Silo Wellness Submits Annual Filings After Completion of Audited Financials; Management Commentary

Springfield, Oregon--(Newsfile Corp. - April 6, 2023) - Silo Wellness Inc. (CSE: SILO) (OTCQB: SILFF) (FSE: 3K7A), announced the filing of the Company's audited annual financial statements and corresponding management's discussion and analysis ("MD&A") for the year ended October 31, 2022, (collectively, the "Annual Filings"). The Annual Filings are available for download from the Company's SEDAR profile.

The filling of the Annual Filings is an automatic application to the Ontario Securities Commission to revoke the previously-disclosed Failure to File Cease Trade Order (the "FFCTO"). Trading is expected to resume on the Canadian Securities Exchange ("CSE") shortly after the revocation of the FFCTO.

Management Commentary

"The 2022 year-end audit has been an extensive process primarily due to the low materiality threshold because of the small size of our market cap, the complexity of the April 2022 debt financing, and all the recent debt restructuring. I'd like to thank our CFO Winfield Ding and our auditors at Zeifmans for their work to get this over the finish line and the patience of our shareholders and other interested parties," said Mike Arnold, Silo Wellness founder and CEO.

Arnold continued, "With the audit process firmly behind us, our focus continues to be on continuing revenue-generating operations in Jamaica and moving forward our Oregon psilocybin strategy."

2022 Annual Filings Highlights

Comparison of 2022 vs. 2021

Sales revenue for the year ended October 31, 2022, was $335,811, showing a significant increase of 179% from the previous year, which reported $120,120. The cost of goods sold for the year 2022 was $212,849, indicating a decrease of 45% from the previous year, which reported $388,614. As a result, the Company's gross margin was $122,962, compared to a loss of $268,494 in 2021, representing a significant improvement in the gross margin of 145%.

The Company reported total expenses of $5,544,819, representing an increase of 16% compared to $4,789,543 in 2021, reflecting an increase in advertising and promotion fees, consultant fees, and management fees. The advertising and promotion fees were $3,643,165 in 2022, representing a growth of 140% compared to $1,517,336 in 2021. 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. However, while these expenses were booked for the Company, the company previously released in March that those liabilities were removed from the balance sheet due to divesting the subsidiary that possessed that debt. Consultant fees, directors' fees, and management fees were $736,658 in 2022, indicating a decrease of 47% compared to $1,394,075 in 2021. Mike Arnold, who took over as CEO in June 2022, continues to work on attempting to reduce costs and debt restructuring.

The Company recorded an impairment expense for the asset it acquired from Dyscovry of $402,207 in 2022, compared to $nil in 2021. Additionally, transaction costs of $380,664 were recorded in 2022, which was related to April 2022's debt financing Commitment Fee of the convertible debentures issued. In 2021, transaction costs of $1,174,203 were related to the RTO list expense.

During the year ended October 31, 2022, the Company issued 2,550,000 options to the officers, directors, and consultants of the Company, and the stock-based compensation was $109,756, compared to $620,903 in 2021.

The Company reported a net loss of $5,812,400 for the year ended October 31, 2022, indicating a decrease of 6% from a net loss of $6,208,882 in 2021. The net loss per share, basic and diluted, for the year was $0.87, showing a significant improvement from the previous year's $2.00. As mentioned above, $2,650,000 of the liability related to those expenses was removed from the balance sheet due to the divestment of that subsidiary in March 2023.

Category	Year Ended October 31, 2022	Year Ended October 31, 2021	% Change
Sales Revenue	$335,811	$120,120	179% increase
Cost of Goods Sold	$212,849	$388,614	45% decrease
Gross Margin	$122,962	($268,494)	145% improvement
Total Expenses	$5,544,819[1]	$4,789,543	16% increase
Advertising and Promotion Fees	$3,643,165[1]	$1,517,336	140% increase
Consultant, Director, and Management Fees	$736,658[2]	$1,394,075	47% decrease
Impairment Expense	$402,207	$0	-
Transaction Costs	$380,664	$1,174,203	68% decrease
Stock-based Compensation	$109,756	$620,903	82% decrease
Net Loss	($5,812,400)[1]	($6,208,882)	6% decrease
Net Loss per Share (basic and diluted)	($0.87)	($2.00)	56% improvement

[1] See the $3,250,000 Marley debt divested with SWHI in MD&A. To put the value of that divestment into perspective, without those expenses on the books, expenses would change year over year from a 16% increase to a 52% decrease and the net loss year over year changes from a 6% decrease to a to a 59% decrease.

[2] See debt converted to shares February 27, 2023 in MD&A. (Of the 107,903,397 shares issued to settle debts, 46,301,407 shares were issued to three directors and officers to settle total debt of CAD$509,315.)

Please review the Annual Filings for more details.

Liquidity and Financial Resources

Silo is no longer intending to implement its business model with Marley One or other functional mushroom products as the Bob Marley-branded products did not generate operating profits. The Company has determined that its efforts are best spent where most revenue is coming from: psychedelics. The Company separated from its previous CEO in June 2022 after previously intending to prioritize expenses related to the Marley One functional mushroom lines and for inventory purchases. However, after the Company's new CEO evaluated the business lines last summer, it became more and more evident that the psychedelic space was where resources were best spent.

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 Oregon-based subsidiary covering Oregon operations.

Subsequent Events

The Company has made significant progress in improving its financial outlook since the close of the fiscal year on October 31, 2022. First, on December 22, 2022, the Company entered into an agreement with the debt financing investor to set a floor on future tranches of the convertible debentures, resulting in greater flexibility and financial stability for the Company.

Additionally, from February 27, 2023, to March 4, 2023, the Company issued 107,903,397 common shares each at CAD$0.011 (USD$0.008) to settle a total debt of CAD$1,186,937 (USD$875,322), further improving the Company's liquidity position. "By continuing to deliver on our promises in Oregon, we have built a level of trust with our creditors which has presumably given them the reduced level of uncertainty that they have required to convert their debt into shares," stated Arnold. "We are pleased that they have found value in being shareholders and welcome them to our team." As of March 6, 2023, the Company's total share count increased to 143,402,271, and the public float remained at 35,415,282 shares, representing 24.7% of the total shares issued.

Moreover, on March 24, 2023, the Company announced a strategic partnership with Oregon-based Satya, Inc. to develop a robust ecosystem supporting the well-being of psilocybin patients and Oregonian entrepreneurs. This partnership includes a Raw Materials Supply and Purchase Agreement, which provides Silo with the Right of First Refusal (ROFR) for Satya's psilocybin biomass that become available for sale. This agreement enhances the Company's revenue-generating potential in the psychedelic space. Arnold stated, "Our mission is to make psychedelic treatments safe, ethical, and accessible to Oregonians while safeguarding local businesses from potentially exploitative out-of-state interests. By partnering with Satya, we establish a sustainable and reliable source of high-quality raw materials, allowing us to fulfill our vision. This agreement is a significant step in mitigating a key industry risk, ensuring we have access to the controlled substances necessary for treatment. With this agreement, we gain access to biomass, providing a dependable source of medicine to support our potential operations and strategic objectives."

Finally, on March 27, 2023, the Company entered into a definitive stock purchase agreement with a non-arm's length entity owned by its board member Michael Hartman for the sale of the Company's wholly-owned subsidiary SW Holdings, Inc. for $150,000, with an additional 50% royalty payment of any licensing fees or other revenue produced by SWHI or 50% of any assets sold. This agreement enhances the Company's revenue-generating potential in the licensing space and removes the last of the Marley One liabilities from the balance sheet from that failed business plan. "It was a pointless endeavor for us to advance this asset given the Marley debt that was marooned in this subsidiary," stated Arnold. "We attempted to negotiate terms with the Bob Marley family as previously disclosed to no avail. Mr. Hartman as the lead inventor of the patent-pending intellectual property is in the best position to attempt to extract value out of this debt-soaked asset. If he manages to do so, we would be entitled to royalties after any secured debt is cleared. We are very excited for this creative resolution and to finally be done with the Marley transaction and its debt."

The Company hopes that these subsequent events demonstrate its significant strides towards improving its financial outlook and generating revenue streams.

Oregon Psilocybin Therapy Center Strategy

The Company continues to be focused on the Oregon psilocybin opportunity as the only Oregon-based publicly traded psychedelics company. Under the Oregon rules, each psilocybin 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. Oregon has some of the most stringent land use laws in the country, hence the state's preserved natural beauty.

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.

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 are contrary to many of the zoning regulations and "grandfathered" in as prior nonconforming use or have otherwise been permitted. 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.

Additional risk factors regarding Oregon are set forth in the MD&A. The Company incorporates by reference the entirety of the annual filings herein.

Contact:
Mike Arnold, CEO
541-900-5871
IR at silo wellness dot com

Investor Relations: 902-818-8807

SILO WELLNESS

To view the source version of this press release, please visit https://www.newsfilecorp.com/release/161491