

TOP STRIKE RESOURCES CORP.

Condensed Interim Financial Statements (unaudited)

Three and Nine months ended January 31, 2020 and 2019

(Expressed in Canadian dollars)

Notice

Top Strike Resources' auditor, MNP LLP, has not reviewed the condensed interim financial statements.

TOP STRIKE RESOURCES CORP.

Condensed Interim Statements of Financial Position

(Expressed in Canadian dollars)

(unaudited)

As at		January 31 2020	April 30 2019
	Notes		
ASSETS			
Current Assets			
Cash and cash equivalents		\$ 4,145,117	\$ 4,856,455
Subscriptions receivable		-	200,000
Note receivable	7	4,081,957	3,250,000
Trade and other receivables		89,226	250,977
Prepays		-	35,912
		8,316,300	8,593,344
Non-Current Assets			
Deposits		2,500	2,500
Investment	8	345,900	-
Equipment		6,508	7,982
		\$ 8,671,208	\$ 8,603,826
TOTAL ASSETS			
LIABILITIES			
Current liabilities			
Accounts payable and accrued liabilities		\$ 66,268	\$ 58,370
		66,268	58,370
SHAREHOLDERS' EQUITY			
Share capital		22,119,612	22,061,737
Warrants		4,556,922	4,556,922
Contributed surplus		1,778,118	1,566,334
Deficit		(19,846,992)	(19,639,537)
Treasury stock	4	(2,720)	-
		8,604,940	8,545,456
TOTAL SHAREHOLDERS' EQUITY			
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY			
		\$ 8,671,208	\$ 8,603,826

See accompanying notes to the condensed interim financial statements.

TOP STRIKE RESOURCES CORP.

Condensed Interim Statements of Loss and Comprehensive Loss

(Expressed in Canadian dollars)

(unaudited)

		Three months ended January 31		Nine months ended January 31	
		2020	2019	2020	2019
	Notes				
Expenses					
Office and miscellaneous		\$ 2,324	\$ 4,259	\$ 10,675	\$ 9,718
Depreciation		457	605	1,473	605
Professional fees		19,268	5,662	87,731	16,818
Corporate communication		31,662	8,792	77,771	44,062
Rent and parking		8,985	10,857	29,021	12,631
Travel		6,537	11,159	36,327	35,785
Salaries and benefits		147,370	132,212	386,146	149,877
Meals and entertainment		6,213	4,145	19,361	27,752
Marketing		6,832	7,975	35,912	9,175
Conferences		-	-	14,082	1,701
Loss on disposal of property		-	-	-	1,038
Share-based compensation	5	18,786	48,008	211,784	214,784
		248,434	233,644	910,283	523,946
Other income					
Finance income	7	307,630	900	702,828	1,118
		307,630	900	702,828	1,118
Gain (loss) and comprehensive gain					
(loss) for the period		\$ 59,196	\$ (232,744)	\$ (207,455)	\$ (522,828)
Basic gain (loss) per common share					
	6	\$ 0.00	\$ (0.00)	\$ (0.00)	\$ (0.01)
Weighted average number of					
common shares outstanding	6	183,911,960	185,846,277	185,281,432	91,557,327

See accompanying notes to the condensed interim financial statements.

TOP STRIKE RESOURCES CORP.

Condensed Interim Statements of Changes in Shareholders' Equity

(Expressed in Canadian dollars)

(unaudited)

	Shares outstanding	Share capital	Warrants	Contributed surplus	Deficit	Treasury stock	Total shareholders equity
Balance at May 1, 2019	185,966,168	\$ 22,061,737	\$ 4,556,922	\$ 1,566,334	\$ (19,639,537)	\$ -	\$ 8,545,456
Share-based compensation	-	-	-	211,784	-	-	211,784
Issuance of shares	2,222,222	127,950	-	-	-	-	127,950
Shares cancelled	(2,803,000)	(70,075)	-	-	-	70,075	-
Shares purchased (NCIB)	(136,000)	-	-	-	-	(72,795)	(72,795)
Loss and comprehensive loss for the period	-	-	-	-	(207,455)	-	(207,455)
Balance at Jan 31, 2020	185,249,390	\$ 22,119,612	\$ 4,556,922	\$ 1,778,118	\$ (19,846,992)	\$ (2,720)	\$8,604,940

	Shares outstanding	Share capital	Warrants	Contributed surplus	Deficit	Treasury stock	Total shareholders equity
Balance at May 1, 2018	16,431,428	\$17,757,383	\$ -	\$ 33,256	\$ (17,726,231)	\$ -	\$ 64,408
Issue of units	169,324,740	3,035,515	5,805,761	-	-	-	8,841,276
Exercise of options	200,000	20,000	-	-	-	-	20,000
Exercise of warrants	10,000	900	(900)	900	-	-	900
Grant of options	-	-	-	214,784	-	-	214,784
Loss and comprehensive loss for the period	-	-	-	-	(522,828)	-	(522,828)
Balance at Jan 31, 2019	185,966,168	\$20,813,798	\$ 5,804,861	\$ 248,940	\$ (18,249,059)	\$ -	\$ 8,618,540

See accompanying notes to the condensed interim financial statements.

TOP STRIKE RESOURCES CORP.

Condensed Interim Statements of Cash Flows

(Expressed in Canadian dollars)

(unaudited)

		Three months Ended January 31		Nine months Ended January 31	
		2020	2019	2020	2019
	Notes				
Operating activities					
Gain (loss) for the period		\$ 59,196	\$ (232,744)	\$ (207,455)	\$ (522,828)
Non-cash items:					
Depreciation		457	605	1,473	605
Share-based compensation	5	18,786	48,008	211,784	214,784
		78,439	(184,131)	5,802	(307,439)
Changes in non-cash working capital items:					
Trade and other receivables		(16,068)	(11,813)	161,753	(21,722)
Prepays		21,832	(53,055)	35,912	(54,722)
Deposits		-	-	-	(2,500)
Accounts payable and accrued liabilities		29,157	(425,544)	7,897	5,686
Net cash provided by operating activities		113,360	(674,543)	211,364	(380,697)
Financing activities					
Issue of common shares, net of issuance costs		-	20,900	-	3,268,170
Issue of warrants, net of issuance costs		-	-	-	5,594,006
Purchase of treasury stock	4	(2,720)	-	(72,795)	-
		(2,720)	20,900	(72,795)	8,862,176
Change in non-cash working capital			8,904,390	200,000	(253,241)
Net cash used in financing activities		(2,720)	8,925,290	127,205	8,608,935
Investing activities					
Property and equipment expenditures		-	-	-	(9,151)
Issuance of note receivable	7	(81,957)	(3,250,000)	(831,957)	(3,250,000)
Purchase of investments	8	(127,950)	-	(217,950)	-
		(209,907)	(3,250,000)	(1,049,907)	(3,259,151)
Change in non-cash working capital			(9,151)	-	-
Net cash used in investing activities		(209,907)	(3,259,151)	(1,049,907)	(3,259,151)
Change in cash and cash equivalents for the period		(99,267)	4,991,596	(711,338)	4,969,087
Cash and cash equivalents, beginning of period		4,244,384	49,282	4,856,455	71,791
Cash and cash equivalents, end of period		\$ 4,145,117	\$5,040,878	\$4,145,117	\$ 5,040,878

See accompanying notes to the condensed interim financial statements.

TOP STRIKE RESOURCES CORP.

Notes to Condensed Interim Financial Statements

For the three and nine months ended January 31, 2020 and 2019

(Expressed in Canadian dollars)

(unaudited)

1. Nature and continuance of operations

Prior to September 24, 2018, Top Strike Resources Corp. ("Top Strike", the "Company") had no activity and had not earned significant revenues. The Company has evaluated several oil and gas as well as other opportunities. The Company had previously focused on international and domestic oil and gas projects but has expanded its scope to consider other industries as well.

On September 24, 2018, the Company announced the completion of a recapitalization financing, the appointment of a new management team and board of directors and commencement of trading on the Canadian Securities Exchange. The transactions have positioned the Company from an oil and gas issuer to a merchant capital firm, rebranded as "Vencanna Ventures", providing capital to early-stage global cannabis initiatives including state compliant opportunities in the United States.

The Company trades under the symbol "VENI" on the Canadian Securities Exchange and under the symbol "TPPRF" on the Pink Open Market operated by the OTC Markets Group. The Company's principal place of business is located in Calgary, Alberta. The address of the Company's head office is Suite 310, 250 6th Avenue SW, Calgary, Alberta, T2P 3H7.

2. Basis of presentation

(a) Statement of compliance

These condensed interim financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB") in accordance with International Accounting Standard ("IAS") 34, *Interim Financial Reporting*. These condensed interim financial statements do not include all the information required for full annual financial statements.

These condensed interim financial statements are stated in Canadian dollars and have been prepared following the same accounting policies and methods of computation as the financial statements for the year ended April 30, 2019 except as specified in Note 3 below. These condensed interim financial statements should be read in conjunction with the financial statements and notes thereto in the Company's annual filings for the year ended April 30, 2019.

The condensed interim financial statements were approved and authorized for issuance by the board of directors of Top Strike on March 30, 2020.

(b) Basis of measurement

These unaudited condensed interim consolidated financial statements have been prepared on a historical cost basis.

(c) Functional currency

The Company's presentation currency is Canadian dollars. The functional currency of the Company is Canadian dollars.

3. Summary of significant accounting policies

The accounting policies used are consistent with those of the previous financial year as described in Note 3 of the Company's financial statements for the year ended April 30, 2019, except for the following adoption of new accounting standards effective May 1, 2019.

Adoption of IFRS 16, Leases

Effective May 1, 2019, the Company adopted IFRS 16 Leases ("IFRS 16"), which replaces previous IFRS guidance on leases: IAS 17 Leases ("IAS 17"). Under IAS 17, lessees were required to determine if the lease was a finance or operating lease, based on specified criteria of whether the lease transferred significantly all the risks and rewards

TOP STRIKE RESOURCES CORP.

Notes to Condensed Interim Financial Statements

For the three and nine months ended January 31, 2020 and 2019

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3. Summary of significant accounting policies (continued)

associated with ownership of the underlying asset. Finance leases were recognized on the statement of financial position while operating leases were recognized in net income (loss) and comprehensive income (loss) in the statements of comprehensive income (loss). IFRS 16 introduced a single lease accounting model for lessees which

requires a right-of-use asset and liability to be recognized on the statement of financial position for contracts that are, or contain, a lease. The Company adopted IFRS 16 using the modified retrospective approach, whereby the cumulative effect of initially applying the standard was recognized as nil.

On adoption of IFRS 16, the Company's lease liability related to contracts classified as leases are measured at the discounted present value of the remaining minimum lease payments, excluding short-term and low-value leases. The right-of-use assets recognized are measured at amounts equal to the present value of the lease obligations. The weighted average incremental borrowing rate is used to determine the lease liability at adoption. At May 1, 2019, the Company had a revocable license for office services on a month-to-month basis.

Upon the adoption of IFRS 16, the Company adopted the following significant accounting policy effective May 1, 2019:

Leases

A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. A lease liability is recognized at the commencement of the lease term at the present value of the lease payments that are not paid at that date. At the commencement date, a corresponding right-of-use asset is recognized at the amount of the lease liability, adjusted for lease incentives received, retirement costs and initial direct costs. Depreciation is recognized on the right-of-use asset over the lease term. Interest expense is recognized on the lease liability using the effective interest rate method and payments are applied against the lease liability.

Key areas where management has to make judgments, estimates and assumptions related to the application of IFRS 16 include:

- The incremental borrowing rate is based on judgments including economic environment, term, and the underlying risk inherent to the asset. The carrying balance of the right-of-use asset, lease liability and the resulting interest expense and depreciation expense, may differ due to changes in the market conditions and lease term.
- Lease terms are based on assumptions regarding extension terms that allow for operational flexibility and future market conditions.

4. Share capital

On September 16, 2019 the Company commenced a Normal course issuer bid (NCIB). Under the NCIB the Company may purchase up to 5% of the issued and outstanding common shares. As of January 31, 2020, the Company had 185,249,390 common shares outstanding and was eligible to purchase up to 9,298,308 shares for a period of one year.

During the period the Company purchased 136,000 common shares at a cost of \$2,720 bring the total shares purchased under the NCIB to 2,939,000 common shares. During the period 2,803,000 of the shares held in treasury were cancelled.

On January 14, 2020, in connection with the purchase of additional interest in the investment in Galenas New Jersey LLC, the Company issued an additional 2,222,222 common shares in exchange for 22.5% the in outstanding equity of the entity. The transaction was valued at \$127,950 (Note 8).

TOP STRIKE RESOURCES CORP.

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5. Share-based compensation – stock options

The Company has a share option plan for directors, officers, employees and consultants of the Company whereby share options representing up to 10% of the issued and outstanding common shares can be granted by the Board of Directors. Commencing September 2018 and August 2019, the Company granted 12,466,740 and 5,000,000 share options for a term of five years which 1/3 vested immediately, 1/3 on the first anniversary and 1/3 on the second anniversary.

The Company accounts for share-based compensation granted to directors, officers, employees and consultants using the Black-Scholes option-pricing model to determine the fair value of the options at grant date. Share-based compensation expense is recorded and reflected as share-based compensation expense over the vesting period with a corresponding amount reflected in contributed surplus.

The fair value of the stock options granted were estimated on the date of grant using the Black-Scholes option-pricing model.

Risk free interest rate (%)	1.75%
Expected life (years)	5 years
Expected volatility (%)	149.5%
Estimated forfeiture rate (%)	0%
Weighted average fair value of options granted	\$0.0225
Weighted average share price on date of grant	\$0.025

The fair value of the 5,000,000 stock options granted August 27, 2019 was \$112,500, they expire Aug 27, 2024.

	Options	Weighted average exercise price
Balance, May 1, 2019	12,466,740	\$0.06
Granted Aug 27, 2019	5,000,000	\$0.03
Balance, January 31, 2020	17,466,740	\$0.051

As at January 31, 2020, 9,977,827 stock options are exercisable at a weighted average price of \$0.051 per common share with an average remaining life of 3.9 years.

6. Per share amounts

Basic gain/(loss) per share is calculated based on the net gain/(loss) and the weighted-average number of common shares outstanding. For the periods in which the Company has recorded a loss, any addition to basic shares is considered anti-dilutive.

	Three months ended January 31		Nine months ended January 31	
	2020	2019	2020	2019
Gain (loss) for the period	\$ 59,196	\$ (232,744)	\$ (208,355)	\$ (522,828)
Weighted average number of common shares (basic and diluted)	183,911,960	185,846,277	185,281,432	91,557,327
Basic and diluted loss per share	\$ 0.00	\$ 0.00	\$ (0.00)	\$ (0.01)

At January 31, 2020, there were 17,466,740 (April 30, 2019 – 12,466,740) stock options that are out of the money and, therefore, considered anti-dilutive.

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7. Note receivable

Medical Investor Holdings LLC (d.b.a. Vertical Companies) (“Vertical”)

On July 19, 2019, the Company entered into a \$4,000,000 loan agreement with Vertical for inventory expansion and general working capital purposes. The principal of the note accrues interest at an annual rate of 30% per annum. Upon maturity, the principal balance of the note is payable along with the right to purchase 54,176 warrants to acquire class B units of Vertical at an exercise price of US\$22.15 for up to two years from the maturity date.

As at January 31, 2020, the note has not matured. On November 5, 2019 the Company added additional terms to the extension including a general security agreement on Vertical’s property. Also, during the period the Company capitalized an additional \$81,957 to the balance of the note. Consisting of the capitalization of \$209,457 in interest and associated legal fees related to the note as well as the application of a \$127,950 payment related to the additional interest investment in Galenas New Jersey LLC (Note 8).

8. Investments

Galena New Jersey LLC (“Galenas NJ”)

August 8, 2019 the Company purchased an approximate 15% interest in Galenas NJ for \$90,000. January 14, 2020 the Company purchased an additional 45% interest in Galenas NJ. with consideration consisting of cash of \$127,950 and the issuance of 2,222,222 common shares at a deemed price of \$0.0576 per share. The additional interest was purchased from Vertical and Medical Investment Fund A LP (“MIF”), a related party transaction (Note 9). Upon closing, the Company owns approximately 60% of Galenas NJ. Given that Galenas NJ has applied for dispensary and cultivation licenses and is unable to carry out revenue generating operations until the licenses are received, the Company is deemed not to constitute a business under IFRS 3. In addition, as at January 31, 2020, Top Strike considers itself to constitute an investment entity as defined under IFRS 10. As a result, this investment is recorded at fair value on the Company’s statement of financial position at January 31, 2020.

9. Related party transactions

Jon Sharun and Smoke Wallin, directors of the Company, are a partner of MIF and Chairman of Vertical, respectively. Both Mr. Sharun and Mr. Wallin has abstained from voting at the director’s meeting regarding the additional investment in Galenas NJ.

10. Financial risk management

As at January 31, 2020, the carrying values of cash and cash equivalents, note receivable, trade and other receivables, and trade and other payables approximate their fair values due to their short terms to maturity.

Financial risks

The Company has exposure to the following risks from its use of financial instruments:

- Credit risk
- Liquidity risk
- Market risk

Credit risk

The Company's credit risk is primarily attributable to cash and other receivables, note receivable and trade and other receivables. The Company has no significant concentration of credit risk arising from operations. Cash and cash equivalents consist of a chequing account at a reputable financial institution, from which management believes the risk of loss to be remote. Federal deposit insurance covers balances up to \$100,000 in Canada. Financial instruments included in subscriptions receivable consist of an amount due from the Company’s legal firm. Financial instruments included in note receivable consist of an amount due from an American participant in the cannabis industry. Financial instruments included in other receivables consist of amounts due from government agencies. The Company limits its

TOP STRIKE RESOURCES CORP.

Notes to Condensed Interim Financial Statements

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(Expressed in Canadian dollars)

(unaudited)

10. Financial risk management (continued)

exposure to credit loss for cash by placing its cash with high quality financial institutions and for receivables by standard credit checks. At January 31, 2020, the Company's exposure to credit risk is minimal.

Liquidity risk

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they fall due. As at January 31, 2020, the Company had a cash and cash equivalents balance of \$4,145,117 (April 30, 2019 - \$4,856,455) to settle current liabilities of \$66,268 (April 30, 2019 - \$58,370).

Historically, the Company's sole source of funding has been the issuance of equity securities for cash, primarily through private placements and loans from related and other parties. The Company's access to financing is always uncertain. There can be no assurance of continued access to significant equity funding.

Market risk

Market risk is the risk of loss that may arise from changes in market factors such as interest rates, foreign exchange rates, and commodity and equity prices and other external market forces.

a) Interest risk

The Company is exposed to interest rate risk to the extent that the cash maintained at its banking institution is subject to floating rates of interest. The interest rate risk on cash is not considered significant.

As of January 31, 2020, the Company had a note receivable of \$4,081,957 from an American participant in the cannabis industry. The interest rate on the loan is fixed, and as such, the Company is not exposed to significant interest rate risk.

b) Foreign currency risk

The Company does not have any balances denominated in a foreign currency and believes it has no significant foreign currency risk.

c) Other external market forces

The impact of the Covid-19 pandemic and jurisdictional policies put into effect to counter the virus (including social distancing and the closure of non-essential services) are unknown at this time. While most US states have deemed access to medical cannabis an "essential" service, it is unknown if this will be continued or how future policies will impact US cannabis related investments.

11. Subsequent Event

On February 12, 2020 the Company announced that its common shares were approved to commence trading on the OTCQB Venture Market, under the symbol "TPPRF".

On February 21, 2020 the Company has purchased a Convertible Promissory Note ("GOH Note") for approximately US\$3.3 million. The GOH Note total outstanding, including accrued interest, was approximately US\$3.8 million. The GOH note was purchased from Vertical. The GOH Note is convertible, upon the holder's option, into 35% non-dilutive equity interest in Galenas Ohio. Interest on the GOH Note accrues at the rate of 8% per annum and matures on July 1, 2021. The purchase price was satisfied through the release and discharge of all amounts owing to the Company under the Vertical loan.