, no service centers had been licensed. Psilocybin will not be available for purchase in stores and consumed off site. It will only be available through state-licensed psilocybin service centers.

In February 2022, the Oregon Health Authority announced draft rules for psilocybin products under Ballot Measure 109, which only permitted oral consumption of psilocybin, prohibiting all other intake points, such as transdermal patches, inhalers, nasal sprays, suppositories and injections. See below regarding Oregon-related announcements and plans.

Dyscovry Science

On September 27, 2022, the Company signed a definitive agreement to acquire 100% of Dyscovry Science, a Toronto-based biotechnology company. The Company acquired 100% of the issued and outstanding shares of Dyscovry in exchange for 12,762,325 common shares of the Company (being 49% of the issued and outstanding shares of the Company at the date of acquisition), valued at \$279,139, and assuming CAD\$120,000 (\$87,918) debt of Dyscovry owed to its former shareholders and \$35,151 accounts payable. This is an arm’s length transaction with no finders’ fees being paid. The intangible asset acquired at the cost of \$402,208 was impaired and the Company reported a loss of impairment of \$402,207 for the year ended October 31, 2022.

See the subsequent events section below.

GOING CONCERN, COMPLETED RTO, RECENT FINANCING

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

During the year ended October 31, 2022, the Company funded its working capital requirements and its capital and operating expenditures through shares and convertible debentures issuances. The Company will need to secure additional financing in order to meet the Company's requirements for funding of the business plan and pay its obligations as they come due. There is no guarantee or assurance that the Company will be able to obtain adequate financing in the future or that such financing will be on terms advantageous to the Company. These material uncertainties cast significant doubt as to the Company's ability to continue as a going concern, just as they did in the previous year. 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.

The Company's ability to continue as a going concern has always depended on the ability of management to raise capital and issue debt in the market. The outcome of these initiatives cannot be predicted at this time.

In connection with completing the RTO, the Company completed a brokered private placement of subscription receipts of the Company ("Subscription Receipts") for gross proceeds of CAD \$2.46 million ("Concurrent Financing"). Each Subscription Receipt converted into one unit of the Company ("Silo Unit"), which consists of one common share of the Company and one half of one common share purchase warrant in the capital of the Company. Each warrant shall be exercisable to acquire one common share of the Company at a price of CAD\$6.60 for a period of 24 months.

In connection with the Concurrent Financing, Canaccord Genuity Corp (the "Agent") was entitled to receive a commission equal to 8% of the aggregate gross proceeds in cash or Subscription Receipts, and compensation warrants exercisable to acquire such number of Silo Units as its equal to 8% of the number of Subscription Receipts. Each compensation warrant will be exercisable to acquire one Silo Unit for a period of 24 months following the satisfaction of release conditions. In addition, the Company shall pay the agent a corporate finance fee equal to that number of Subscription Receipts which is equal to 5% of the aggregate number of Subscription Receipts.

On February 5, 2021, the Company announced the close of the above Concurrent Financing. Additionally, Silo Wellness conducted a concurrent non-brokered private placement for gross proceeds of CAD\$2,494,832 (the "Unit Financing" and together with the Concurrent Financing, the "Financing") of units (the "Units") at a price of CAD\$5.00 per Unit.

In consideration for their services in connection with the Sub Receipt Financing, Silo Wellness agreed to (i) pay to the Agents a fee equal to 8.0% of the gross proceeds from the Sub Receipt Financing; (ii) pay to the Agent a corporate finance fee equal to 5.0% of the aggregate number of Subscription Receipts issued pursuant to the Sub Receipt Financing; and (iii) issue to the Agents broker warrants (the "Broker Warrants") equal to 8.0% of the number of Subscription Receipts sold pursuant to the Sub Receipt

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Financing. In exchange for certain advisory services provided by the Agents to Silo Wellness, the Agents also received an advisory fee equal to \$47,677. The net proceeds of the Financing, once released from escrow, are intended to be used by Silo Wellness to expand and grow the business of Silo Wellness and for working capital purposes.

On August 12, 2021, the Company entered into a loan agreement with an arm's length third party lender (the "Lender") pursuant to which the Company borrowed US\$250,000 for working capital and inventory growth purposes (the "Loan"). Subsequently, the Company entered into a debt settlement agreement with the Lender to settle US\$144,000 of the Loan in exchange for 125,000 Common Shares at a deemed price of C\$1.44 per Common Share, representing a 20% discount to the closing price of the Common Shares on August 11, 2021 (the "Shares for Debt"). 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 a share. On December 27, 2021 the Company issued 53,131 common shares of the Company value at CAD\$1.00 a share in total value of \$40,911 for settling all the unpaid principal in interest.

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 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 (\$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 CAD\$30,000 to settle a debt owed to service provider. On December 27, 2021, the Company issued 30,000 common shares valued at CAD\$30,000 to settle a debt owed to the same service provider.

On December 3, 2021, the Company issued 66,636 common shares valued at CAD\$67,800 to settle a debt owed to 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 to one director to settle \$75,020 consulting fees owed to the director.

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.

On December 27, 2021, the Company issued 53,131 common shares valued \$40,911 to settle the loan principal and interest due.

On January 12, 2022, the Company granted 50,000 common shares purchase options to 4 directors and the CEO of the Company, each option entitles the holder to purchase one common share of the Company at CAD\$1.00 until five years from the grant date. The options are subject to a four-month hold period, and vest in equal quarterly tranches over a year.

2023 Debt Financing (Alpha Blue Ocean)

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”) (a company controlled by [Alpha Blue Ocean](#)) 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:

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

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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.

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.

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

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(\$234,953), by paying CAD\$50,000 (\$39,488) cash and offsetting CAD\$247,500 (\$195,465) from the make-whole-amount.**DESCRIPTION OF THE BUSINESS**

Silo Wellness was founded in 2018 with the goal to be first to market in Oregon in 2023. The mission of Silo Wellness is to improve health and wellness by developing and introducing psychedelic medicine to reduce trauma and increase performance, by destigmatizing the active compounds in psychedelics and innovating ease of administration and ingestion. Silo Wellness intends to introduce new, safe, and affordable alternatives to current medicines by facilitating entry into new and emerging markets where psychedelics are legal, by conducting wellness retreats, including psilocybin retreats (psilocybin is a naturally occurring hallucinogen that is found in psychedelic mushrooms) in Jamaica. The Company tested the wellness retreat market in Oregon with Ketamine-assisted wellness retreats in Oregon (Ketamine is a Schedule III controlled substance that is further described herein). Previously, Silo Wellness launched, with a branding partner to use the image and likeness of Bob Marley, a new brand of functional mushroom products called Marley One (TM) that are free of psilocybin and other controlled substances adjacent to the existing Silo Wellness house brand of functional mushroom products. More details of that status of that failed business segment are set forth below.

Silo Wellness has earned very limited revenue to date. It had previously focused on the development of three main platforms: functional mushroom tinctures (Marley One), developing its intellectual property portfolio, and psychedelic services through wellness retreats in Jamaica and Oregon. It is currently only focusing on the Jamaica and Oregon psychedelic services sectors.

1) Psilocybin-Free Functional Mushroom Tinctures

In 2020, Silo Wellness developed and launched an e-commerce online sales platform located at www.SiloReboot.com for psilocybin-free functional mushroom extracts, which are sold in solvent concentrations known as tinctures. In connection with the preparation of this website, Silo Wellness originally utilized an established manufacturing partner based in California to test its supply chain, extraction, bottling, packaging, order fulfillment relationships and infrastructure for such psilocybin-free functional mushroom tinctures, and then progressed in establishing an inventory of psilocybin-free products to be sold online.

Silo Wellness utilized the original platform for research purposes to establish the system for co-packing, marketing and distribution that were launched with the new licensed brand utilizing the proceeds from the Private Placement. The launch of its functional mushroom tinctures in 2020 was conducted to initiate preliminary market entry, gather data and optimize its processes in anticipation of launching products, both under its own name and with its branding partner.

The Company utilized a New York-based manufacturing partner for the Company's functional mushroom tinctures. By October 31, 2021, this manufacturer was the sole manufacturer for the Company's products.

No licenses, similar to cannabis cultivation, processing or sales licenses, were required for the production of its functional mushroom products. The mushroom ingredients incorporated into the functional mushroom product line of the Company are non-psychedelic and do not require licenses to possess, cultivate or process. The Company relied on GMP-certified third-party manufacturers to produce its

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products in compliance with applicable regulations. Unlike CBD, which can be derived from the genus cannabis as either hemp or cannabis-derived, or functional mushroom species (such as lion's mane, reishi, chaga, cordyceps mushrooms) are not derived from the same genus or even the same species as psychedelic mushrooms. "Magic mushrooms" belong to the genus *Psilocybe* and are psychoactive. The various mushroom species used in the Silo Reboot and Marley One tinctures do not belong to the *Psilocybe* genus, but rather to various other fungi classifications that are non-psychoactive. It follows that such products are not subject to a regulatory drug regime, including licensing.

On November 20, 2020, the Company executed a definitive License Agreement with Marley Green LLC effective through July 31, 2025 with automatic renewal if total net sales during initial term exceed USD \$15,000,000, and licensee is not otherwise in material breach. This infrastructure development was accompanied by branding through viral social media coverage. As of August 2020, there were over 800,000 trackable organic social media reactions and shares of third-party articles regarding Silo, generating considerable inbound links to www.SiloWellness.com. Silo intended to increase its sales and marketing activities.

Silo entered into the License Agreement on November 20, 2020, with Marley Green LLC, an internationally known branding partner, a well-known cannabis and lifestyle brand with over 100 million social media followers (across all platforms). The License Agreement was intended to provide recognizable branding for Silo Wellness's functional mushroom products as well as psilocybin micro-dosing products to be launched. The License Agreement granted the use of the "Marley One" name to establish the Marley One line adjacent to the Silo house brand of products. The License Agreement was to be effective through July 31, 2025, with automatic renewal if total net sales during the initial term exceed USD \$15,000,000, and the Company is not otherwise in material breach. The License Agreement permitted the use of the name of the branding partner for products including psychedelic, medical or nutraceutical functional mushrooms in territories where such products are permitted by law.

The License Agreement was to pay the branding partner royalties of 10% of net sales of licensed products, including guaranteed minimum royalties in the form of the GMR Payments during the term of the agreement. The guaranteed minimum royalties of \$500,000 in year 1 (ended July 31, 2021), \$600,000 in year 2, \$750,000 in year 3, \$900,000 in year 4 and \$1,000,000 in year 5. Silo was unable to satisfy the additional licensing payments and was in default.

On October 26, 2022, the agreement was terminated due to the default of SW, and accordingly the total future royalty amount of \$2,650,000 was due on termination. SW accrued a total liability of \$3,250,000 that was included in the accounts payable as of October 31, 2022. As stated above, this liability was sequestered in the subsidiary and the parent (Silo Wellness) was not personally liable for the debt. However, due to accounting rules, this debt remained on the Silo financial statements until it was divested through the sale of the subsidiary described herein.

Please refer to "Launch of Marley One" of this MD&A for the status of the Marley One line.

2) Psilocybin-Based Nasal Spray and IP Portfolio

In 2019, Silo Wellness developed the formulation of a psilocybin nasal spray in Jamaica, where such psychedelic compounds are legal. In addition, Silo Wellness has managed SW Holdings' IP related to this

psilocybin nasal spray (until its divestment) via the filing of provisional and non-provisional patent applications in the United States. Although psilocybin and other psychedelics substances are Schedule I controlled substances, there are no legal impediments to patent issuance for Schedule I controlled substances. The ability to patent inventions related to scheduled controlled substances was most evident in the cannabis industry that saw many issued patents following federal prohibition. For example, the United States federal government's own National Institute on Drug Abuse, the government agency responsible for studying and controlling drug abuse, was granted a patent in 2003 after their discovery that cannabinoids have some legitimate medical uses. See PCT/US99/08769 (Patent No. 6,630,507) (<https://bit.ly/USPO6630507>). An example of a metered-dosing patent in the cannabis space includes the now-expired 2003 issuance to Virginia Commonwealth University for Δ 9-tetrahydrocannabinol (Δ 9 THC) to be delivered by metered-dose inhalers. See US09/273,766 (Patent No. 6,509,005B1) (<https://patents.google.com/patent/US6509005B1>).

From its experience in operating its wellness retreats in Jamaica, the Company learned from its retreats that the market in Jamaica does not require advanced dosing methods at this time. Furthermore, as described above, Oregon prohibited consumption of psilocybin nasally. As a result, the Company did not expend further capital in its development. Additionally, the Company had been in negotiations with other companies with interest in licensing the nasal spray intellectual property but definitive agreements were never reached. The Company has received feedback from potential licensees with interest in a pharmaceutical use for the nasal spray contingent on patent issuance. The Company divested this asset with the sale of the subsidiary as described further herein.

3) Jamaican and Oregon Wellness Retreats and Jamaican Cultivation

In connection with the development the products outlined above, Silo offers psilocybin retreats in Jamaica known as wellness retreats. These Jamaican retreats have been introduced through an online marketing platform found at www.SiloRetreats.com and through www.SiloWellness.com. Silo initially had a supply agreement with a cultivator in Jamaica; the company no longer engages that cultivator but has since entered multiple new cultivation relationships. Since the Company first entered the Jamaican mushroom space in 2019, the availability of dried psilocybin mushrooms has greatly changed. Initially the Company found it very difficult to procure mushrooms for research and development of its nasal spray. However, the market has since matured and has commoditized and appears to reasonably meet current demands on the island. The Company has access to a variety of boutique cultivators to access for its supply needs.

Silo operates its psychedelic mushroom business solely in Jamaica with plans for Oregon. No psilocybin products or retreats are produced, sold or otherwise handled by Silo in the United States or any jurisdiction other than Jamaica. Additionally, Silo held its initial ketamine-assisted wellness retreat in Oregon under the care of an Oregon naturopathic physician in January and March 2021. The Oregon ketamine-assisted wellness retreat established a United States base to meet the needs of those suffering from emotional, spiritual, or psychological pain but unable to make a trip to Jamaica to experience psilocybin. The Oregon retreat was also marketed through www.SiloRetreats.com. There are currently no additional ketamine retreats scheduled at this time. See prior MD&As for a discussion of the ketamine regulatory regime and risk factors. No additional discussion of ketamine is included herein, as the company has not operated a ketamine retreat since early 2021 and has no plans to do so in the future.

The Company's current focus of attention is on launching its Oregon business plan and expanding Jamaica retreats.

Please refer to "Retreats Update" of this MD&A for an update on the status of its wellness retreats.

4) Oregon Business Description

In Oregon, the Company conducted two ketamine-assisted retreats in Oregon in 2021 and does not intend to offer additional ketamine services there.

On [October 20, 2022](#), announced that it executed a binding term sheet for a joint venture with New Frontier Ranch in the majestic Green Springs area of Jackson County Oregon, east of Ashland, pending the results of the opt-out ballot measure in the upcoming November 8th election. New Frontier Ranch is a 960-acre property that can potentially accommodate hundreds of guests at a time between the existing log cabins and court-approved campsites.

After the opt-out vote in Jackson went favorably, the Company began to work on land use approval for that property. On November 17, 2022, Silo Wellness announced that Jackson County Planning Commission has recommended to the elected commissioners the adoption of an amended land use ordinance that would allow Oregon psilocybin therapy service centers in a nature retreat setting in rural Jackson County. Ultimately, the Jackson County commissions overruled the recommendations of the Commission and outlawed rural psilcoybin service centers.

In the meantime, the Company was working on alternative sites for Oregon operations. Under the Oregon rules, each site must be licensed by the state after approval from the local land use authority. On January 11, 2023, Silo Wellness announced that it has requested county approval for an Oregon psilocybin service center and psychedelic mushroom cultivation facility near the city of Portland. Land Use Compatibility Statement (LUCS) forms were filed with the county planning department. Execution of the LUCS by local government planners is a condition precedent for filing a psilocybin license application with the Oregon Health Authority and one of the biggest risk factors for rural retreat centers.

The Company executed the binding term sheet on December 6, 2022, with this well-financed property developer with the rural real estate holding. The proposed site is within one hour of the Portland airport in a county that did not opt out of Ballot Measure 109 nor did the county yet adopt any new land use restrictions for psilocybin properties. To prevent any potential NIMBY problems, the Company is keeping the precise location confidential until such time when there are material announcements.

Material terms of the agreement are as follows: the parties intend to license and market a psilocybin service center and lodging at the site. The parties intend to create a joint venture entity with equal ownership interests to pursue and own any psilocybin licenses and to operate the property's psilocybin interests. The length of the term is five years unless the parties agree to terminate early. The parties further intend to negotiate purchase terms for the real estate or otherwise roll up the opportunities into a public deal.

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The property has a number of older structures that have in the past been used in commercial endeavors, including overnight accommodations, yoga, and meditation workshops. The accommodations are simple and dorm-like with a majority of the rooms having community bathrooms. The property is currently zoned as rural residential. Consequently, the property's existing permits and prior use is contrary to many of the zoning regulations and "grandfathered" in as prior nonconforming use. However, there are no guarantees that the county will permit such activities in the future.

Given the substantial size of the property and the number of buildings present, the Company originally intended to submit at least two psilocybin service center applications and at least one cultivation license if the LUCS applications are successful. However, after further review by Oregon counsel, the Company may just submit one application at this time for a service center. The company anticipates a lengthy process for receiving a LUCS decision. There is a substantial risk that the county does not approve the property for any licenses. Also, there is a risk that even if the county approves the property for psilocybin use, that it does not permit the Company to offer overnight accommodations on site, which could seriously compromise the commercial viability of the property.

Regardless, the price is right, and the risk is low for the company, as zero capital expenditures were required to secure the property. There is a risk of capital expenditures being necessary in the event there is an adverse ruling by the county.

On [February 17, 2023](#), Silo Wellness announced that its Oregon attorneys have agreed to handle land use compatibility statements and overnight accommodation approval on a contingent fee agreement ("win fee") for the psilocybin service center and cultivation project announced in January (refer to for risk factors). They have recently scheduled a second meeting with county land planners. The Board recognizes the significant opportunity presented by the new Oregon law and expresses optimism in its potential to positively impact those in need.

Additionally, Silo Wellness was recently featured in a Psychedelic Spotlight article titled "6 of the Best Psilocybin Retreats in Jamaica," highlighting the company's unique Jamaica retreat operations. The Board acknowledges the hard work and dedication of the retreat team and the potential for applying our time-tested model to Oregon.

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.

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(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.

REGULATORY FRAMEWORKS AND LICENSING REGIME

Below is a summary of the regulatory frameworks and licensing regime applicable to the Company. The Company does not have any direct or indirect involvement with illegal selling, production or distribution of any substances in jurisdictions in which it operates.

Business Segment	Current/Proposed Location	Summary of Applicable Regulatory Frameworks	Third-party Suppliers, and/or Manufacturers	Agreements/Contracts Related to Operations
Psychedelic Retreats and Sales	Jamaica	Psilocybin mushrooms and 5-MeO-DMT are not illegal drugs under Jamaica’s <i>Dangerous Drugs Act, 1948</i> . ⁽⁷⁾	Independent suppliers of psilocybin mushrooms Third-party resorts	Agreements with: resorts and various independent contractors for services provided
Functional Mushrooms – Marley One/Silo Reboot	United States	<i>Food and Drugs Act</i> (Canada) <i>Dietary Supplement Health and</i>	Third-party manufacturers	License agreement terminated. This line of business has been discontinued. See prior MD&As for further

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		<i>Education Act of 1994</i>		explanation of the regulatory regime.
	Canada	Not in market		N/A
I.P. - Patents	United States	The United States Patent and Trademark Office		Patent application. This asset has been sold. See subsequent events.

Jamaica – Psychedelics

At present the activities of the Company with respect to psychedelics are legal in Jamaica and are only conducted in Jamaica (other than ketamine). However, any change in Jamaican law, namely the *Dangerous Drugs Act*, declaring psychedelic mushroom cultivation as illegal could potentially impact operations in Jamaica. See “*Risk Factors*.” The Company does not have any direct or indirect involvement with illegal selling, production or distribution of any substances in jurisdictions in which it operates.

Jamaica has not declared psilocybin or 5-MeO-DMT prohibited drugs under applicable laws. The legislative framework governing controlled substances in Jamaica includes the statutes further described below.

The activities in Jamaica involve the purchase of psilocybin mushrooms on the island or facilitating retreat participants to purchase psilocybin mushrooms on the island. For the 2021 5-MeO-DMT retreats, the Company contracted with a third-party who facilitated retreat participants purchasing synthesized 5-MeO-DMT on the island. Refer to “*Risk Factors*” below regarding the present scarcity of 5-MeO-DMT on the island. The Company is not currently offering 5-MeO-DMT retreats.

Providing Psychedelics to Consumers in Jamaica

Psilocybin mushrooms and 5-MeO-DMT do not fall within the definition of a dangerous drug under the *Dangerous Drugs Act* (the “*DDA*”). The regulation of the sale, manufacturing, importation and distribution of drugs in Jamaica is largely governed by the *Food & Drugs Act, 1964* (the “*Jamaica FDA*”) and the *Food and Drugs Regulations, 1975* (the “*Regulations*”)

The Dangerous Drugs Act

Psilocybin mushrooms and 5-MeO-DMT are not illegal drugs under Jamaica’s *Dangerous Drugs Act, 1948* and do not fall within the definition of a dangerous drug under the *Dangerous Drugs Act, 1948* in Jamaica. The Company’s activities in relation to psilocybin mushrooms and 5-MeO-DMT and is limited to the jurisdiction of Jamaica. The *Dangerous Drugs Act, 1948* regulates drugs such as raw opium, coca leaves, Ganja (cannabis), cocaine and morphine but psilocybin and 5-MeO-DMT are not cited as dangerous drugs. However, the *Dangerous Drugs Act, 1948* provides discretion to the Minister of Health (the “*MOH*”) to declare by order new categories of drugs as illegal, which could include psychedelics.

The Food and Drugs Act

This statute regulates the procedural aspect of possession, selling, cultivation, and use of specified foods and drugs in Jamaica. As at the date of this MD&A, neither the *Food and Drugs Act, 1954* (the “Jamaica FDA”) nor the *Food and Drugs Regulation Act, 1975* inclusive of their schedules, refer to psilocybin or 5-MeO-DMT, and it has not been declared an illegal drug in Jamaica.

It should be noted that the Jamaica FDA prohibits the importation of psilocybin (or any drug) that is imported from a country where it is illegal. Section 4 of the Jamaica FDA prohibits the importation of any drug into Jamaica unless it conforms to the law of the country in which it was manufactured or produced and is accompanied by a certificate declaring that the drug does not contravene any known laws of that country and that its sale therein for consumption or use by or for man or animal, as the case may be, would not constitute a violation of the laws of that country. The Company does not import any drugs into Jamaica or otherwise work with any drugs on the island, as the psychedelics the Company works with in Jamaica are not classified as drugs.

In the event that any compounds that the Company works with in Jamaica were reclassified as drugs, Regulation 40 stipulates that, a person shall not sell, manufacture, import or distribute a drug unless that drug has been registered with the MOH. The Regulations further state that a permit must be obtained from the MOH for the sale, manufacturing, importation and distribution of drugs into Jamaica. Additionally, Regulation 65 states that a person shall not import, sell, advertise for sale, or manufacture a new drug in Jamaica unless that person has obtained a license from the MOH.

Failure to comply with section 4 of the Jamaica FDA shall result in such person being guilty of an offence and liable to a fine not exceeding J\$1,000,000 (US\$6,489.04 as of December 29, 2021) or to imprisonment with or without hard labour for a term not exceeding twelve months. Where a person committing an offence under the Jamaica FDA is a Company, the chairman, president, the officers and every director thereof concerned in the management of such Company, shall also be guilty of the same offence unless he/she proves that the act or omission constituting the offence took place without his/her knowledge or that he/she exercised all due diligence to prevent the commission thereof.

Regulation 87 provides that any person who fails to comply with the Regulations shall be guilty of an offence and shall be liable to a fine not exceeding J\$2,000 (approximately US\$15) or to imprisonment for a term not exceeding twelve months.

Section 23 under the PCA stipulates that any person who engages in any prescribed activity without obtaining the requisite license shall be guilty of an offence and liable to a fine not exceeding J\$3,000,000 (US\$19,467 as of December 29, 2021) or to imprisonment for a term not exceeding three years or to both such fine and imprisonment.

Other Regulations

Other local laws, such as the *Protection of Plant Genetic Resources for Food and Agriculture Act*, the *Caribbean Food Company Act*, and the *Agricultural Foods Act*, govern the registration and issuance of licenses to deal with the use and regulation of specified plants in the country. However, psilocybin is not currently referenced in such legislation. The definition of a drug under the Jamaican *Pharmacy Act* means

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“...any substance or mixture of substances manufactured, sold or represented for use in the diagnosis, treatment, mitigation or prevention of a disease, disorder, abnormal physical state or the symptoms thereof in a man or animal”. Sellers of psilocybin are therefore not permitted to hold out psilocybin as being used to treat medical conditions, similar to how functional mushrooms must be marketed in the United States without medical claims, which is also similar to other nutraceutical products.

Oregon Psilocybin - Other Psychedelics in U.S. – Federal Illegality

In the United States, psilocybin is a Schedule I controlled substance and Silo Wellness has no operations involving Schedule I substances in the U.S., although it plans to (see Satya and the Portland-area property announcements herein). Within the U.S., the Company’s former nasal spray product is considered a Schedule 1 controlled substance and thus possession of it is prohibited by U.S. federal law subject to appropriate authorizations from the drug enforcement agency. It is also very difficult to obtain a research permit in respect of such a substance.

However, the passage of Measure 109 in Oregon in November 2020, among other things, authorizes the Oregon Health Authority to permit licensed service providers to administer psilocybin in therapeutic settings after a two-year rulemaking development period. Notwithstanding that it remains a Schedule I controlled substance in the U.S., the passing of Measure 109 permitted the development of a state regulatory regime for psilocybin. The state legalization of psilocybin in Oregon is similar to the state-by-state legalization of adult-use cannabis which, similar to psilocybin, remains federally illegal.

As a result of Measure 109, there is a possibility that the Company may expand its operations to the State of Oregon as discussed in the subsequent events. While any activity in Oregon will be in compliance with laws applicable to Oregon, the decision to pursue operations in Oregon will depend on the ability of the Company to secure a license. Any operations of the Company that are in compliance with the laws of Oregon would be in conflict with or be in contravention of the federal laws of the United States. In such a circumstance, the Company's existing operations in the United States, and any future operations or investments, may become the subject of heightened scrutiny or enforcement by regulators, stock exchanges and other authorities in Canada and the United States. There can be no assurance that this heightened scrutiny will not in turn lead to the imposition of certain restrictions on the Company's ability to operate or invest in the United States or any other jurisdiction. While currently the Company operates in compliance with applicable laws and as such is not prohibited from sourcing any access public or private capital, in the event that the Company's activities in Oregon are in violation of applicable United States federal laws, it may have difficulty accessing the service of banks or sourcing financing on commercially reasonable terms or at all. Oregon’s current regulations can be found in [Chapter 333](#) of the Oregon Administrative Rules. The Company has retained Oregon counsel to assist with review of these rules prior to filling a license and to assist with regulatory compliance prior opening up operations in Oregon.

The Company expects that legislation of similar natures may be introduced in other jurisdictions in the coming years, as well as additional ballot measures similar to Measure 109, such as Colorado’s recent passage of their psychedelics regime, which is still pending regulation creation. The Company cannot comment on the regulatory framework in any such jurisdiction as it has not been created. The Company will assess its options to conduct legal business in such jurisdictions when State or Provincial, as

applicable, and Federal regulations are established and may seek any required licenses or approvals at that time. See "Risk Factors".

Intellectual Property - Patent Cooperation Treaty

The Company filed Patent Cooperation Treaty ("PCT") Application number PCT/US2020/040826 for Metered dose compositions and methods of use of psychedelic compounds. It has since divested this asset as described in the subsequent events, although it did retain certain rights as described herein. The PCT application was filed July 3, 2020 claiming priority to a U.S. Provisional utility application filed July 4, 2019. The Company only maintained the viability of its U.S. and Canada patent application prior to the asset divestment.

The description and claims of the patent do include formulations comprised of substances that are named under the Federal Controlled Substances Act ("CSA") of the United States. This does not have any bearing on the patentability of the claims and the Company received legal advice confirming the same. Federal illegality under the CSA is irrelevant to patentability. 35 U.S.C. §101 states: "Whoever invents or discovers any new and useful process, machine, manufacture, or composition of matter...may obtain a patent therefor..." This invention falls within this statute as it is a composition of matter and subsequent method of use or process. Furthermore, the invention does not fall within any of the judicial or legislative exceptions to patentable subject matter.

While the patent application is focused on Schedule I psychedelics in metered-dosing forms, the Company does not have any direct or indirect involvement with the illegal selling, production or distribution of any substances in the jurisdictions in which it operates. The Company is exploring licensing agreements of the pending intellectual property it has developed with the nasal spray and other metered-dosing modalities covered under its patent application. While licensing may occur in other jurisdictions without clinical approval, in order to be commercialized in such a jurisdiction and go to market, extensive regulatory approval may need to occur by the licensee within approved laboratory clinical trial settings conducted within approved regulatory frameworks. Any licensing agreements obtained by the Company will require the licensee to comply with local regulations prior to going to the market.

COMPLIANCE PROGRAM

The Company oversees and monitors compliance with applicable laws in each jurisdiction in which it operates. In addition to the Company's senior executives and the employees responsible for overseeing compliance, the Company has local regulatory/compliance counsel engaged in every jurisdiction (state and local) in which it operates. The principal medical professional at each wellness retreat serves as the liaison to provincial, state and/or local governmental authorities. The Company has developed protocols for use in all of its wellness retreats with the goal of ensuring that each of the wellness retreat operations and employees strictly comply with applicable laws and regulations and that operations do not endanger the health, safety or welfare of the community. Additionally, the Company has medical advisors with cross-functional expertise in business, neuroscience, pharmaceuticals, mental health and psychedelics to advise management.

Management of the Company oversees and implements training on the Company's protocols. The Company will continue to work closely with external counsel and other compliance experts and is

evaluating the engagement of one or more independent third-party providers to further develop, enhance and improve its compliance and risk management and mitigation processes and procedures in furtherance of continued compliance with the laws of the jurisdictions in which the Company operates. The programs currently in place include continued monitoring by executives of the Company to ensure that all operations conform to and comply with required laws, regulations and operating procedures.

Prior to the engagement of employees, consultants and third-parties, management of the Company conducts due diligence on such employee, consultant and third-party's qualifications, good standing with the applicable regulatory body and validity of applicable licenses and approvals. The Company also obtains under its contractual arrangements, representations and warranties from such employees, consultants and third parties with respect to compliance with applicable licensing requirements and regulatory framework required.

The Company further requires that each wellness retreat and all third parties in which it is engaged with report and disclose all instances of non-compliance, regulatory, administrative, or legal proceedings that may be initiated against them. The Company and, to its knowledge, each of its third-party researchers, suppliers, manufacturers and distributors are currently in compliance with the laws and regulations in all jurisdictions and the related licensing framework applicable to its business activities and have not received any non-compliance, citations or notices of violation which may have an impact on the Company's licenses, business activities or operations.

The Company has received legal opinions or advice in each jurisdiction where it currently operates or proposes to operate confirming the permissibility of the Company's operations in such jurisdictions.

KEY HIGHLIGHTS AND RECENT DEVELOPMENTS

Trading on the CSE

On March 5, 2021, the Company started trading of its common shares on the Canadian Securities Exchange ("CSE") under the ticker symbol "SILO".

Trading on the Frankfurt exchange

On April 9, 2021, the Company started trading its common shares on the German Börse Frankfurt (FRA) exchange platform under ticker symbol 3K70 and registered under WKN: A2QQTP and/or ISIN: CA8271241082.

Retreats Update

On May 12, 2021, the Company announced it will expand its portfolio of psilocybin and ketamine product and retreat offerings to also include 5-MeO-DMT through a partnership with Kaivalya Kollektiv, an L.A.-based wellness company that conducts psychedelic-integrated spiritual coaching as well as facilitated retreats in Mexico, Jamaica and Costa Rica. Through the partnership, Silo Wellness operated two 5-MeO-DMT retreats in Jamaica, where the Company has also conducted psilocybin-assisted retreats as well as mushroom and truffle cultivation workshops. More commonly known by names like the "God molecule"

or “The Toad,” 5-MeO-DMT is a research chemical psychedelic of the tryptamine class, four to six times more powerful than its better-known cousin, DMT (N,N-dimethyltryptamine). 5-MeODMT shows promise in the treatment of certain medical conditions, potentially improving general well-being and mindfulness as well as reducing the symptoms of psychological disorders with a single inhalation. Silo Wellness and Kaivalya Kollektiv integrated the 5-MeO-DMT experience into two Jamaican retreats featuring yoga, meditation, breath work and spiritual coaching as well as unique culinary and cultural experiences. This marked the first by a publicly traded company to offer a 5-MeO-DMT wellness retreat as well as the first-of-its-kind to be held in Jamaica. 5-MeO-DMT is found in a wide variety of plants, at least one toad species and can also be produced synthetically. The compound produces hallucinogenic experiences between 7 and 90 minutes long and has long been used by indigenous communities as a healing modality. Today, 5-MeO-DMT, along with other psychedelic compounds like psilocybin and ketamine, is gaining mainstream popularity as clinical trials and formal research continue to prove its efficacy as an alternative mental health tool and as advocacy initiatives work to decriminalize the compound in certain jurisdictions and adapt the regulations governing its use and applications.

The Company anticipates continuing to host its psilocybin wellness retreats in Jamaica, potentially augmented by 5-MeO-DMT wellness retreats. As at the date of this document, the Company has facilitated psilocybin and 5-MeO-DMT retreats and has scheduled additional psilocybin retreats in 2023. The addition of a 5-MeO-DMT offering to the Silo Wellness retreats in 2021 was through a collaboration with Kaivalya Kollektiv whereby expenses and profits were shared and costs to Silo Wellness were not significantly different from its other retreats. No additional retreat collaborations are currently scheduled with Kaivalya Kollektiv. Furthermore, any future retreats are subject to estimates and assumptions including the regulatory regime in Jamaica with respect to 5-MeO-DMT (see “Regulatory Framework and Licensing Regime – Jamaica – Psychedelics”), the sufficient supply of 5-MeO-DMT in Jamaica and that the COVID-19 pandemic would not have an adverse impact on travel to Jamaica to participate in such wellness retreats.

Launch of Marley One

On June 24, 2021, the Company launched Marley One, the first global functional and psychedelic mushroom consumer brand, in collaboration with the family of legendary musician Bob Marley. The initial product offering included a range of functional mushroom tinctures with unique blends highlighting the brand’s connection to Jamaica, including species such as cordyceps, lion’s mane, chaga, reishi and turkey tail that offer a range of unique health and wellness benefits, from immunity and gut health to cognitive function and sleep enhancement. The Company intended to launch a psychedelic mushroom product line under the Marley name later this year but no longer intends to do that under the Marley brand, given the termination of the contract as further described herein. In March of 2021, Silo Wellness announced a multi-year licensing agreement with the family of global reggae icon Bob Marley for the exclusive worldwide rights to brand, market and sell a distinct product line of functional and psychedelic mushrooms. At launch, the Marley One product line included:

- One Mind: A coffee-flavored blend of lion’s mane and L-theanine designed to improve focus and cognitive function.
- One Flow: A peppermint-flavored blend of cordyceps and ginseng designed to enhance physical endurance and mental function.

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- One Harmony: A mango-flavored blend of chaga and ginger designed to stimulate gut health and improve digestion.
- One Body: A berry-flavored blend of turkey tail and astragalus designed to support immune health.
- One Rest: A vanilla-flavored blend of reishi and GABA designed to help reduce tension and stress and improve quality of sleep.

Following licensing, the Company continued to seek distribution and wholesale/retail contracts utilizing a team of commission-based sales representatives. Following the Listing Date, the Company built a Marley One sales team of approximately ten business development sales representatives across North America and in Europe led by former CEO Douglas K. Gordon. These individuals attended various trade shows and pursued potential sales contracts and purchase orders. Those team members are no longer active as it was determined that additional sales collateral needed to be developed as well as purchase-order financing or advance payment deposits to further advance closing sales opportunities. In June 2022, Douglas K. Gordon left the position as CEO of Silo Wellness to focus on Marley One sales on a consulting basis. On October 26, 2022, the agreement was terminated due to the default of SW, and accordingly the total future royalty amount of \$2,650,000 was due on termination. SW accrued a total liability of \$3,250,000 that was included in the accounts payable as of October 31, 2022. SW was subsequently sold to a director of the Company for US\$150,000 in 2023.

Trading on the OTCQB and DTC Eligibility

On July 13, 2021, the Company announced that its common shares are now trading on the OTCQB® Venture Market under the symbol “SILFF”. The OTCQB® Venture Market is for entrepreneurial and development stage U.S. and international companies, and trading on the OTCQB will enhance the visibility and accessibility of Silo Wellness to U.S. investors.

On December 8, 2021, the Company announced that its common shares are now eligible for electronic clearing and settlement through the Depository Trust Company (“DTC”) in the United States. DTC is a subsidiary of The Depository Trust & Clearing Corporation, a United States company that manages the electronic clearing and settlement of publicly-traded companies. Securities that are eligible to be electronically cleared and settled through DTC are considered “DTC eligible.” This electronic method of clearing securities speeds up the receipt of stock and cash and thus accelerates the settlement process for investors and brokers, enabling the stock to be traded over a wider selection of brokerage firms. There is a risk of being moved from the OTCQB to the OTC Pink due to the company’s bid price closing below \$0.01 for more than 30 consecutive calendar days which no longer meets the Standards for Continued Eligibility for OTCQB as per the OTCQB Standards, Section 2.3(2), which states that the company must “maintain proprietary priced quotations published by a Market Maker in OTC Link with a minimum closing bid price of \$.01 per share on at least one of the prior thirty consecutive calendar days.”

As per Section 4.1 of the OTCQB Standards, the company will be granted a cure period through April 19, 2023, during which the minimum closing bid price for the Company’s common stock must be \$.01 or greater for ten consecutive trading days in order to continue trading on the OTCQB marketplace. If this requirement is not met by April 19, 2023 the company will be removed from the OTCQB marketplace and moved to the Pink market.

OUTLOOK

The business objective of Silo Wellness is to develop a de-risking platform for psychedelics with both pharmaceutical biotech and psychedelic healing now through retreats under one roof. Management intends to focus its efforts there rather than only potential CPG opportunities. Silo is developing operations focused on psilocybin and other psychedelics for mental health, wellness, and performance to position itself with psilocybin retreat infrastructure in Jamaica and a potential psilocybin wellness services in Oregon.

Following the landmark passing of Oregon's Measure 109 authorizing the Oregon Health Authority to permit licensed service providers to administer psilocybin in facilitated settings, Silo has positioned itself as what is believed to be the only publicly-traded company currently offering psilocybin to customers in the Western Hemisphere. The Company is no longer focusing its attention on non-psychedelic functional mushroom products and is instead putting its efforts and resources into the psychedelic retreats and developing the Oregon opportunity.

CORPORATE RESULTS

Significant Accounting Policies and Critical Estimates and Assumptions.

Please refer to the Note 3 to the October 31, 2022 consolidated financial statements for the significant accounting policies.

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

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

Consolidation

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

Asset acquisition

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

Expected credit losses on financial assets

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

Determination of CGUs

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

Functional currency

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

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

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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.

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.

Share-based payments

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

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

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

SELECTED QUARTERLY INFORMATION

The following table sets out certain unaudited financial information for the last eight quarters:

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In thousands	October 31, 2022	July 31, 2022	April 30, 2022	January 31, 2022	October 31, 2021	July 31, 2021	April 30, 2021	January 31, 2021
Revenues	\$ 76	\$ 85	\$ 107	\$ 67	\$ 57	\$ 14	\$ 30	\$ 19
Loss and comprehensive loss for the period	2,109	1,716	1,238	749	1,315	1,181	3,440	273
Loss per share	0.15	0.42	0.32	0.20	0.38	0.38	1.28	0.16

Comparison of the year ended October 31, 2022 and 2021

The Company reported \$335,811 sales revenue in the year ended October 31, 2022 (2021 - \$120,120). Marley One sales were \$71,746 (2021 - \$45,371) and retreat sales were \$264,065 (2021 - \$74,749). The cost of goods sold for the year 2022 was \$212,849 (2021 - \$388,614); \$192,062 (2021 - \$246,143) related to retreats and \$20,787 (2021 - \$142,471) related to Marley One sales and the gross margin was \$122,962 (2021 – margin loss of \$268,494).

Expenses for the year 2022 totaled \$5,544,819 (2021 - \$4,789,543).

Advertising and promotion fees were \$3,643,165 (2021 – 1,517,336). The advertising and promotional expenses related to the Company’s launch of the Marley One and other marketing initiatives, Marley One royalty costs, media and news, and public relations. In the year 2022, due to the termination of the Marley One royalty agreement, the Company accrued \$2,650,000 advertising fee for royalty payments due on the termination of the agreement.

Consultant fees, directors’ fees and management fees were \$736,658 (2021 - \$1,394,075). The decreased in consulting fees, directors and management fee and consulting fees relate to the decreased employees and consultants in the Company in 2022 compared to 2021. The 2022 consulting fees include the termination fees accrued to former CEO Douglas Gordon.

Professional fees were \$107,550 (2021 - \$554,989). The significantly higher profession fees in the period in 2021 were due to the going public (RTO) of the Company that time.

General and administrative expenses were \$533,075 (2021 - \$578,993).

Stock based compensation was \$109,756 (2021 – 620,903). During the year ended October 31, 2022, the Company issued 2,550,000 options (2021 – 303,000 options) to the officers, directors and consultants of the Company.

In the year 2022, the Company recorded an impairment expense for the asset it acquired from Discovery of \$402,207 (2021 - \$nil).

In addition, the Company recorded transaction costs of \$380,664 in 2022 that was related to the Commitment Fee of the convertible debentures issued in 2022. Transaction costs of \$1,174,203 in the year 2021 was related to the RTO list expense.

The convertible debentures issued to the Investor as described above changed in fair value during the period resulting into a loss of \$19,355 (2021 - \$16,064 gain) for the year.

Amortization of intangible assets for the period were \$nil (2021 - \$54,520). Interest expense and bank charges for the year 2022 was \$12,408 (2021 – \$68,727) due to loans borrowed in late 2020.

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Net loss for the period were \$5,812,400 (2021 - \$6,208,882). Net loss per share, basic and diluted, for the year was \$0.87 (2021 - \$2.00).

LIQUIDITY AND FINANCIAL RESOURCES

The Company has \$115 cash (October 31, 2021 - \$98,345) at October 31, 2022, \$64,066 (October 31, 2021 - \$425,229) amounts receivable and other current assets, and \$nil (October 31, 2021 - \$89,520) inventory. Total assets are \$64,181 (2021 - \$613,094). The Company has incurred losses since inception and as at October 31, 2022 has a cumulative deficit of \$15,052,475 (2021 - \$8,991,935); working capital deficit of \$5,304,092 (2021 - \$358,971); negative cash flow from operations for the year ended October 31, 2022 of an out flow of \$524,875 (2021 - \$3,798,254); and has a shareholders' deficit of \$5,304,091 as at October 31, 2021 (October 31, 2021 - \$358,971).

Silo is no longer intending to implement its business model with Marley One or other functional mushroom products as it did not generate operating profits and efforts are best spent where most revenue is coming from: psychedelics. The Company previously intended to prioritize expenses related to the Marley One Function Mushroom lines and for inventory purchases. However, after the Company's new CEO [Mike Arnold](#) evaluated the business lines this summer it became more and more evident that the psychedelic space was where resources were best spent. Long-term (greater than 1 year) continuance of the Company's operations is dependent upon achieving profitable operations and, until that occurs, will rely on additional equity or debt financing. The Company's ability to continue as ongoing concern has always depended on the ability of management to raise capital and issue debt or obtain funding from its shareholders.

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.

As mentioned above, the Company's ability to continue as a going concern and realize the carrying value of its assets is dependent on its continued ability to raise capital through public equity financings or upon the generation of profits from potential revenue streams, the outcome of which cannot be predicted at this time. The current liquidity strategy is as follows: encourage management to convert consulting fees to stock over time; continue negotiating debt restructuring with remaining creditors; maintain or increase profit margins in Jamaica; and bridge financing to cover a potential rights offering for existing shareholders. The Company is also considering whether it can execute a Regulation A offering to finance an oreogn-based subsidiary covering Oregon operations.

The Company has no commitment of capital expenditures as this time.

Due to cash constraints, the Company paid for some of the assets and services it acquired in the years 2022 and 2021 by issuing common shares of the Company.

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 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 has \$nil balance as of October 31, 2022.

CONVERTIBLE LOAN AND DERIVATIVE LIABILITY

(1) 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.

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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, and a loss on revaluation of \$19,355 for the year 2022.

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

(2) Convertible debentures and make-whole liabilities – see descriptions above.

SUMMARY OF CONTRACTUAL OBLIGATIONS

The cash obligations related to the Company's financial liabilities as at October 31, 2022 are:

	October 31, 2022	October 31, 2021
	\$	\$
Accounts payables and accrued liabilities	4,098,782	686,850
Due to related parties	530,067	215,239
Loans payable	33,478	33,234
Debentures and make-whole payable	705,945	24,785
Derivative liability	-	11,957
Total liabilities	5,368,272	935,323

The table does not include Silo Wellness's obligations on management consultant agreements or take into account the divestment of the subsidiary holding the Marley debt as explained in greater detail herein.

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.

OFF BALANCE SHEET ARRANGEMENTS

The Company does not have any off-balance sheet arrangements.

FINANCIAL INSTRUMENTS

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

- credit risk
- liquidity risk

Risk management framework

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

Credit risk

Credit risk is the risk of financial loss to the Company if a counterparty to a financial instrument fails to meet its contractual obligations. The Company is exposed to credit risk on its cash and receivables. The Company's maximum exposure to this risk is equal to the carrying amount of these financial assets. The

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cash is held with a financial institution counterparty which is highly-rated and the receivables are owed from the government of Canada as sales tax recovery. As such, the Company has assessed an insignificant loss allowance on these financial instruments.

Liquidity risk

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

OUTSTANDING SHARE DATA

As at March 31, 2023, there were 143,402,271 common shares issued and outstanding, 2,619,241 warrants outstanding, and 2,794,375 options outstanding. On June 10, 2022 the Company's annual and special shareholders meeting approved a share consolidation on a 20 to 1 basis that was effected from June 17, 2022. Please refer to the Notes 9, 10, 11 and 16 to the October 31, 2022 consolidated financial statements for the details of shares issued during the period and after.

Shares in Escrow

As of October 31, 2022 there were 12,874,359 (October 31, 2021 - 12,874,359) common shares in escrow.

RELATED PARTY TRANSACTIONS

Key management personnel compensation

In addition to their contracted fees, directors and officers also participate in the Company's share option program. Key management personnel compensation comprised:

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

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

The Company entered into loan agreements with 2227929 Ontario Inc. (“2227”) 2227 is a company wholly owned by Fred Leigh, who is a former director of the Company. In September 2020, October 2020 and February 2021, 2227 advanced loans of CAD\$68,000 (see note 8). For the year ended October 31, 2021, the Company incurred expenses for consulting, rent and promotion services in the amount of CAD\$15,000 (\$12,104) with 2227.

In the year ended October 31, 2022 the Company issued 12,726,325 common shares to the former shareholders of Dyscovry, valued at \$279,139 (CAD\$382,870). The Company also assumed \$87,918 (CAD\$120,000) debt of Dyscovry owed to the former shareholders, that are unsecured, non-interest bearing, and to be repaid by 12 months’ installments.

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

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 the subsequent events for shares for more related party transactions information. Note that current CFO and CEO debt was converted to shares as described in the subsequent events section.

RISKS AND UNCERTAINTIES

The following is a summary of certain risks relating to Silo Wellness’s business. Additional risks and uncertainties not currently known to Silo Wellness or that Silo Wellness currently considers immaterial also may impair Silo Wellness’s business operations. If any of the following risks materialized, Silo Wellness’s business, financial condition, revenues or profitability could suffer. In that event, the value of Silo Wellness’s common shares could decline, Silo Wellness’s ability to make payments due on the liabilities could be impaired and holders of Common Shares could lose all or part of their investment.

Contingent liability

See above the contingent liability of the Make-whole amount.

Indebtedness

Silo Wellness has debt and interest payment requirements that may restrict its future operations and impair its ability to meet its financial obligations. A portion of cash flow from operations is dedicated to the payment of principal and interest on indebtedness, which reduces funds available for other business purposes and increases Silo Wellness's vulnerability to general economic conditions and industry conditions. The ability to service Silo Wellness's debt depends on Silo's operating and financial performance, which is subject to economic and competitive conditions and to other factors beyond its control, including but not limited to, increased operating costs, increases in interest rates, and market liquidity conditions.

Silo Wellness's debt could limit its flexibility in planning for or reacting to, changes in its business and the industry in which it operates and place it at a competitive disadvantage compared to some of its competitors that have less financial leverage. If cash flow and capital resources are inadequate to meet its debt service obligations, Silo Wellness may be forced to abandon, reduce or delay capital expenditures, product and service launches, business opportunities and growth initiatives and to sell assets, refinance its indebtedness, seek additional capital or restructure.

Cash Flows and Profitability

Silo Wellness has not earned profits to date, and there is no assurance that Silo Wellness will earn profits in the future, or that profitability, when achieved, will be sustained. A significant portion of Silo Wellness's financial resources have been and will continue to be re-invested. Silo Wellness's success will ultimately depend upon its ability to leverage increased revenue and external financing. There is no assurance that future revenues and financing will be sufficient to generate the required funds to continue business development and marketing initiatives.

Impact of COVID-19

In the year 2020, there was a global outbreak of COVID-19 (coronavirus), which has had a significant impact on businesses through the restrictions put in place by the governments regarding travel, business operations and isolation/quarantine orders. At this time, it is unknown the extent of the impact the COVID-19 outbreak may have on the Company and its operations as this will depend on future developments that are highly uncertain and that cannot be predicted with confidence. These uncertainties arise from the inability to predict the ultimate geographic spread of the disease, and the duration of the outbreak, including the duration of travel restrictions, business closures or disruptions, and quarantine/isolation measures that are currently, or may be put, in place by U.S. and other countries to fight the virus. There is significant uncertainty around the breadth and duration of business disruptions related to COVID-19, as well as its impact on the Canadian, U.S. and international economies and, as such, the Company is unable to determine if it will have a material impact to its operations. The COVID-19 pandemic may negatively impact the Company's business through disruption of supply and

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manufacturing, which would influence the amount and timing of revenue and planned expenditure. Travel restrictions in Canada, the U.S. and Jamaica delay and impact people's ability to attend retreats in Oregon and Jamaica. At this time, the Company hasn't experienced any disruption of supply or manufacturing related to COVID-19.

Effective Growth Management

Silo Wellness expects to continue to grow its operations through the addition of new products and services and the expansion of products and services both within and outside the US. The growth in operations and staff has placed, and will continue to place, a strain on existing management systems and resources. If Silo Wellness fails to manage the Company's future growth, the business may experience higher operating expenses and it may be unable to meet the expectations of investors with respect to future operating results.

Recruiting and Retaining Employees

Recruiting and retaining qualified personnel is critical to Silo Wellness's success. As Silo Wellness's business activity grows, Silo Wellness will require additional key financial, administrative and technical personnel as well as additional operations staff.

Competition

Silo Wellness's operates in a new and highly competitive marketplace. Increased competition may result in reduced gross margins and loss of market share and would harm Silo Wellness's business and results of operations. Management cannot be certain that its subsidiaries will be able to compete successfully against current or future competitors or that competitive pressure will not seriously harm its business. Some of Silo Wellness's competitors are much larger than Silo and have greater access to capital, marketing and technical and other resources, including the ability to make strategic acquisitions or establish cooperative relationships.

New Product Launches

Silo Wellness seeks to develop, launch and promote new products and services, and to expand existing products and services into new markets, that management believes are strategic. There can be no assurance that Silo Wellness's associates will be able to launch such product offerings in a cost-effective manner or in the timeframe estimated by management or that any such efforts will generate revenues, profits or market acceptance. Any new business or product launched by Silo Wellness that is not positively received by customers could damage Silo Wellness's reputation and diminish the value of its brands. Expansion of Silo Wellness's operations could also require significant additional expenses and development, operations and other resources and could strain Silo Wellness's management, financial and operational resources.

Inventory Management

Silo Wellness cultivates and produces mushroom products in Jamaica for distribution and for its Jamaican wellness retreats and relies on third parties to provide 5-MeO-DMT for its Jamaican 5-MeO-DMT

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wellness retreats. Seasonality in weather conditions in Jamaica could affect the yield of final mushroom products from Silo Wellness' operations, thereby causing a lack of inventory at its Jamaican wellness retreats and distribution outlets. Additionally, as there are limited amounts of producers of 5-MeO-DMT in Jamaica, any disruption of supply could cause partial or full closure of Silo Wellness' 5-MeO-DMT wellness retreats due to lack of inventory.

Financing Requirements and Availability of Capital

The amount of the future capital requirements could be adversely affected by numerous factors, including, but not limited to, lower than expected demand for its products and services, adverse changes in Silo Wellness's business environment, delays in growth of Silo Wellness's customer base, government regulations, failure or delays in executing marketing programs, growth that is more rapid than anticipated and competitive pressures. Silo may also need to raise additional funds or obtain additional debt sooner than anticipated in order to acquire businesses, technologies or products, or fund investments and other relationships Silo Wellness believes are strategic. Silo Wellness will also need to raise additional capital to repay its loan. Accordingly, Silo Wellness's actual capital requirements may vary from currently anticipated needs, and such variations could be material.

There can be no assurance that additional financing will be available on commercially reasonable terms or at all. If adequate funds are not available or are not available on acceptable terms, Silo Wellness may not be able to fund its expansion, take advantage of strategic acquisitions, investments or other opportunities or respond to competitive pressures. Such inability to obtain financing when needed could have a material adverse effect on Silo Wellness's business, results of operations and financial condition.

If additional funds are raised through the issuance of equity securities, or if Silo Wellness elects to issue common shares in payment of debts, assets and services acquired, the percentage ownership of Silo Wellness's shareholders will be reduced. Silo Wellness may incur substantial costs in raising future capital, including investment banking fees, legal fees, accounting fees, securities law compliance fees, printing and distribution expenses and other costs. Until Silo Wellness is able to generate and predict continued positive cash flows from recurring revenue, Silo Wellness faces risk in utilizing existing cash resources and may require further cash infusions from investors to maintain operations and to repay or service its debt obligations when they come due.

Price and Volume Volatility

Silo Wellness's common shares after listing may be affected by limited or irregular trading volumes, which may affect investors' ability to sell common shares. The price of the common shares may be volatile and could be subject to wide fluctuations due to a number of factors including the risk factors described in this management analysis. In addition, broad fluctuations in the financial markets as well as economic conditions may adversely affect the market price of the common share.

Fluctuation in Operating Results

Silo Wellness may experience fluctuations in future operating results that may be caused by many factors, including but not limited to variability of sales to new and existing customers, changes in the level of marketing and other operating expenses, competitive factors and the timing of new product launches.

It is likely that, from time to time, Silo Wellness's future operating results will not meet the expectations of securities analysts or investors, which may have a material adverse effect on the market price of the common shares.

Reliance on Senior Management and Other Key Employees

There can be no assurance that Silo Wellness will be able to continue to attract and retain qualified personnel necessary for the development of the businesses in which Silo Wellness competes. If Silo Wellness is not able to retain qualified personnel, product development and implementation initiatives will be impaired or delayed thereby adversely affecting Silo Wellness's business, results of operations and financial condition. Silo Wellness does not have in place formal programs for succession and training of management.

Regulatory Regime

The regulation of psilocybin industry is extensive and designed to protect the public, while providing standard guidelines for business operations. Silo Wellness is subject to governmental laws and regulations relating to its business and failure of Silo Wellness or its employees, contractors, third-party manufacturers and suppliers to comply with, or changes to, existing or future laws and regulations could result in significant unforeseen costs and limitations, and could have a material adverse impact on Silo Wellness's business, results of operations and financial condition. Currently there are only a few countries in the world where psilocybin mushrooms are not illegal. Jamaica is one of the few.

In most parts of the world, including the United States and Canada, psilocybin is illegal. However, the passing of Measure 109 in Oregon in 2020 and the Oregon Psilocybin Services Act, establishes a regulatory framework to permit licensed psilocybin service providers to administer psilocybin-producing mushroom and fungi products to individuals 21 years of age or older. Measure 109 does not decriminalize psilocybin. It remains a Schedule I drug under federal rules and thus not approved for any medical uses. The Oregon Health Authority created a state-licensed, psilocybin-assisted therapy program regulatory regime.

Silo Wellness intends to consider offering psilocybin services and cultivation services in Oregon. See regulatory regime above.

Changes may occur in laws and regulations, or the interpretation or enforcement thereof, that could increase Silo Wellness's compliance and other costs of doing business, require significant systems redevelopment, or render its products or services less profitable or obsolete, any of which could have an adverse effect on Silo Wellness's business, results of operations and financial condition.

In the event that Silo achieves a license in Oregon there will be additional risks including but not limited to the following:

Legal and regulatory risks: Despite being legal under state law, psilocybin is still a Schedule I controlled substance under federal law. As such, there is a risk that federal law enforcement may choose to target psilocybin businesses, and those involved in the business may face potential criminal prosecution.

Compliance risks: While legal under state law, psilocybin businesses must comply with a complex set of regulations and requirements. Failure to comply with these regulations could result in fines, legal actions, and potential loss of licenses or permits.

Banking and financial risks: Due to the federal illegality of psilocybin, psilocybin businesses may face challenges accessing traditional banking services, which may create difficulties managing financial transactions, investments, and fundraising activities.

Political risks: Changes in political leadership at the federal or state level could impact the regulatory environment for psilocybin businesses and create uncertainty for investors.

Market risks: The psilocybin industry is relatively new and rapidly evolving, which creates risks related to market demand, competition, and pricing.

Operational risks: Psilocybin businesses may face challenges related to managing a complex and highly regulated supply chain, developing and scaling their operations, and attracting and retaining talent.

Reputation risks: Psilocybin businesses may face challenges related to the public perception of psilocybin, and there may be concerns about the potential negative effects of psilocybin use.

Economic Risk

A major change in any of the market segments that are serviced by Silo Wellness could potentially impact its ability to sell products and services within those segments and would have a negative effect on its business.

The general economic environment impacts Silo Wellness and its subsidiaries in many ways including the employment of foreign workers, customer spending, online sales and marketing, capital availability and funds available for marketing and advertising. An economic slowdown could cause the demand for Silo Wellness's products or services to decline.

Growth in Silo Wellness's customers' businesses is affected by the economic environment and could therefore have an impact on Silo Wellness's operating results. Silo Wellness cannot predict the impact current economic conditions will have on its future results, nor predict future economic conditions.

Silo Wellness's current and potential customers might reduce or delay their expenditures. An economic slowdown could also lead to greater delays and defaults in payments or debt collection, competition increases and reductions in prices by competitors seeking to maintain or expand their market share. Silo Wellness's pricing and profitability could be adversely affected as a result.

Political Conditions

Silo Wellness conducts business activities in and out of the United States, Canada, and Jamaica and may expand its operations to other countries, including those countries lack of a mature and stable political

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system. There is always the potential for changes in policies or shifts in political attitude towards foreign operations. Changes, even if minor in nature, may adversely affect Silo Wellness's operations.

Jamaican Operations

Unlike in Canada and the United States, psilocybin mushrooms are not an illegal drug under Jamaica's *Dangerous Drugs Act, 1948*, therefore research on psilocybin mushrooms is not in contravention of the laws of Jamaica and does not require any permit or authorization from the regulatory authorities in Jamaica.

Any future decision to regulate psilocybin in Jamaica could have a material adverse effect on the business, financial condition and operating results of the Company. Should there occur a future decision in Jamaica to regulate psilocybin, the Company cannot predict the time required to secure all appropriate regulatory approvals for its products, or the extent of testing and documentation that may be required by governmental authorities in Jamaica. The impact of future compliance regimes in Jamaica and any potential delays in obtaining, or failure to obtain, possible regulatory approvals could have a material adverse effect on the business, financial condition and operating results of the Company.

Emerging Market Risks

The Company has operations in Jamaica, an emerging market country, and may have future operations in additional emerging markets. Such operations expose the Company to the socio-economic conditions as well as the laws governing the activities of the Company in Jamaica and any other jurisdiction where the Company may have operations in the future. Inherent risks with conducting foreign operations include, but are not limited to: high rates of inflation; extreme fluctuations in currency exchange rates, military repression; war or civil war; social and labour unrest; organized crime; hostage taking; terrorism; violent crime; expropriation and nationalization; renegotiation or nullification of existing licenses, approvals, permits and contracts; changes in taxation policies; restrictions on foreign exchange and repatriation; and changing political norms, banking and currency controls and governmental regulations that favour or require the Company to award contracts in, employ citizens of, or purchase supplies from, the jurisdiction. The Jamaican government, or other governments in emerging markets where the Company may have operations in the future, may intervene in its economies, sometimes frequently, and occasionally make significant changes in policies and regulations. Changes, if any, in the research, cultivation and development of psilocybin mushroom and other botanicals policies or shifts in political attitude in Jamaica or other countries where the Company may have operations in the future may adversely affect its operations or profitability. Operations may be affected in varying degrees by government regulations with respect to, but not limited to, restrictions on production, price controls, export controls, currency remittance, importation of product and supplies, income and other taxes, royalties, the repatriation of profits, expropriation of property, foreign investment, maintenance of licenses, approvals and permits, environmental matters, land use, land claims of local people, water use and workplace safety. Failure to comply strictly with applicable laws, regulations and local practices could materially impact the Company's operations in Jamaica or other countries where the Company may have operations in the future. The Company continues to monitor developments and policies in Jamaica to assess the impact thereof to its operations or future operations; however, such developments cannot be predicted and could have an adverse effect on the Company's operations in Jamaica.

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Jamaica has a history of economic instability (such as inflation or recession). In 2013, Jamaica launched an ambitious reform program to stabilize the economy, reduce debt, and fuel growth, gaining national and international support. While there is no current political instability, and historically there has been no change in laws and regulations, this is subject to change in the future and could adversely affect the Company's business, financial condition and results of operations.

Jamaica is vulnerable to natural disasters such as hurricanes and flooding and the effects of climate change. It is an upper middle-income economy that is nevertheless struggling due to low growth, high public debt, and exposure to external shocks.

Global economic crises could negatively affect investor confidence in emerging markets or the economies of emerging markets, including Jamaica. Such events could materially and adversely affect the Company's sales, retreats, business, financial condition and results of operations.

Financial and securities markets in Jamaica are influenced by the economic and market conditions in other countries, including other emerging market countries and other global markets. Although economic conditions in these countries may differ significantly from economic conditions in Jamaica, investors' reactions to developments in these other countries, such as the recent developments in the global financial markets, may substantially affect the capital flows into Jamaica and the market value of the securities of the Company.

The legal and regulatory requirements and local business culture and practices in Jamaica and the foreign countries in which the Company may expand are different from those in which it currently operates. The officers and directors of the Company will rely, to a great extent, on the Company's local legal counsel in order to ensure compliance with material legal, regulatory and governmental developments as they pertain to and affect the Company's operations, particularly with respect to psilocybin or related operations. Increased compliance costs may be incurred by the Company. Further, there can be no assurance that the Company will develop a marketable product or service in Jamaica or any other foreign country. These factors may have a material adverse effect on the Company's research and development business and the results of its research and development operations.

In the event of a dispute arising in connection with the Company's operations in Jamaica or another a foreign jurisdiction where the Company may conduct business, the Company may be subject to the exclusive jurisdiction of foreign courts or may not be successful in subjecting foreign persons to the jurisdictions of the courts of Canada or enforcing Canadian judgments in such other jurisdictions. The Company may also be hindered or prevented from enforcing its rights with respect to a governmental instrumentality because of the doctrine of sovereign immunity. Accordingly, the Company's activities in foreign jurisdictions could be substantially affected by factors beyond the Company's control.

Other risks include the potential for fraud and corruption by suppliers or personnel or government officials which may implicate the Company, compliance with applicable anti-corruption laws, including the *Corruption of Foreign Public Officials Act* (Canada) by virtue of the Company's operating in jurisdictions that may be vulnerable to the possibility of bribery, collusion, kickbacks, theft, improper commissions, facilitation payments, conflicts of interest and related party transactions and the Company's possible failure to identify, manage and mitigate instances of fraud, corruption, or violations applicable regulatory requirements.

To mitigate risk when operating in Jamaica, the Company may, in part, engage local counsel and/or consultants to advise on applicable regulatory and/or operational matters, as applicable, and it is anticipated that the Company's personnel will visit local operations as required to maintain regular involvement in such operations.

Uncertainty Related to Oregon Operations and Other States

The Company currently operates wellness retreats in the State of Oregon. While any activity in Oregon will be in compliance with laws applicable to Oregon, the decision to continue or expands operations in Oregon will depend on the regulatory framework established by the state government. The Company does not, and will not knowingly, engage in activities that are illegal in any jurisdiction where it operates. There is a possibility that operations of the Company that are in compliance with the laws of Oregon (or other states where similar initiatives have been announced such as Florida, California, Hawaii and Connecticut) could conflict or be in contravention of the federal laws of the United States. In such a circumstance, the Company's existing operations in the United States, and any future operations or investments, may become the subject of heightened scrutiny or enforcement by regulators, stock exchanges and other authorities in Canada and the United States. There can be no assurance that this heightened scrutiny will not in turn lead to the imposition of certain restrictions on the Company's ability to operate or invest in the United States or any other jurisdiction. While currently the Company operates in compliance with applicable laws and as such is not prohibited from sourcing any access public or private capital, in the event that the Company's activities in such states are in violation of applicable United States federal laws, it may have difficulty accessing the service of banks or sourcing financing on commercially reasonable terms or at all.

Regulatory Risks and Uncertainties

In the United States, certain psychedelic drugs, including psilocybin, are classified as Schedule I drugs under the CDSA and the Controlled Substances Import and Export Act and as such, medical and recreational use is illegal under the U.S. federal laws. There is no guarantee that psychedelic drugs as medicines or for recreational/adult use in any jurisdiction in which the Company operates. All activities involving such substances by or on behalf of the Company are conducted in accordance with applicable federal, state and local laws. Further, all facilities engaged with such substances by or on behalf of the Company do so under current licenses and permits issued by appropriate federal, provincial and local governmental agencies. While the Company's psychedelic operations are focused in the United States on ketamine, the Company does not have any direct or indirect involvement with the illegal selling, production or distribution of any substances in the jurisdictions in which it operates and does not intend to have any such involvement. However, the laws and regulations generally applicable to the industry in which the Company is involved in may change in ways currently unforeseen. Any amendment to or replacement of existing laws or regulations, including the classification or re-classification of the substances the Company is developing or working with, which are matters beyond the Company's control, may cause the Company's business, financial condition, results of operations and prospects to be adversely affected or may cause the Company to incur significant costs in complying with such changes or it may be unable to comply therewith. A violation of any applicable laws and regulations of the jurisdictions in which the Company operates could result in significant fines, penalties, administrative sanctions,

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convictions or settlements arising from civil proceedings initiated by either government entities in the jurisdictions in which the Company operates, or private citizens or criminal charges.

The loss of the necessary licenses and permits for Schedule III drugs could have an adverse effect on the Company's operations.

The psychedelic drug industry is a fairly new industry and the Company cannot predict the impact of the ever-evolving compliance regime in respect of this industry. Similarly, the Company cannot predict the time required to secure all appropriate regulatory approvals for future products, or the extent of testing and documentation that may, from time to time, be required by governmental authorities. The impact of compliance regimes, any delays in obtaining, or failure to obtain regulatory approvals may significantly delay or impact the development of markets, its business and products, and sales initiatives and could have a material adverse effect on the business, financial condition and operating results of the Company.

The success of the Company's business is dependent on the reform of controlled substances laws pertaining to psilocybin. If controlled substances laws are not favourably reformed in the United States, and other global jurisdictions, including Jamaica, the commercial opportunity that the Company is pursuing may be highly limited.

The Company makes no medical, treatment or health benefit claims about the Company's proposed products. The FDA, or other similar regulatory authorities have not evaluated claims regarding psilocybin, 5-MeO-DMT, or other psychedelic compounds or nutraceutical products. The efficacy of such products have not been confirmed by approved research. There is no assurance that the use of psilocybin, 5-MeO-DMT, or other psychedelic compounds or nutraceuticals can diagnose, treat, cure or prevent any disease or condition. Vigorous scientific research and clinical trials are needed. The Company has not conducted clinical trials for the use of its proposed products. Any references to quality, consistency, efficacy and safety of potential products do not imply that the Company verified such in clinical trials or that the Company will complete such trials. If the Company cannot obtain the approvals or research necessary to commercialize its business, it may have a material adverse effect on the Company's performance and operations.

The FDA has broad authority to enforce the provisions of the FFDCAs applicable to foods, drugs, dietary supplements, and cosmetics, including powers to issue a public warning letter to a company, to publicize information about illegal or harmful products, to request a recall of products from the market, and to request the United States Department of Justice to initiate a seizure action, an injunction action, or a criminal prosecution in the U. S. courts. The Company could be subject to fines and penalties, including under administrative, civil and criminal laws for violating U.S. laws and regulations, and the Company's products could be banned or subject to recall from the marketplace. The Company could also be subject to possible business and consumer claims under applicable statutory, product liability and common laws.

The Company's business in Jamaica operates within the current regulatory framework in Jamaica under the Jamaica's Dangerous Drugs Act, 1948 and related applicable legislation. Any changes in the legislative regime in Jamaica to re-classify psilocybin and 5-MeO-DMT as 'drugs' under the Jamaica's Dangerous Drugs Act, 1948 would render the Company unable to conduct its business as currently

operated. There can be no guarantee that any legislative reform in Jamaica regarding psilocybin and 5-MeO-DMT will be less restrictive or otherwise favourable to the operations of the Company.

Credit Risk

Credit risk is the risk of financial loss to the Company if a counterparty to a financial instrument fails to meet its contractual obligations. The Company is exposed to credit risk on its cash and receivables. The Company's maximum exposure to this risk is equal to the carrying amount of this financial asset. The cash is held with a financial institution counterparty which is highly rated. As such, the Company has assessed an insignificant loss allowance on this financial instrument.

Acquisition Risk

While Silo Wellness's acquisition process typically includes extensive due diligence on the business or assets to be acquired and acquisition agreements typically include detailed representations and warranties respecting the business or assets being acquired, there can be no assurance that Silo Wellness would not become subject to certain undisclosed liabilities associated with the acquired assets that Silo Wellness failed or has been unable to discover during the due diligence process prior to the closing of the acquisition. The discovery of any unrecoverable material liabilities could have an adverse and material effect on Silo Wellness's business, results of operations and financial condition. The process of integrating an acquired business, product or technology can create unforeseen operating difficulties, expenditures, and other challenges. An asset purchase or acquisition financed using cash or securities of the Company may also be considered dilutive to shareholders and reduce the Company's cash position.

Information Technology Systems

The business and operations of Silo Wellness involve processing of transactions and management of the data necessary to do so. In the event of a breakdown, a catastrophic event (such as fire, natural disaster, power loss, telecommunications failure or physical break-in), a security breach or malicious attack, an improper action by its employees, agents or third-party vendors or any other event that results in the destruction or disruption of any of Silo Wellness's critical business or information technology systems, Silo Wellness's ability to conduct normal business operations would be affected and Silo Wellness could suffer financial loss, loss of customers, regulatory sanctions and damage to its reputation. Such a disruption may materially and adversely affect Silo Wellness's business, financial conditions and results of operations.

Changes in Technology

If Silo Wellness is unable to respond to the rapid changes in technology and services that characterize the financial services industry, Silo Wellness's business and financial condition could be negatively affected.

Silo Wellness's ability to transition to new services and technologies may be inhibited by a lack of industry-wide standards, by resistance from its customers and distributors, or by the intellectual property rights of third parties. Silo Wellness's future success will depend, in part, on its ability to adapt to technological changes and evolving industry standards. These initiatives are inherently risky, and they

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may not be successful or may have an adverse effect on Silo Wellness's business, financial conditions, and results of operations.

Foreign Exchange

Silo Wellness has exposure to foreign exchange risk. Foreign exchange risk arises from purchase and sale transactions, as well as the recognition of financial assets and liabilities denominated in foreign currencies.

Limited Operating History

The Company has a limited operating history as a public company. To operate effectively, the Company will be required to continue to implement changes in certain aspects of its business, improve information systems and develop, manage and train management-level and other employees to comply with ongoing public company requirements. Failure to take such actions, or delay in implementation thereof, could adversely affect the business, financial condition, liquidity and results of operations of the Company and, more specifically, could result in regulatory penalties, market criticism or the imposition of cease trade orders in respect of the Common Shares.

The Company will be subject to all of the business risks and uncertainties associated with any new business enterprise, including the risk that it will not achieve its operating goals. In order for the Company to meet future operating and debt service requirements, it will need to be successful in its growth, marketing and sales efforts. Additionally, where the Company experiences increased production and future sales, its current operational infrastructure may require changes to scale its business efficiently and effectively to keep pace with demand and achieve profitability. If the Company's products and services are not accepted by new customers, the Company's operating results may be materially and adversely affected.

Limited Products

The Company is heavily reliant on the production psychedelic mushrooms in the operation of its wellness retreats. If they do not achieve sufficient market acceptance, it will be difficult for the Company to achieve profitability.

Even if products to be distributed by the Company conform to international safety and quality standards, sales could be adversely affected if consumers in target markets lose confidence in the safety, efficacy, and quality of functional mushroom and psychedelic mushroom-based products. Adverse publicity about functional mushroom and psychedelic mushroom-based products that the Company sells may discourage consumers from buying products distributed by the Company. Additionally, even if wellness retreats operated by the Company conform to safety and quality standards, retreat sales could be adversely affected if consumers in target markets do not respond positively to the experience of such retreats.

Limited Marketing and Sales Capabilities

The Company will, for the immediate future, have limited marketing and sales capabilities, and there can be no assurance that it will be able to develop or acquire these capabilities at the level needed to produce and deliver for sale, through industry partners, its products in sufficient commercial quantities. Further, there can be no assurance that the Company, either on its own or through arrangements with other industry participants, will be able to develop or acquire such capabilities on a cost-effective basis, or at all. Finally, there can be no assurance that the Company's industry partners will be able to market or sell the Company's products in compliance with requisite regulatory protocols or on a cost effective basis. The Company's dependence upon third parties for the production, and marketing or sale, as applicable, of the Company's products could have a material adverse effect on the Company's business, financial condition and results of operations.

Insurance Coverage

The Company believes its insurance coverage addresses all material risks to which it is exposed and is adequate and customary in its current state of operations, however such insurance is subject to coverage limits and exclusions and may not be available for the risks and hazards to which the Company is exposed. Moreover, there can be no guarantee that the Company will be able to obtain adequate insurance coverage in the future or obtain or maintain liability insurance on acceptable terms or with adequate coverage against all potential liabilities.

Product Liability

The Company may be exposed to the risk of product liability claims alleging that use of its product caused an injury or harm. These claims can arise at any point in the development, testing, manufacture, marketing or sale of a product and may be made directly by patients involved in clinical trials of its product candidates, by consumers or healthcare providers or by individuals, organizations or companies selling its products. Product liability claims can be expensive to defend, even if the product or product candidate did not actually cause the alleged injury or harm.

Insurance covering product liability claims becomes increasingly expensive as a product moves through the development pipeline to commercialization. The Company currently does not maintain product liability insurance coverage for its current operations; there can be no assurance that such insurance coverage will be available in the future if deemed necessary. The Company may choose or find it necessary to increase its insurance coverage in the future. The Company may not be able to secure greater or broader product liability insurance coverage on acceptable terms or at reasonable costs when needed. Any liability for damages resulting from a product liability claim could exceed the amount of its coverage, require the Company to pay a substantial monetary award from its own cash resources and have a material adverse effect on its business, financial condition and results of operations. Moreover, a product recall, if required, could generate substantial negative publicity about its products and business, inhibit or prevent commercialization of other products and product candidates or negatively impact existing or future collaborations.

Trademark Protection

Failure to register trademarks for the Company or its products could require the Company to rebrand its products resulting in a material adverse impact on its business.

Trade Secrets

The Company relies on third parties to develop its products and as a result, must share trade secrets with them. The Company seeks to protect its proprietary technology in part by entering into confidentiality agreements and, if applicable, material transfer agreements, collaborative research agreements, consulting agreements or other similar agreements with its collaborators, advisors, employees and consultants prior to beginning research or disclosing proprietary information. These agreements typically restrict the ability of the Company's collaborators, advisors, employees and consultants to publish data potentially relating to its trade secrets. Its collaborators would typically have rights to publish data, provided that the Company is notified in advance and may delay publication for a specified time in order to secure any intellectual property rights arising from the collaboration. In other cases, publication rights are controlled exclusively by the Company, although in some cases the Company may share these rights with other parties. The Company may also conduct joint research and development programs which may require it to share trade secrets under the terms of research and development collaboration or similar agreements. Despite the Company's efforts to protect its trade secrets, the Company's competitors may discover its trade secrets, either through breach of these agreements, independent development or publication of information. A competitor's discovery of the Company's trade secrets may impair its competitive position and could have a material adverse effect on its business and financial condition.

Patent Law Reform

As is the case with other biotechnology and pharmaceutical companies, the Company's success is heavily dependent on intellectual property rights, particularly patents. Obtaining and enforcing patents in the biopharmaceutical industry is a technologically and legally complex process, and obtaining and enforcing biopharmaceutical patents is costly, time consuming and inherently uncertain. Recent patent reform legislation could increase the uncertainties and costs surrounding the prosecution of the Company's and its licensors' or collaborators' patent applications and the enforcement or defense of the Company or its licensors' or collaborators' issued patents.

Patent Litigation and Intellectual Property

The Company has filed a patent application, but there can be no assurance that any or all of these patent applications will issue into a valid patent. Such failure to issue could have a material adverse effect on the Company. In the event that a patent issued to the Company is challenged, any of Corporation's patents may be invalidated (although at this time the Company does not have any issued patents). The Company could also become involved in interference or impeachment proceedings in connection with one or more of its patents or patent applications to determine priority of invention.

Patent litigation is widespread in the pharmaceutical industry and the Company cannot predict how this will affect its efforts to form strategic alliances, conduct clinical testing, or manufacture and market any of its prescription drug product candidates that it may successfully develop. If the Company becomes involved in any litigation, interference, impeachment or other administrative proceedings, it will likely incur substantial expenses and the efforts of its technical and management personnel will be significantly

diverted. The Company cannot make any assurances that it will have the financial or other resources necessary to enforce or defend a patent infringement or proprietary rights violation action. Moreover, if the Company's products infringe patents, trademarks or proprietary rights of others, it could, in certain circumstances, become liable for substantial damages, which also could have a material adverse effect on the business of the Company, its financial condition and results of operation. Patent litigation is less likely during development as many jurisdictions contain exemptions from patent infringement for the purpose of obtaining regulatory approval of a product. Where there is any sharing of patent rights either through co-ownership or different licensed "fields of use", one owner's actions could lead to the invalidity of the entire patent. If the Company is unable to avoid infringing the patent rights of others, the Company may be required to seek a license, defend an infringement action or challenge the validity of the patents in court. Such results could have a material adverse effect on the Company. Regardless of the outcome, patent litigation is costly and time consuming. In some cases, the Company may not have sufficient resources to bring these actions to a successful conclusion, and, even if the Company is successful in these proceedings, it may incur substantial costs and divert management time and attention in pursuing these proceedings, which could have a material adverse effect on the Company.

Any infringement or misappropriation of the Company's intellectual property could damage its value and limit its ability to compete. In addition, the Company's ability to enforce and protect its intellectual property rights may be limited in certain countries outside the U.S., which could make it easier for competitors to capture market position in such countries by utilizing technologies that are similar to those developed or licensed by the Company. Competitors may also harm the Company's sales by designing products that mirror the capabilities of its products or technology without infringing on its intellectual property rights. If the Company does not obtain sufficient protection for its intellectual property, or if it is unable to effectively enforce its intellectual property rights, its competitiveness could be impaired, which would limit its growth and future revenue. The Company may also find it necessary to bring infringement or other actions against third parties to seek to protect its intellectual property rights. Litigation of this nature, even if successful, is often expensive and time-consuming to prosecute and there can be no assurance that the Company will have the financial or other resources to enforce its rights or be able to enforce its rights or prevent other parties from developing similar technology or designing around its intellectual property.

The Company is not aware of any infringement by it of any person's or entity's intellectual property rights. In the event that products sold by the Company are deemed to infringe upon the patents or proprietary rights of others, the Company could be required to modify its products or obtain a license for the manufacture and/or sale of such products or cease selling such products. In such event, there can be no assurance that the Company would be able to do so in a timely manner, upon acceptable terms and conditions, or at all, and the failure to do any of the foregoing could have a material adverse effect upon the Company's business. If the Company's products or proposed products are deemed to infringe or likely to infringe upon the patents or proprietary rights of others, the Company could be subject to injunctive relief and, under certain circumstances, become liable for damages, which could also have a material adverse effect on the Company's business and its financial condition.

Protection of Intellectual Property

The Company will be able to protect its intellectual property from unauthorized use by third parties only to the extent that the Company's proprietary technologies, key products and any future products are

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covered by valid and enforceable intellectual property rights including patents or are effectively maintained as trade secrets and provided the Company has the funds to enforce its rights, if necessary.

No Profits or Significant Revenues

The Company has no history upon which to evaluate its performance and future prospects. The Company's proposed operations are subject to all the business risks associated with new enterprises. These include likely fluctuations in operating results as the Company makes significant investments in research, development and product opportunities, and reacts to developments in its market, including purchasing patterns of customers, and the entry of competitors into the market. The Company will only be able to pay dividends on any shares once its directors determine that it is financially able to do so. The Company cannot make any assurance that it will be profitable in the next three years or generate sufficient revenues to pay dividends to the holders of the Common Shares.

Speculative Nature of Investment Risk

An investment in the securities of the Company carries a high degree of risk and should be considered as a speculative investment. Silo Wellness has no history of earnings and it has not paid any dividends. There can be no assurance that Silo Wellness's activities will generate positive cash flow. Payment of any future dividends will be at the discretion of the Board of Directors after taking into account many factors, including future earnings, capital requirements, operating and financial condition and a number of other factors that the Board considers appropriate.

Dilution of Common Shares

In the event that the Company increases the number of common shares issued, or if a significant number of common shares are issued as a result of the exercise of the share purchase rights, this may have a depressive effect on the price of Silo Wellness's common shares. In addition, the voting power of Silo Wellness's existing shareholders and their economic interest in Silo Wellness will be diluted.

Use of Estimates and Measurement Uncertainty

Estimates by management represent an integral component of financial statements prepared in conformity with International Financial Reporting Standards. The estimates made in the consolidated financial statements of the Company for the year ended October 31, 2022 reflect management's judgement based on experiences, present conditions, and expectation of future events. Where estimates were made, the reported amounts for assets, liabilities, revenues and expenses may differ from the amounts that would otherwise be reflected if the ultimate outcome of all uncertainties and future events were known at the time the financial statements were prepared.

***INTERNAL CONTROLS OVER FINANCIAL REPORTING AND DISCLOSURE CONTROLS
AND PROCEDURES***

In accordance with National Instrument 52-109, Certification of Disclosure in Issuer's Annual and Interim Filings ("NI 52-109"), the CEO and CFO file a Venture Issuer Basic Certificate with respect to the financial information contained in the financial statements and accompanying Management's Discussion

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and Analysis. The Venture Issuer Basic Certification includes a “Note to Reader” stating that the CEO and CFO do not make any representations relating to the establishment and maintenance of disclosure controls and procedures (“DC&P”) and internal controls over financial reporting (“ICFR”), as defined in NI 52-109.

As part of our corporate governance practices, ICFR and DC&P have been designed. There has been no formal evaluation of the operation of these controls. The Company has designed its ICFR to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance IFRS.

Management works to mitigate the risk of a material misstatement in financial reporting; however, a control system, no matter how well conceived or operated, can provide only reasonable, not absolute, assurance that the objectives of the control system are met.

The Company’s DC&P have been designed to ensure that information required to be disclosed by Silo is accumulated and communicated to the Company’s management as appropriate to allow timely decisions regarding required disclosure. It should be noted that while the Company’s CEO and CFO believe that the Company’s DC&P provide a reasonable level of assurance that they are effective, they do not expect that the DC&P or ICFR will prevent all errors or fraud.