

TOP STRIKE RESOURCES CORP.

Condensed Interim Financial Statements (unaudited)

Three months ended July 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		July 31, 2020	April 30, 2020
	Notes		
ASSETS			
Current Assets			
Cash		\$ 3,659,036	\$ 3,745,922
Trade and other receivables		10,656	9,601
Due from related parties		146,618	146,618
		3,816,310	3,902,141
Non-Current Assets			
Deposits		2,500	2,500
Equipment		6,009	6,300
Investments	4	7,048,320	5,383,020
		\$ 10,873,139	\$ 9,293,961
TOTAL ASSETS			
LIABILITIES			
Current Liabilities			
Accounts payable and accrued liabilities		\$ 69,477	\$ 76,132
Deferred government grants	5	16,083	-
		85,560	76,132
Non-Current Liabilities			
Loan	5	23,281	-
Convertible debenture - debt component	6	1,387,605	-
Convertible debenture - derivative component	6	374,400	-
		1,870,846	76,132
TOTAL LIABILITIES			
SHAREHOLDERS' EQUITY			
Share capital		21,984,522	21,984,522
Warrants		4,556,922	4,556,922
Contributed surplus		1,848,344	1,810,617
Deficit		(19,387,495)	(19,134,232)
		9,002,293	9,217,829
TOTAL SHAREHOLDERS' EQUITY			
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY			
		\$ 10,873,139	\$ 9,293,961

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		2020	2019
	Notes		
Revenues			
Interest income	4	\$ 116,400	\$ 99,209
Change in fair value of investments and financial instruments:			
Unrealized gain on investments		-	14,339
Unrealized gain on derivative instruments	6	10,400	-
		127,166	113,548
Expenses			
Change in fair value of investments and financial instruments:			
Unrealized loss on foreign exchange		\$ 204,616	\$ -
Office and miscellaneous		5,282	4,655
Depreciation		291	526
Professional fees		17,830	44,230
Corporate communication		3,464	7,863
Rent and parking		5,976	9,480
Travel		-	16,236
Salaries and benefits		84,091	117,427
Meals and entertainment		1,009	10,984
Marketing		-	14,620
Interest and bank charges		19,572	752
Conferences		207	7,223
Share-based compensation		37,727	70,676
		381,066	304,672
Loss and comprehensive loss for the period		\$ (253,263)	\$ (199,424)
Basic loss per common share	7	\$ (0.00)	\$ (0.00)
Weighted average number of common shares outstanding	7	181,991,390	185,966,168

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
Balance at May 1, 2020	181,991,390	\$ 21,984,522	\$ 4,556,922	\$ 1,810,617	\$ (19,134,232)	\$ 9,217,829
Loss and comprehensive loss for the period	-	-	-	-	(253,263)	(253,263)
Share-based compensation	-	-	-	37,727	-	37,727
Balance at July 31, 2020	181,991,390	\$ 21,984,522	\$ 4,556,922	\$ 1,848,344	\$ (19,387,495)	\$ 9,002,293

Balance at May 1, 2019	185,966,168	\$ 22,061,737	\$ 4,556,922	\$ 1,566,334	\$ (19,639,537)	\$ 8,545,456
Loss and comprehensive loss for the period	-	-	-	-	(199,424)	(199,424)
Share-based compensation	-	-	-	70,676	-	70,676
Balance at July 31, 2019	185,966,168	\$ 22,061,737	\$ 4,556,922	\$ 1,637,010	\$ (19,838,961)	\$ 8,416,708

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		2020	2019
	Notes		
Operating activities			
Net loss for the period		\$ (253,263)	\$ (199,424)
Adjustments for:			
Interest income		(116,400)	(99,209)
Depreciation		291	526
Share-based compensation		37,727	70,676
Unrealized gain on derivative instruments	6	(10,400)	-
Unrealized gain on investments		-	(14,339)
Unrealized foreign exchange loss		204,616	-
Loan accretion	5,6	19,254	-
Government grants	5	(1,002)	-
Prepays		-	14,620
Trade and other receivables		(1,055)	181,861
Accounts payable and accrued liabilities		(6,654)	(6,632)
		(126,886)	(51,921)
Issuance of notes receivable		-	(4,000,000)
Payments of notes receivable		-	3,250,000
Interest received		-	99,209
Net cash used in operating activities		(126,886)	(650,791)
Financing activities			
Loan proceeds	5	40,000	-
Net cash proceeds from financing activities		40,000	-
Change in cash and cash equivalents for the period		(86,886)	(702,712)
Cash and cash equivalents, beginning of period		3,745,922	4,856,455
Cash and cash equivalents, end of period		\$ 3,659,036	\$ 4,153,753

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, 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 transitioned 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 and under the symbol 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 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, 2020 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, 2020. The condensed interim financial statements were approved and authorized for issuance by the board of directors of Top Strike on September 28, 2020.

(b) 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.

(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, 2020. With the exception of the following policy.

Government grants

The Company receives grants periodically from different governmental incentive programs. Grants are recognized initially when there is reasonable assurance the grant or subsidy will be received and when the Company believes it is in compliance with the related conditions of the grant or subsidy. The financial aid received for expenditures incurred is recognized against the expenditure in the same accounting period in which the expenditures were incurred.

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4. 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 A LP (“MIF”) for exchange of additional 22.5% interest in Galenas NJ.

Investments in Galenas NJ is measured at FVTPL, and considered to be under Level 3 fair value hierarchy. The fair value of this investment as at July 31, 2020 is \$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 Vertical. The GOH Note was originally issued by Galenas LLC for the principal sum of \$US3,300,000 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 anytime prior to the maturity date on July 1, 2021. Upon maturity the entire unpaid principal balance and all accrued interest on the note shall become due and payable.

The GOH Note is measured at FVTPL, and considered to be under Level 3 hierarchy. The fair value of this investment as at July 31, 2020 is \$5,174,759.

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 \$US1,300,000. The note has an interest rate of 9.6% and is paid in monthly installments of \$US10,400. 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.

The GOH Note 2 is measured at FVTPL, and considered to be under Level 3 hierarchy. The fair value of this investment as at July 31, 2020 is \$1,754,661.

5. 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%.

The fair value, the debt component of the loan was estimated at \$22,915 after consideration of the interest free and forgiveness features of the loan. The Company used a 10% effective interest rate based on what the Company would expect to pay for a similar loan. For the period ended July 31, 2020, the Company recorded a loan accretion of \$366 on the condensed interim statements of loss and comprehensive loss.

The remaining \$17,085 residual value of the loan was classified and recorded as a deferred government grant on the statement of financial position. During the period the Company expensed \$1,002 of the deferred government grant which has been offset to salaries and benefits expense on the condensed interim statements of loss and comprehensive loss.

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6. Convertible debenture

On July 3, 2020, the Company issued a US\$1,300,000 convertible debenture maturing July 3, 2022. The debenture is convertible at the holder's option at a conversion rate of \$US0.05 per common share totaling 26,000,000 common shares of the Company. The debenture carries an interest rate of 8% 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, 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 VWAP equals or exceeds US\$0.075 per common share.

The conversion and debt feature of the convertible debenture is presented separately on the condensed statement of financial position due to the variability of foreign currency of the settlement feature. The Black Scholes option pricing model was used to value the derivative component upon the initial valuation date July 3, 2020, and period ended July 31, 2020. The convertible debenture carries an implied interest rate of 17.5%.

Convertible debenture	July 3, 2020	July 31, 2020
Debt component (US)	\$ 1,016,329	\$ 1,035,217
Foreign exchange rate	~1.36	~1.34
Debt component	1,378,650	1,387,605
Derivative component	384,800	374,400
	\$ 1,763,450	\$ 1,762,005

7. 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	2020	2019
Loss for the period	\$ 253,263	\$ 3,285
Weighted average number of common shares (basic and diluted)	181,991,390	185,966,168
Basic and diluted loss per share	\$ (0.00)	\$ (0.00)

At July 31, 2020, there were 17,466,740 (April 30, 2020 – 17,466,740) stock options considered anti-dilutive.

8. Related party transactions

The Company paid or accrued accounting fees of \$Nil (July 31, 2019 - \$6,269) to a company controlled by a former officer of the Company. In addition, during the period ended July 31, 2020, \$7,485 (2019 - \$46,261) in legal fees were incurred from a law firm at which the Corporate Secretary of the Company is a Partner. As at July 31, 2020, accounts payable and accrued liabilities included amounts payable to related parties totaling \$25,290 (2019 - \$31,912) for the above professional fees.

The Company loaned its directors, executives and employees cash restricted to the sole purpose of purchasing Company shares on the open market. The related party loans are payable upon demand by the Company, are secured by the underlying stock purchased and bear zero interest. During the period ended July 31, 2020 no activity has occurred and the combined loan balance outstanding is \$146,618.

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8. Related party transactions (continued)

On July 3, 2020, the Company announced the purchase of the \$US1,300,000 GOH Note 2 and the issue of a debenture. Jon Sharun, a director of the Company, is a partner of the seller and purchaser of the \$US1,300,000 note and debenture respectively. Mr. Sharun has abstained from voting at the director's meeting of the Company regarding the issue of the Debenture and the purchase of the \$1,300,000 note (collectively, the "Transaction"). Due to the involvement of Mr. Sharun, who is a related party of the Company pursuant to Multilateral Instrument 61-101 – Protection of Minority Security Holders in Special Transactions (M"MI 61-101"), the Transaction constitutes a "related party transaction" within the meaning of MI 61-101. In its consideration and approval of the Transaction, the board of directors of the Company determined that the transaction was exempt from the formal valuation and minority approval requirements of MI 61-101 on the basis that the fair market value of the Transaction, as it relates to related parties, did not exceed 25% of the market capitalization of the Company, in accordance with Sections 5.5 and 5.7 of MI 61-101.

9. Financial risk management

As at July 31, 2020, the carrying values of cash, balances due from related parties, trade and other receivables, trade and other payables and deferred government grants 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, due from related parties 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, due from related parties consist of secured related party loans. The Company does not have significant concentration credit risk from cash, due from related parties and trade and other receivables.

The Company manages credit risk through the careful selection and monitoring of its investments. The Convertible notes are managed through active review of the financial performance of the issuer, Galenas LLC. The Galenas LLC convertible notes constitute a high concentration of risk in a single entity. The convertible notes collectively account for 64% of the Company's total credit risk as at July 31, 2020.

The Company's maximum exposure to credit risk as at July 31, 2020 is \$10,864,630 (2019 - \$8,437,198).

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, 2020, the Company had a cash balance of \$3,659,036 (April 30, 2020 - \$3,745,922) to settle current liabilities of \$85,560 (April 30, 2020 - \$76,132). 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.

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9. Financial risk management (continued)

As at July 31, 2020, the Company had 2 convertible notes from an American participant in the cannabis industry. The interest rate on the loans are fixed, and as such, the Company is not exposed to significant interest rate risk.

b) *Foreign currency risk*

As of July 31, 2020, the Company owns 2 convertible notes and a convertible debenture denominated 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 risk from fluctuations in the value of its investments and its convertible debenture which are denominated in \$US. The Company does not currently use foreign exchange contracts to hedge its exposure to foreign currency risk.

As at July 31, 2020, a 1% foreign exchange differential of the American dollar, with all other factors remaining constant, would result in \$53,000 change in income (loss).