

**TOP STRIKE RESOURCES CORP.**

**Condensed Interim Financial Statements (unaudited)**

**Three months ended July 31, 2019 and 2018**

(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		July 31, 2019	April 30, 2019
	Notes		
<b>ASSETS</b>			
<b>Current Assets</b>			
Cash and cash equivalents		\$ 4,153,743	\$ 4,856,455
Subscriptions receivable	4	200,000	200,00
Note receivable	5	4,000,000	3,250,000
Trade and other receivables		69,116	250,977
Prepays		21,292	35,912
		8,444,151	8,593,344
<b>Non-Current Assets</b>			
Deposits		2,500	2,500
Investment	5	14,339	-
Equipment		7,456	7,982
		\$ 8,468,446	\$ 8,603,826
<b>LIABILITIES</b>			
<b>Current liabilities</b>			
Accounts payable and accrued liabilities		\$ 51,738	\$ 58,370
		51,738	58,370
<b>SHAREHOLDERS' EQUITY</b>			
Share capital		22,061,737	22,061,737
Warrants		4,556,922	4,556,922
Contributed surplus		1,637,010	1,566,334
Deficit		(19,838,961)	(19,639,537)
		8,416,708	8,545,456
<b>TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY</b>			
		\$ 8,468,446	\$ 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)

For the three months ended July 31		2019	2018
	Notes		
<b>Expenses</b>			
Office and miscellaneous		\$ 5,407	\$ 53
Depreciation		526	-
Professional fees		44,230	1,336
Corporate communication		7,863	2,019
Rent and parking		9,480	-
Travel		16,236	-
Salaries and benefits		117,427	-
Meals and entertainment		10,984	-
Conferences		7,223	-
Share-based compensation		70,676	-
		<b>304,672</b>	<b>3,408</b>
<b>Other income</b>			
Finance income	5	113,548	123
		<b>113,548</b>	<b>123</b>
<b>Loss and comprehensive loss for the period</b>		\$ <b>199,424</b>	\$ <b>3,285</b>
<b>Basic loss per common share</b>	6	\$ <b>0.00</b>	\$ <b>0.00</b>
<b>Weighted average number of common shares outstanding</b>		<b>185,966,168</b>	<b>16,431,428</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	Total shareholders' equity
<b>Balance at May 1, 2019</b>	<b>185,966,168</b>	<b>\$ 22,061,737</b>	<b>\$ 4,556,922</b>	<b>\$ 1,566,334</b>	<b>\$ (19,639,537)</b>	<b>\$ 8,545,456</b>
Loss and comprehensive loss for the period	-	-	-	-	(199,424)	(199,424)
Share-based compensation	-	-	-	70,676	-	70,676
<b>Balance at July 31, 2019</b>	<b>185,966,168</b>	<b>\$ 22,061,737</b>	<b>\$ 4,556,922</b>	<b>\$ 1,637,010</b>	<b>\$ (19,838,961)</b>	<b>\$ 8,416,708</b>

<b>Balance at May 1, 2018</b>	16,431,428	\$ 17,757,383	\$ -	\$ 33,256	\$ (17,726,231)	\$ 64,408
Loss and comprehensive loss for the period	-	-	-	-	(3,285)	(3,285)
<b>Balance at July 31, 2018</b>	16,431,428	\$ 17,757,383	\$ -	\$ 33,256	\$ (17,729,516)	\$ 61,123

See accompanying notes to the condensed interim financial statements.

**TOP STRIKE RESOURCES CORP.**

Condensed Interim Statements of Cash Flows

(Expressed in Canadian dollars)

(unaudited)

For the three months ended July 31		2019	2018
	Notes		
<b>Operating activities</b>			
Loss for the period		\$ (199,424)	\$ (3,285)
Non-cash items:			
Depreciation		526	-
Unrealized (gain) on investments	5	(14,339)	-
Share-based compensation		70,676	-
		(142,561)	(3,285)
Changes in non-cash working capital:			
Trade and other receivables		181,861	(516)
Prepays		14,620	-
Trade and other payables		(6,632)	3,945
Net cash provided by operating activities		47,288	144
<b>Investing activities</b>			
Issuance of note receivable	5	(4,000,000)	-
Repayment of note receivable	5	3,250,000	-
Net cash used in financing activities		(750,000)	-
<b>Change in cash and cash equivalents for the period</b>		<b>(702,712)</b>	<b>144</b>
<b>Cash and cash equivalents, beginning of period</b>		<b>4,856,455</b>	<b>71,791</b>
<b>Cash and cash equivalents, end of period</b>		<b>\$ 4,153,743</b>	<b>\$ 71,935</b>

See accompanying notes to the condensed interim financial statements.

# TOP STRIKE RESOURCES CORP.

Notes to Condensed Interim Financial Statements  
For the three months ended July 31, 2019 and 2018  
(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 positioned the Company from an oil and gas issuer to a merchant capital firm, rebranded as "Vencanna Ventures Inc.", 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. 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, 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 September •, 2019.

### (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 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

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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. Subscriptions receivable**

Pursuant to the insider private placement of fiscal 2019, \$200,000 of the proceeds are held in trust by the Company's legal counsel.

#### **5. Note receivable**

On January 30, 2019, the Company entered into a loan of \$3,250,000 to Ionic Brands Corp. ("Ionic", formerly Blacklist Holdings, Inc.) for inventory expansion into its markets and general working capital purposes ("Loan 1"). On May 17, 2019, Ionic repaid Loan 1 in its entirety along with an additional payment of \$286,000, for aggregate gross proceeds of \$3,536,000, together with 2,600,000 warrants to acquire common shares of Ionic at an exercise price of \$0.55 per Ionic share until May 17, 2020.

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The Ionic warrants were valued at \$338,003 and \$14,339 at May 17 and July 31, 2019 respectively, using the Black-Scholes warrant pricing model with the following inputs:

	July 31, 2019	May 17, 2019
Volatility	81.5%	81.5%
Life	0.8 years	1 year
Risk-free interest rate	1.68%	1.75%
Market price	\$0.175	\$0.475
Exercise price	\$0.55	\$0.55
Dividend yield	nil	nil

Investment at July 31, 2019 consists of the fair value of the Ionic warrants held by Top Strike. The unrealized gain on investments of \$14,339 is included in other income, together with the interest earned on the Company's loans.

On July 19, 2019, the Company entered into a loan of \$4,000,000 to Medical Investor Holdings, LLC ("Medical Investor") for inventory expansion and general working capital purposes ("Loan 2"). The principal of Loan 2, and accrued interest at an annual rate of 30% per annum are due October 20, 2019, together with 54,176 warrants to acquire class B units of Medical Investor at an exercise price of US\$22.15 per Medical Investor class B unit until October 20, 2021.

### 6. Per share amounts

Basic loss per share is calculated based on net loss and the weighted-average number of common shares outstanding. The Company has recorded a loss in each of the periods presented and therefore any addition to basic shares is anti-dilutive.

Three months ended July 31	2019	2018
Loss for the period	\$ 199,424	\$ 3,285
Weighted average number of common shares (basic and diluted)	185,966,168	16,431,428
Basic and diluted loss per share	\$ 0.00	\$ 0.00

At July 31, 2019, there were 12,466,740 (April 30, 2019 – 12,466,740) stock options considered anti-dilutive.

### 7. Related party transactions

The Company paid or accrued accounting fees of \$ 6,269 (July 31, 2018 - \$(38)) to a company controlled by a former officer of the Company. These transactions are in the normal course of operations and are measured at the exchange amount which is the amount of consideration established and agreed to by the related parties.

As at July 31, 2019, trade and other payables included amounts payable to related parties totaling \$12,682 (July 31, 2018 - \$2,663) for accounting fees.



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### 8. Financial risk management

As at July 31, 2019, the carrying values of cash and cash equivalents, subscriptions receivable, 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 exposure to credit loss for cash by placing its cash with high quality financial institutions and for receivables by standard credit checks. At July 31, 2019, 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 July 31, 2019, the Company had a cash and cash equivalents balance of \$4,153,743 (April 30, 2019 - \$4,856,455) to settle current liabilities of \$51,738 (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.

#### 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 July 31, 2019, the Company had a note receivable of \$4,000,000 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.