

TOP STRIKE RESOURCES CORP.

Condensed Interim Financial Statements (unaudited)

Three and Six months ended October 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		October 31, 2020	April 30, 2020
	Notes		
ASSETS			
Current Assets			
Cash		\$ 3,493,785	\$ 3,745,922
Trade and other receivables		4,259	9,601
Prepays		6,640	-
Due from related parties		146,783	146,618
		3,651,467	3,902,141
Non-Current Assets			
Deposits		2,500	2,500
Equipment		5,737	6,300
Investments	4	7,130,283	5,383,020
		\$ 10,789,987	\$ 9,293,961
TOTAL ASSETS			
LIABILITIES			
Current Liabilities			
Accounts payable and accrued liabilities		\$ 52,348	\$ 76,132
Deferred government grants	5	14,408	-
		66,756	76,132
Non-Current Liabilities			
Loan	5	23,894	-
Convertible debenture - debt component	6	1,434,404	-
Convertible debenture - derivative component	6	374,400	-
		1,899,454	76,132
TOTAL LIABILITIES			
SHAREHOLDERS' EQUITY			
Share capital		21,984,522	21,984,522
Warrants		4,556,922	4,556,922
Contributed surplus		1,869,927	1,810,617
Deficit		(19,520,838)	(19,134,232)
		8,890,533	9,217,829
TOTAL SHAREHOLDERS' EQUITY			
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY			
		\$ 10,789,987	\$ 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)

		Three months ended October 31		Six months ended October 31	
		2020	2019	2020	2019
	Notes				
Revenues					
Interest income	4	\$ 144,635	\$ 295,989	\$ 261,034	\$ 395,198
Change in fair value of investments and financial instruments:					
Unrealized gain on investments	6	-	-	10,400	-
		144,635	295,989	271,434	395,198
Expenses					
Change in fair value of investments and financial instruments:					
Unrealized loss on investments		\$ -	\$ 14,339	\$ -	\$ -
Unrealized loss on foreign exchange		6,936	-	211,552	-
Office and miscellaneous		1,199	2,251	5,479	6,904
Depreciation		273	490	564	1,016
Professional fees		46,690	9,533	64,521	68,463
Corporate communication		7,988	38,246	11,451	46,109
Rent and parking		6,822	10,556	12,796	20,036
Travel		-	13,553	-	29,790
Salaries and benefits		122,260	121,350	207,354	238,776
Meals and entertainment		1,248	2,165	2,256	13,148
Marketing		-	14,460	-	29,080
Interest and bank charges		62,979	694	82,551	1,447
Conferences		-	6858	206	14,082
Share-based compensation		21,583	122,322	59,310	192,998
		277,978	356,817	658,040	661,849
Loss and comprehensive loss for the period		\$ (133,343)	\$ (60,828)	\$ (386,606)	\$ (266,651)
Basic (loss) per common share	7	\$ (0.00)	\$ (0.00)	\$ (0.00)	\$ (0.00)
Weighted average number of common shares outstanding	7	181,991,390	185,462,456	181,991,390	184,958,744

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, 2020	181,991,390	\$21,984,522	\$4,556,922	\$1,810,617	\$(19,134,232)	-	\$ 9,217,829
Share-based compensation	-	-	-	59,310	-	-	59,310
Loss and comprehensive loss for the period	-	-	-	-	(386,606)	-	(386,606)
Balance at October 31, 2020	181,991,390	\$21,984,522	\$4,556,922	\$1,869,927	\$(19,520,838)	-	\$8,890,533

	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	-	-	-	192,998	-	-	192,998
Loss and comprehensive loss for the period	-	-	-	-	(266,651)	-	(266,651)
Share purchase (NCIB)	(2,803,000)	-	-	-	-	(70,075)	(70,075)
Balance at October 31, 2019	183,163,168	\$22,061,737	\$4,556,922	\$1,759,332	\$(19,906,188)	(70,075)	\$8,401,728

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 October 31		Six months Ended October 31	
		2020	2019	2020	2019
	Notes				
Operating activities					
Net loss for the period		\$ (133,343)	\$ (60,828)	\$ (386,606)	\$ (266,651)
Adjustments for:					
Interest income		(144,635)	(295,989)	(261,034)	(395,198)
Depreciation		273	490	564	1,016
Share-based compensation		21,583	122,322	59,310	192,998
Unrealized gain on derivative instruments	6	-	-	(10,400)	-
Unrealized loss on investments		-	14,339	-	-
Unrealized foreign exchange loss		6,936	-	211,552	-
Loan accretion	5,6	63,672	-	82,551	-
Government grants		(1,675)	-	(2,677)	-
Prepays		(6,641)	(540)	(6,642)	14,080
Trade and other receivables		6,396	491,950	5,717	773,019
Accounts payable and accrued liabilities		(17,129)	(21,027)	(23,784)	(21,260)
		(204,563)	250,717	(331,449)	298,004
Issuance of notes receivable		-	-	-	(4,000,000)
Payments of notes receivable		-	-	-	3,250,000
Interest received		39,147	(90,000)	39,147	(90,000)
Net cash provided (used) in operating activities		(165,416)	160,717	(292,302)	(541,996)
Financing activities					
Loan proceeds	5	-	-	40,000	-
Advance to related parties	8	165	-	165	-
Purchase of treasury stock		-	(70,075)	-	(70,075)
Net cash provided (used) in financing activities		165	(70,075)	40,165	(70,075)
Change in cash and cash equivalents for the period		(165,251)	90,642	(252,137)	(612,071)
Cash and cash equivalents, beginning of period		3,659,036	4,153,742	3,745,922	4,856,455
Cash and cash equivalents, end of period		\$ 3,493,785	\$4,244,384	\$ 3,493,785	\$ 4,244,384

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 October 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 December 29, 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 LLC (“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 October 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 October 31, 2020 is \$5,280,043.

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 October 31, 2020 is \$1,731,340.

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%. 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 the debt component of the loan was \$22,915 and \$23,894 as at October 31, 2020. During the period the Company recorded loan accretion of \$612 on the condensed interim statement of loss and comprehensive loss.

The residual value of the loan was \$17,085 and \$14,408 as at October 31, 2020. The residual value was classified and recorded as a deferred government grant on the statement of financial position. During the period the Company expensed \$1,675 of the deferred grant to salaries and benefits on the condensed interim statement of loss and comprehensive loss.

TOP STRIKE RESOURCES CORP.

Notes to Condensed Interim Financial Statements

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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 October 31, 2020. The convertible debenture carries an implied interest rate of 17.72%.

Convertible debenture	July 3, 2020	Oct 31, 2020
Debt component (US)	\$ 1,016,329	\$ 1,077,042
Foreign exchange rate	~1.36	~1.33
Debt component	1,378,650	1,434,404
Derivative component	384,800	374,400
	\$ 1,763,450	\$ 1,808,804

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 October 31		Six months ended October 31	
	2020	2019	2020	2019
Gain (loss) for the period	\$ (133,343)	\$ (60,828)	\$ (386,606)	\$ (290,084)
Weighted average number of common shares (basic and diluted)	181,991,390	185,462,456	181,991,390	184,958,744
Basic and diluted loss per share	\$ (0.00)	\$ (0.00)	\$ (0.00)	\$ (0.00)

At October 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 (October 31, 2019 – 1,331) to a company controlled by a former officer of the Company. In addition, during the period ended October 31, 2020, \$28,115 (2019 - \$3,702) in legal fees were incurred from a law firm at which the Corporate Secretary of the Company is a Partner. As at October 31, 2020, accounts payable and accrued liabilities included amounts payable to related parties totaling \$21,288 (2019 - \$3,565) 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. The Company received \$8,400 and loaned an additional \$8,565 during the period, the due from related parties balance October 31, 2020 was \$146,783.

TOP STRIKE RESOURCES CORP.

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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. 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 elected to accrue interest of \$26,380 to the convertible debenture during the period ended Oct 31, 2020.

9. Financial risk management

As at October 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 65% of the Company's total credit risk as at October 31, 2020.

The Company's maximum exposure to credit risk as at October 31, 2020 is \$10,781,750 (2019 - \$9,285,161).

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 October 31, 2020, the Company had a cash balance of \$3,493,785 (April 30, 2020 - \$3,745,922) to settle current liabilities of \$66,756 (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.

As at October 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.

TOP STRIKE RESOURCES CORP.

Notes to Condensed Interim Financial Statements

For the three and six months ended October 31, 2020 and 2019

(Expressed in Canadian dollars)

(unaudited)

9. Financial risk management (continued)

b) *Foreign currency risk*

As of October 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 October 31, 2020, a 1% foreign exchange differential of the American dollar, with all other factors remaining constant, would result in \$52,000 change in income (loss).