

# **TOP STRIKE RESOURCES CORP.**

**Condensed Interim Financial Statements (unaudited)**

**Three and Nine months ended January 31, 2022 and 2021**

(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, 2022	April 30, 2021
	Notes		
<b>ASSETS</b>			
<b>Current Assets</b>			
Cash		\$ 6,844,639	\$ 723,943
Note receivable	4	2,916,208	2,469,958
Trade and other receivables		8,981	6,911
Prepays		23,740	16,617
		<b>9,793,568</b>	<b>3,217,429</b>
<b>Non-Current Assets</b>			
Deposits		2,500	2,500
Equipment		4,447	5,243
Investments	5	-	6,784,547
<b>TOTAL ASSETS</b>		<b>\$ 9,800,515</b>	<b>\$ 10,009,719</b>
<b>LIABILITIES</b>			
<b>Current liabilities</b>			
Accounts payable and accrued liabilities		244,249	173,576
Unearned interest		-	12,787
		<b>244,249</b>	<b>186,363</b>
<b>Non-Current liabilities</b>			
Loan	6	27,229	25,187
Convertible debenture – debt component	7	1,628,403	1,552,350
Convertible debenture – derivative component	7	(188,262)	323,664
<b>TOTAL LIABILITIES</b>		<b>1,711,619</b>	<b>2,087,564</b>
<b>SHAREHOLDERS' EQUITY</b>			
Share capital	8	21,968,258	21,976,797
Warrants		4,556,922	4,556,922
Contributed surplus		1,888,652	1,879,212
Deficit		(20,324,936)	(20,485,420)
Treasury stock		-	(5,356)
<b>TOTAL SHAREHOLDERS' EQUITY</b>		<b>8,088,896</b>	<b>7,922,155</b>
<b>TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY</b>		<b>\$ 9,800,515</b>	<b>\$ 10,009,719</b>

See accompanying notes to the condensed interim financial statements.

**TOP STRIKE RESOURCES CORP.**

Condensed Interim Statements of Income (Loss) and Comprehensive Income (Loss)

(Expressed in Canadian dollars)

(unaudited)

	<b>Three months ended January 31</b>		<b>Nine months ended January 31</b>	
	<b>2022</b>	<b>2021</b>	<b>2022</b>	<b>2021</b>
<b>Notes</b>				
<b>Revenues</b>				
Interest income	\$ 124,833	\$ 142,842	\$ 480,353	\$ 403,877
Change in fair market value of investments and financial instruments:				
Unrealized (loss) gain on investments And derivative instruments	<b>5,7</b>	<b>(63,070)</b>	<b>316,973</b>	<b>(340,600)</b>
Unrealized (loss) gain on foreign exch.	<b>89,507</b>	<b>(203,260)</b>	<b>157,695</b>	<b>(414,812)</b>
	<b>151,270</b>	<b>(411,419)</b>	<b>955,021</b>	<b>(351,536)</b>
<b>Expenses</b>				
Office and miscellaneous	2,091	9,759	6,857	15,237
Depreciation	263	255	796	819
Professional fees	53,548	6,727	157,038	71,247
Corporate communication	14,157	14,139	47,125	25,590
Rent and parking	6,739	6,735	20,736	19,533
Travel	405	-	7,704	-
Salaries and benefits	158,423	145,077	423,872	352,431
Meals and entertainment	1,006	1,036	9,786	3,293
Interest and bank charges	38,683	62,485	111,183	145,037
Conferences	-	664	-	869
Share-based compensation	-	4,719	9,440	64,029
	<b>275,315</b>	<b>251,596</b>	<b>794,537</b>	<b>697,185</b>
<b>Income (loss) and comprehensive income (loss) for the period</b>	<b>\$ (124,045)</b>	<b>\$ (663,014)</b>	<b>\$ 160,484</b>	<b>\$ (1,049,620)</b>
<b>Earnings (loss) per share</b>				
Basic and diluted	<b>9</b>	<b>\$ (0.00)</b>	<b>\$ (0.00)</b>	<b>\$ (0.00)</b>
<b>Weighted average number of common shares outstanding</b>				
Basic and diluted	<b>181,311,749</b>	<b>181,632,694</b>	<b>181,379,336</b>	<b>181,527,006</b>

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
<b>Balance at May 1, 2021</b>	<b>181,411,390</b>	<b>\$21,976,797</b>	<b>\$4,556,922</b>	<b>\$1,879,212</b>	<b>\$(20,485,420)</b>	<b>(5,356)</b>	<b>\$7,922,155</b>
Share base compensation	-	-	-	9,440	-	-	9,440
Shares held in treasury	-	(5,356)	-	-	-	5,356	-
Shares cancelled	(103,000)	(3,183)	-	-	-	-	(3,183)
Income and comprehensive income for the period	-	-	-	-	164,484	-	160,484
<b>Balance at January 31, 2022</b>	<b>181,308,390</b>	<b>\$21,968,258</b>	<b>\$4,556,922</b>	<b>\$1,888,652</b>	<b>\$(20,324,936)</b>	<b>-</b>	<b>\$8,088,896</b>
<b>Balance at May 1, 2020</b>	<b>181,991,390</b>	<b>\$21,984,522</b>	<b>\$4,556,922</b>	<b>\$1,810,617</b>	<b>\$(19,134,232)</b>	<b>-</b>	<b>\$9,217,829</b>
Share base compensation	-	-	-	64,029	-	-	64,029
Shares purchased (NCIB)	(500,000)	-	-	-	-	(7,725)	(7,725)
Loss and comprehensive loss for the period	-	-	-	-	(1,049,620)	-	(1,049,620)
<b>Balance at January 31, 2021</b>	<b>181,491,390</b>	<b>\$21,984,522</b>	<b>\$4,556,922</b>	<b>\$1,874,646</b>	<b>\$(20,183,852)</b>	<b>(7,725)</b>	<b>\$8,224,513</b>

See accompanying notes to the condensed interim financial statements.

**TOP STRIKE RESOURCES CORP.**

Condensed Interim Statements of Cash Flows

(Expressed in Canadian dollars)

(unaudited)

		<b>Three months Ended January 31 2021</b>	<b>2022</b>	<b>Nine months Ended January 31 2021</b>
	<b>Notes</b>			
<b>Operating activities</b>				
Net income (loss) for the period		\$ (663,014)	\$ 160,484	\$ (1,049,620)
Adjustments for:				
Interest income		(142,842)	(78,204)	(403,877)
Depreciation	263	255	796	819
Share-based compensation	-	4,719	9,440	64,029
Unrealized gain on investments and financial instruments	63,070	351,000	(316,973)	340,600
Unrealized foreign exchange loss (gain)	(78,644)	203,260	(181,838)	414,812
Loan accretion	680	62,068	2,042	143,752
Government grants	-	(1,676)	-	(12,732)
Prepays	(11,149)	(16,008)	(7,123)	(22,649)
Trade and other receivables	(1,063)	11,380	(2,069)	12,011
Unearned interest	-	-	(12,787)	-
Accounts payable and accrued liabilities	(28,846)	(15,061)	65,055	(38,845)
		(179,734)	(205,919)	(551,700)
Changes in non-cash working capital items:				
Settlement of convertible promissory notes	-	-	6,838,699	-
Interest received	(124,833)	40,144	(353,642)	93,623
Net cash from (used) in operating activities		(304,567)	6,123,880	(458,077)
<b>Financing activities</b>				
Loan proceeds	-	-	-	40,000
Advance to related parties	-	-	-	165
Purchase of treasury stock	(3,183)	(7,725)	(3,183)	(7,725)
Net cash from (used) in financing activities	(3,183)	(7,725)	(3,183)	32,440
<b>Change in cash and cash equivalents for the period</b>		(173,500)	6,120,697	(425,637)
<b>Cash and cash equivalents, beginning of period</b>		3,493,785	723,942	3,745,922
<b>Cash and cash equivalents, end of period</b>		\$ 3,320,285	\$ 6,844,639	\$ 3,320,285

See accompanying notes to the condensed interim financial statements.

## **TOP STRIKE RESOURCES CORP.**

Notes to Condensed Interim Financial Statements

For the three and six months ended January 31, 2022 and 2021

(Expressed in Canadian dollars)

(unaudited)

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### **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 transitioned the Company from an oil and gas issuer to a merchant capital firm, operating as "Vencanna Ventures", and aims to provide 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 ("CSE") and under the symbol "TPPRF" on the OTCQB Venture Market ("OTCQB"), a US trading platform operated by the OTC Market Group in New York. The Company's principal place of business is located in Calgary, Alberta. The address of the Company's head office is Suite 310, 250 6<sup>th</sup> 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, 2021 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, 2021. The condensed interim financial statements were approved and authorized for issuance by the board of directors of Top Strike on March 31, 2022.

#### *Basis of measurement*

These unaudited condensed interim consolidated financial statements have been prepared on a historical cost basis, except for share-based payment transactions, investments, convertible notes, convertible debentures and derivative instruments which have been recorded at fair market value.

#### *(b) 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, 2021.

## TOP STRIKE RESOURCES CORP.

Notes to Condensed Interim Financial Statements

For the three and six months ended January 31, 2022 and 2021

(Expressed in Canadian dollars)

(unaudited)

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### 4. Note receivable

On March 11, 2021, the Company entered into a US\$2,000,000 facility loan agreement with the Cannavative Group LLC (“Cannavative”) to facilitate planned capital expansion initiatives or other uses as agreed by the Company (the “Cannavative Note”). The commencement date of the Cannavative Note was March 19, 2021.

On March 12, 2021, the Company announced that it had entered into an exclusive non-binding letter of intent with Cannavative, pursuant to which the Company will acquire all of the common shares in the capital of Cannavative in an all-share exchange through the issuance of an aggregate of 360,000,000 common shares of the Company at a deemed issuance price of US\$0.05 per common share. The proposed transaction is subject to, among other things, the execution of a definitive agreement between the Company and Cannavative (the “Definitive Agreement”) and customary closing conditions. The proposed transaction is subject to the acceptance of the CSE and the approval of the shareholders of the Company.

The maturity date of the Cannavative Note is September 9, 2022, or at any time prior to the maturity date at the borrower’s discretion. Interest on the Cannavative Note is 17.5% per annum. Upon execution of the Definitive Agreement interest will be reduced to 12.5% per annum.

As at January 31, 2022, the principal and interest balance of the Cannavative Note is \$2,916,208.

### 5. Investments

Galenas New Jersey LLC (“Galenas NJ”)

On August 8, 2019, the Company purchased an approximate 15% interest in Galenas NJ for \$90,000. On December 18, 2019, the Company acquired an additional 22.5% interest in Galenas NJ from Medical Investor Holdings LLC (d.b.a. Vertical Companies) (“Vertical”) with a settlement of accrued interest of \$127,950 on the Vertical loan. On January 24, 2020 the Company issued 2,222,222 common shares at a share price of \$0.02 to Medical Investment Fund LLC (“MIF”) for exchange of additional 22.5% interest in Galenas NJ. The Company owns approximately 60% of Galenas NJ, which holds a cultivation application and a dispensary application. Both the cultivation and dispensary license applications were unsuccessful resulting in a write down of the investment.

As at January 31, 2022, the carrying value was \$Nil (2021 - \$118,900).

#### *Convertible promissory notes*

##### *GOH Note*

On February 20, 2020, the Company was assigned a convertible promissory note (“GOH Note”) as settlement for the note receivable to Medical Investors Holdings, LLC (d.b.a. Vertical Companies). The GOH Note was originally issued by Galenas LLC for the principal sum of US\$3,300,000 on July 12, 2018 with interest accruing at a rate of 8% per annum. The holder of the GOH Note has the option to convert the note into a 35% non-dilutive interest in Galenas LLC any time prior to the maturity date on July 1, 2021. On July 7, 2021, the GOH Note was settled for cash proceeds of US\$4,189,993.

##### *GOH Note 2*

On July 3, 2020, the Company was assigned a convertible promissory note (“GOH Note 2”). The GOH Note 2 was originally issued by Galenas LLC for the principal sum of US\$1,300,000. The note has an interest rate of 9.6% and is paid in monthly installments of US\$10,400. The holder of the GOH Note 2 has the option to convert the note into 223 membership units (approximately 10.3% equity interest) of Galenas LLC on or prior to the maturity date of August 1, 2021. On July 30, 2021, the GOH Note 2 was settled for cash proceeds of US\$1,300,000.

## TOP STRIKE RESOURCES CORP.

Notes to Condensed Interim Financial Statements

For the three and six months ended January 31, 2022 and 2021

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### 6. Loan

On June 6, 2020, the Company received a \$40,000 Canada Emergency Response interest free loan to cover operating costs. The loan was offered by the Government of Canada through the Company's bank and is related to the Covid-19 pandemic. The balance of the loan is due on or before December 31, 2022. Full payment of the loan by December 31, 2022 will result in a loan forgiveness benefit of \$10,000.

On December 31, 2022, the Corporation has the option to extend the loan for an additional 3 years at an annual interest rate of 5%. In determining the fair value of the loan, the Company used an effective interest rate of 10% and considered the interest free and forgiveness features of the loan.

The fair value of this loan on the initial recognition date of June 6, 2020 was \$22,915. The fair value of this loan as at January 31, 2022, is \$27,229. During the period the Company recorded loan accretion of \$681 on the Statement of Income (Loss) and Comprehensive Income (Loss).

### 7. Convertible debenture

On July 3, 2020, the Company issued a US\$1,300,000 convertible debenture maturing July 3, 2022 (the "Debenture"). The Debenture is convertible at the holder's option at a conversion rate of US\$0.05 per common share totaling 26,000,000 common shares of the Company. The Debenture carries an interest rate of 8.0% and is accrued and payable on January 31, April 30, July 31, and October 31 of each year; interest is paid in cash, common stock, a combination thereof, or accrued. The Company also holds an option to extend the maturity of the Debenture to July 3, 2024 at an interest rate of 9.6% and common share conversion rate of 29,900,000 common shares. The Company may elect to force conversion if the Company's 10-day weighted average closing price of its common shares traded through the facilities of the Canadian Stock Exchange prior to that date equals or exceeds US\$0.075 per common share.

The conversion and debt feature of the Debenture is presented separately on the condensed statement of financial position due to the variability of foreign currency of the settlement feature. The derivative component is valued upon the initial issuance date July 3, 2020 and at each period end date. The Debenture carries an implied interest rate of 12.68%.

Convertible debenture	January 31, 2022		July 3, 2020
Debt component (US)	\$ 1,280,292	\$	1,174,622
Foreign exchange rate	~1.27		~1.36
Debt component	1,628,403		1,593,375
Derivative component	(188,262)		170,075
	\$ 1,440,141	\$	1,763,450

### 8. Share capital

a) Authorized:

Unlimited number of common shares with no par value.

b) Issued

	Number of shares	Amount
Balance May 1, 2020	181,991,390	\$ 21,984,522
Cancelled	(500,000)	(7,725)
Balance at April 30, 2021	181,491,390	21,976,797
Cancelled	(183,000)	(8,539)
<b>Balance at January 31, 2022</b>	<b>181,308,390</b>	<b>\$ 21,968,258</b>



## TOP STRIKE RESOURCES CORP.

Notes to Condensed Interim Financial Statements

For the three and six months ended January 31, 2022 and 2021

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### 8. Share capital (continued)

On May 4, 2021, the Company cancelled 80,000 common shares held in treasury. During the period the Company purchased an additional 103,000 common shares which were held in treasury until cancelled on December 1, 2021. As at January 31, 2022, there are 181,308,390 common shares issued and outstanding.

#### c) Warrants

	Number of warrants	Amount
Balance May 1, 2020	117,711,057	\$ 4,556,922
Granted, exercised, expired	-	-
Balance at April 30, 2021	117,711,057	4,556,922
Expired	(64,148,480)	-
<b>Balance at January 31, 2022</b>	<b>53,562,577</b>	<b>\$ 4,556,922</b>

Each whole Warrant entitled the holder to acquire one Common Share as follows:

Number of warrants	Purchase price	Expiry date
31,497,766	\$0.06	September 24, 2023
22,054,811	\$0.06	October 19, 2023
53,562,577		

The fair value of the Warrants was determined using a Black-Scholes option pricing model using the following assumptions:

Risk-free rate (%)	1.91 – 2.40 %
Expected life (years)	3 – 5 years
Contractual life (years)	3 – 5 years
Expected volatility (%)	100%
Expected dividend yield	-

### 9. Per share amounts

Basic and diluted earnings per share is calculated based on net loss and the weighted-average number of common shares outstanding.

	Three months ended January 31		Nine months ended January 31	
	2022	2021	2022	2021
Income (loss) for the period	\$ (124,045)	\$ (663,014)	\$ 160,484	\$ (1,049,620)
Weighted average number of common shares (basic and diluted)	181,311,749	181,991,390	181,379,336	181,991,390
Basic and diluted loss per share	\$ (0.00)	\$ (0.00)	\$ 0.00	\$ (0.00)

As at January 31, 2022, there were 17,466,740 (2021– 17,466,740) stock options considered anti-dilutive.

## TOP STRIKE RESOURCES CORP.

Notes to Condensed Interim Financial Statements

For the three and six months ended January 31, 2022 and 2021

(Expressed in Canadian dollars)

(unaudited)

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### 10. Related party transactions

During the period ended January 31, 2022, \$Nil (2021 - \$3,127) in legal fees were incurred from a law firm at which an officer of the Company is a Partner. As at January 31, 2022, accounts payable and accrued liabilities included amounts payable to related parties totaling \$Nil (2021 - \$20,002).

On July 3, 2020, the Company issued the Debenture to Medical Investment Fund A Limited Partnership ("MIFF A"). Jon Sharun, a director of the Company, is the Managing Partner of MIFF A.. During the period the Company elected to accrue US\$28,555 in interest related to the Debenture (Note 7). As at January 31, 2022, the Company has accrued \$221,045 (US\$173,791) to accounts payable and accrued liabilities on the Condensed Interim Statement of Financial Position.

### 11. Financial risk management

As at January 31, 2022, the carrying values of cash, trade and other receivables, prepaids and other trade payables approximate their 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*

Credit risk represents the risk associated with the inability of a counterparty to fulfil its financial obligations. The Company is exposed to credit risk through cash, trade and other receivables and investments. The cash balance is primarily held in a chequing account at a reputable financial institution. Trade and other receivables consist of government receivables. The Company does not have significant concentration credit risk from cash, trade and other receivables.

As at January 31, 2022, the Company is exposed to credit risk of \$2,916,208 related to its note receivable balance. The note is non-revolving and the maturity date is connected to the non-binding letter signed with Cannavative of March 12, 2021 and matures no later than September 9, 2022.

##### *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, 2022, the Company had a cash balance of \$6,844,639 (April 30, 2021 - \$723,943) to settle current liabilities of \$244,249 (April 30, 2021 - \$186,363). Historically, the Company's sole source of funding has been the issuance of equity securities for cash, 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.

#### 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 of cash is not considered significant.

As of January 31, 2022, the Company had a note receivable balance of \$2,916,208 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.

## **TOP STRIKE RESOURCES CORP.**

Notes to Condensed Interim Financial Statements

For the three and six months ended January 31, 2022 and 2021

(Expressed in Canadian dollars)

(unaudited)

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### **11. Financial risk management (continued)**

#### *b) Foreign currency risk*

As at January 31, 2022, the Company holds cash, a note receivable and has issued a convertible debenture in American Dollars. The Company's objective in managing its foreign currency risk is to minimize its net exposure to foreign currency cash flows by transacting with third parties in the functional currency when possible. The Company is exposed to currency rate risk from fluctuations in the value of its investments which are denominated in \$US and a convertible debenture. The Company does not currently use foreign exchange contracts to hedge its exposure to foreign currency risk.

As at January 31, 2022, a 1% foreign exchange differential in the American Dollar, with all other factors remaining constant, would result in \$32,000 change in income (loss).