

Vencanna Announces Amended Definitive Agreement with Cannavative Group and Provides Operational Update

CALGARY, AB, Aug. 16, 2023 /CNW/ - Top Strike Resources Corp. d.b.a. "Vencanna Ventures" (the "**Company**" or "**Vencanna**") (CSE: VENI) (OTCQB: TPPRF) provides the following corporate and operational updates:

Cannavative Transaction

Effective today, the Company and The Cannavative Group LLC ("**Cannavative**") have amended and restated the definitive unit exchange agreement originally entered into on April 25, 2022 (as amended, the "**A&R Definitive Agreement**"). Pursuant to the A&R Definitive Agreement, Vencanna will acquire all the membership units of Cannavative through the issuance of 29.4 million common shares of the Company ("**Shares**") and the issuance of 14.7 million Share purchase warrants, each warrant being exercisable for one Share at an exercise price of US\$0.10 for a period of 18 months following the date of issuance ("**B Warrants**"). In addition, subject to the achievement of certain 2024 financial milestones and the receipt of certain cash receivables, holders of membership units of Cannavative will receive up to 75.0 earn-out units ("**Earn-out Units**") in respect of each membership unit, each Earn-out Unit consisting of one (1) Share plus a half (½) B Warrant (collectively, the "**Transaction**"). Further, pursuant to the Transaction, Cannavative's debt in the amount of US\$6.8 million will convert into 90.4 million Shares and 18.1 million Share purchase warrants, each exercisable for one Share at an exercise price of US\$0.075 for a period of 9 months ("**A Warrants**"), and 18.1 million B Warrants. As a condition to the completion of the Transaction, Vencanna's unsecured convertible debenture issued July 3, 2022 in the principal amount of US\$1,300,000 (the "**Debenture**"), plus its accrued interest, will convert into 38.1 million Shares. Upon completion of the Transaction and the conversion of the Debenture, the Company will have approximately 345.0 million Shares, 107.3 common share purchase warrants, 66.7 Earn-out Units, and 17.2 million options outstanding. In addition, the Company will be debt free with approximately \$5.0 million in cash and net working capital. The Transaction value is US\$12.5 million based on a deemed issue price of US\$0.075 per Share (excluding the Earn-out Units).

The Transaction is expected to constitute a "Change of Control" and a "Fundamental Change" pursuant to the policies of the Canadian Securities Exchange (the "CSE") and will be subject to the acceptance of the CSE and the approval of shareholders of Vencanna. Vencanna intends to seek shareholder approval of the Transaction by way of written resolution from shareholders holding not less than 50% plus one Share. It is anticipated that the Transaction will be completed on or about September 30, 2023.

Management and the board of directors will be comprised of professionals from both parties, creating a dynamic, integrated team, with the full capability to execute the go-forward business plan, which includes deeper market penetration in the state of Nevada, expansion into New Jersey, and potential acquisition opportunities. The Transaction will be truly transformative to Vencanna, converting the company from an investment company into a U.S. based cannabis operating company and is a great benefit to all stakeholders involved.

However, it is with great sadness to announce the recent passing of Mr. Ross Kline, founder, chairman, and CEO of the Cannavative Group. This Transaction could not have occurred without Ross' stewardship. Ross leaves a loving wife, Lisa, and their three adoring children, Makenzie, Casey, and Derek. He was a pioneer and visionary, entering this new and exciting, but uncertain, industry with the same entrepreneur spirit and drive that brought him success at his prior founding enterprise; Logistics & Distribution Services. Ross was surrounded by so many likeminded people, where integrity is at your core, where family, friends, and the community matter most. These qualities were just as prevalent in his business life and we feel blessed to have had the opportunity of being a small part of that. Ross will be profoundly missed. Our deepest sympathies and prayers go out to his family.

It is anticipated that at closing of the Transaction, the board and senior management of the combined company will hold 28% of the outstanding Shares (31% on a fully diluted basis).

Transaction Attributes

Attractive Price: Transaction value is estimated to equal Cannavative's 2023 revenues (first half revenues were US\$6.1 million).

Fair Consideration: Vencanna's deemed share price of US\$0.075 gives credit to cash on hand and its New Jersey opportunities.

Alignment: The all-share exchange, including Cannavative's debt and the Debentures converting to equity, closely aligns all the stakeholders, and is a testament to the collective support for the Company's pro forma business plan.

Balance Sheet: The Company will be debt free with cash and net working capital of approximately \$5.0 million.

Operational Balance: Immediately generating revenues and cash flows, while developing significant value add projects in New Jersey.

Added Depth: Ability to bring the managerial and product success from Nevada to New Jersey and other potential new markets.

David McGorman, Vencanna's CEO, commented "It's been our goal to convert from an investment company to a well-established cannabis operating company, and Cannavative is the transformative transaction that Vencanna has been looking for. Being one of the first companies in Nevada to be awarded both a cultivation and manufacturing license, they've developed deep roots in one of the most dynamic recreational states in the U.S. Their product development and talent pool will be easily exportable into new markets as cannabis reform in the U.S. continues to expand. We look forward to onboarding the Cannavative team." Jason Crum, Cannavative's President and Chief Revenue Officer, commented "Cannavative is thrilled to join forces with Vencanna, a partner that brings capital to fuel our continued growth and industry expertise to expand our footprint beyond Nevada. Vencanna's relationships, such as their recently announced opportunity in New Jersey, the newest state to initiate recreational sales, is a perfect example of how together we can exploit new frontiers. Combined, we'll be able to push the boundaries of innovation in cannabis, with a continued focus on delivering the highest quality products to consumers."

Post-Transaction Management and Directors

Jon Sharun, Executive Chairman & Interim CFO

Mr. Sharun is the current Executive Chairman and interim CFO of Vencanna. He has over 20 diverse years of international investment, real estate, branding and business development experience. He is the founder and Managing Partner of Venexo Capital, a boutique private equity firm that has raised in excess of \$100 million with investments in healthcare, hospitality and real estate. Venexo has been an early investor into the cannabis sector with over 50 international placements. Jon sits on many private, public and NFP boards, and is both a Top Forty Under 40 and a Top 100 in Finance award winner. Mr. Sharun holds an MBA, CPA, CSA, LEED AP, and ICD.D

David McGorman, CEO & Director

Mr. McGorman is a co-founder, and current CEO and director of Vencanna. He has over 25 years of experience in the financial industry providing M&A and corporate structuring advice to his clients, as well as leading their equity issues and debt placements. Prior to Vencanna, Mr. McGorman held senior positions at The Chase Manhattan Bank, and numerous Canadian investment banking firms including CEO of Jennings Capital Inc., and Vice-Chairman of Research Capital Corp. Mr. McGorman holds a Hon's B.Sc. in Theoretical Physics from the University of Guelph, and an M.B.A. from the DeGroote School of Business.

Jason Crum, Chief Revenue Officer & Director

Mr. Crum is the current President and Chief Revenue Officer of Cannavative. He has over 20 years of diversified CPG/FMCG background in alcohol sales management, including beer and wine with MillerCoors and Treasury Wine Estates, where he was directly responsible for supply, distribution, and brand building. His skill set includes developing high performing teams, maximizing strategic analytics, and streamlining efficiencies. Since joining Cannavative in 2019, Jason has been instrumental in increasing Cannavative's Nevada dispensary penetration and sales growth. Mr. Crum is a graduate of UT Austin.

W. Scott McGregor, Independent Director

Mr. McGregor is currently a director of Vencanna and the Managing Director at Invest Alberta Corp., a Crown corporation dedicated to attracting investment and supporting trade to the province of Alberta. He's a seasoned corporate finance professional with over 20 years of investment banking and corporate development experience. Mr. McGregor holds a B.A. from Queens University and a M.B.A. from the Rotman School of Management.

Dr. Scott Wrye MD, Independent Director

Dr. Wrye is a private practicing physician and co-founder and director of Cannavative. Scott was an early supporter of medical cannabis, educating and working directly with many patients in northern Nevada for their legal access of medical cannabis. In addition to his community support, Scott has been instrumental in helping Cannavative develop their products and brands. Dr. Wrye is a Cosmetic, Plastic & Reconstructive Surgery Specialist based in Reno Nevada. He's a graduate of New York State University, College of Medicine.

New Jersey & NJ Entities

The Company has made significant progress to advance its community partnerships in New Jersey, including TGC New Jersey LLC ("TGC"), CGT New Jersey LLC ("CGT"), and October Gold LLC ("October Gold", collectively with TGC and CGT, the "NJ Entities"). To date, the New Jersey Cannabis Regulatory Commission ("CRC") has awarded TGC a conditional cultivation and manufacturing license, and has awarded each of CGT and October Gold a conditional retail license.

With a population of 9.3 million, New Jersey is the 11th most populous state. While New Jersey medically legalized cannabis in 2012, they have experienced a modest roll out. There are currently only 27 dispensaries selling to the adult market, making New Jersey one of the most underserved state open for adult consumption. New Jersey is primarily served by the 12 Alternative Treatment Centre licenses ("ATC"), each of which are restricted to only 3 dispensaries, further limiting the competitive penetration. Retail locations face high barriers to entry with less than 25% of the state's municipalities allowing adult use stores, and most of those municipalities limit the number of licenses allowed and put in place restrictive zoning parameters, only adding to the barriers to entry. The New Jersey retail market is quite attractive, and is not expected to experience the excessive competition in the near term. In addition, given the current market environment, accessing capital poses additional challenges for licensees to build out their operation, further limiting the competition. The Company's balance sheet strength will be a competitive advantage for the NJ Entities, allowing them to be early entrants into this promising market.

TGC has secured a site and has received municipal support from the township of Cinnaminson, NJ. The site is a 15,500-sf facility, allowing for cultivation, manufacturing and retail sales of cannabis and related products. TGC has submitted its conversion application for cultivation and manufacturing, and concurrently has submitted its retail application (in February 2023, the state of New Jersey allowed cultivators and manufacturers to also be licenced retailers). TGC expects to receive its annual cultivation, manufacturing, and retail licenses in the second half of 2023, and become operational in 2024. This facility will be one of the very few single site vertical operations in New Jersey, which will allow it to showcase products directly to its customers. In addition to the township's restrictive zoning parameters, only three of the 7 adjacent municipalities allow retail cannabis sales. With the high barriers to entry, limited foreseeable competition within the area, and the unique "on-site" customer experience, the Cinnaminson facility is positioned for success.

The Company continues to review attractive sites for CGT and October Gold, collaborating closely with local municipalities, and working with additional community partners, in order to expand its New Jersey network. In addition to supporting the New Jersey entities through funding and managerial oversight, Vencanna will also be able to bring its SOP's and top Nevada brands to this new market, further expanding our reach.

About Cannavative

Cannavative is a multiple award-winning cultivator and processor in Nevada, including winning Leaflink's Top Brand in Nevada in 2021, a gold and silver medal at the 2020 Las Vegas Cannabis Awards, the 2019 Jack Herer Cup for their vape pen, and Leafly's Best Flower Products brand in 2018. Cannavative has been operational since 2016 (they were the first in Nevada to hold both a cultivation and processing license), and are now selling in over 80% of the state's retail outlets. In addition to their high-quality flower, Cannavative produces a wide variety extracted products, including its award-winning infused pre-roll, the Motivator, and one of Nevada's top selling vapes, Resin8.

Nevada is a major cannabis market in the U.S with sales over \$880 million in 2022 according to the State of Nevada Department of Taxation. Nevada's strong sales are supported by their tourism, with over 38 million visitors in 2022, and a 10.5% jump YTD to May 2023, according to the LVCVA Research Centre. The Nevada tourist industry, and Las Vegas in particular, offers Cannavative a unique exposure for its national brand development.

Cannavative operates out of a 40,000-sf facility, situated on 8.5 acres in Northern Nevada. The facility includes a 10,000 square foot state-of-the-art, pharmaceutical-grade extraction lab and kitchen. In addition, there is a 2,800 square foot high-tech light deprivation greenhouse on site, with significant ability to expand on the property.

About Vencanna

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 CSE. The transactions have transitioned the Company from an oil and gas issuer to a merchant capital firm, rebranded as "Vencanna Ventures". The recapitalized Corporation aims to be a go-to capital provider for early-stage global cannabis initiatives with an emphasis on strong management operating in state compliant jurisdictions with barriers to entry. The Company looks to provide investors with a diversified, high-growth, cannabis investment strategy through strategic investments focused through-out the value chain (cultivation, processing, and distribution, and including ancillary businesses).

Reader Advisories

Completion of the Transaction is subject to a number of conditions, including, but not limited to, the acceptance of the CSE and shareholder approval. The Transaction cannot close until the required CSE acceptance and shareholder approval is obtained. There can be no assurance that the Transaction will be completed as proposed or at all.

Investors are cautioned that, except as disclosed in the listing statement to be prepared in connection with the Transaction, any information released or received with respect to the Transaction may not be accurate or complete and should not be relied upon. Trading in the securities of Vencanna should be considered highly speculative.

The CSE has in no way passed upon the merits of the Transaction and has neither approved nor disapproved of the contents of this news release.

Neither the CSE nor the Market Regulator (as that term is defined in the policies of the CSE) accepts responsibility for the adequacy or accuracy of this news release.

Forward-Looking Statements

This news release contains forward-looking statements and forward-looking information within the meaning of applicable securities laws. The use of any of the words "expect", "anticipate", "continue", "estimate", "objective", "ongoing", "may", "will", "project", "should", "believe", "plans", "intends" and similar expressions are intended to identify forward-looking information or statements. More particularly, and without limitation, this news release contains forward-looking statements and information concerning the Transaction, including the terms thereof; timing for completion of the Transaction; required approvals for the completion of the Transaction and the expected receipt thereof; the business plan of the Company, Cannavative and the NJ Entities, including the business plan of the go-forward entity after completion of the Transaction; the anticipated benefits of the Transaction; the market for adult-use cannabis in the United States; the state of the adult-use cannabis market and U.S. regulatory changes in respect thereof.

The forward-looking statements are founded on the basis of expectations and assumptions made by the Company, including expectations and assumptions concerning: the Transaction, including CSE acceptance and shareholder approvals, the satisfaction of customary closing conditions in accordance with the terms of the Amended Agreement; the future operations of, and transactions contemplated by, of the Company, Cannavative and the NJ Entities; the impact of increasing competition; timing and amount of capital expenditures; the legislative and regulatory environments of the jurisdictions where of the Company, Cannavative and the NJ Entities will carry on business, have operations or plan to have operations; the ability of the Company to enter into contracts with companies to provide financing on acceptable terms; conditions in general economic and financial markets; the ability of the Company's investments to execute on their business plan; and the Company's ability to obtain additional financing on satisfactory terms or at all. Forward-looking statements are subject to a wide range of risks and uncertainties, and although the Company believes that the expectations represented by such forward-looking statements are reasonable, there can be no assurance that such expectations will be realized. Readers are cautioned that the foregoing list is not exhaustive of all factors and assumptions which have been used.

Although Vencanna believes that the expectations and assumptions on which such forward-looking statements and information are based are reasonable, undue reliance should not be placed on the forward-looking statements and information because Vencanna can give no assurance that they will provide to be correct. By its nature, such forward-looking information is subject to inherent risks and uncertainties, which could cause the actual results and expectations to differ materially from the anticipated results or expectations expressed. Without limitation, these risks and uncertainties include: the parties being unable to obtain CSE acceptance or shareholder approval; risks inherent in manufacturing and product development; actions and initiatives of federal, state and local governments and changes to government policies and the execution and impact of these actions, initiatives and policies; uncertainty caused by potential changes to regulatory framework; regulatory approval and permits; environmental, health and safety laws; risks associated with the cannabis industry in general; the ability of the Company to implement its corporate strategy; the state of domestic and international capital markets; the ability to obtain financing; and other factors more fully described from time to time in the reports and filings made by the Company with securities regulatory authorities.

Readers are cautioned that the assumptions used in the preparation of forward-looking information, although considered reasonable at the time of preparation, may prove to be imprecise. Actual results, performance or achievement could differ materially from those expressed in, or implied by, these forward-looking statements and accordingly there can be no assurance that such expectations will be realized. Vencanna undertakes no obligation to update publicly or revise any forward-looking information, whether as a result of new information, future events or otherwise, except as required by law. The forward-looking information contained herein is expressly qualified by this cautionary statement.

Certain information contained herein has been obtained from published sources prepared by independent industry analysts and third-party sources (including industry publications, surveys and forecasts). While such information is believed to be reliable for the purposes used herein, Vencanna does not assume any responsibility for the accuracy of such information.

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