

Vencanna Announces Amended Definitive Agreement with The Cannavative Group, Completion of Name Change, Resumption of Trading and Operational Update

CALGARY, AB, Feb. 23, 2024 /CNW/ - Vencanna Ventures Inc. (the "**Company**" or "**Vencanna**") (CSE: VENI) (OTCQB: TPPRF) announces, effective today, the change of its corporate name from Top Strike Resources Corp. to Vencanna Ventures Inc. and the execution of a second amended and restated definitive unit exchange agreement (as amended, the "**Amended Agreement**") with The Cannavative Group LLC ("**Cannavative**") amending the agreement originally entered into on April 25, 2022, and subsequently amended and restated on August 16, 2023.

Pursuant to the Amended Agreement, Vencanna will acquire all of the outstanding membership units of Cannavative through an all-share exchange. The Transaction will result in materially less dilution than was contemplated in earlier agreements due to: (a) a significant reduction in the purchase price; (b) implementing a performance-based earn-out structure, and (c) an increased value of the Company's share price attributable to its New Jersey opportunities. At closing, Vencanna Acquisition Inc. ("**AcquisitionCo**"), a wholly-owned subsidiary of Vencanna, will issue: (a) 56.8 million common shares of AcquisitionCo ("**Exchangeable Shares**"); (b) 10.6 million Exchangeable Share purchase warrants, each exercisable for one Exchangeable Share at an exercise price of C\$0.10 for 9 months, and (c) 12.5 million Exchangeable Share purchase warrants each exercisable for one Exchangeable Share at an exercise price of C\$0.13 for a period of 18 months following the date of issuance. The exchangeable securities are exchangeable, at the option of the holder, on a one-for-one basis for equivalent securities of Vencanna. Contingent upon the business of Cannavative achieving specific 2024 and 2025 financial milestones, holders of membership units will be eligible to receive up to 96.6 million additional earn-out units, each consisting of one Exchangeable Share and 0.5 of a Exchangeable Share purchase warrant, each such full earn-out warrant exercisable for one Exchangeable Share for 12 months from the date of issuance at an exercise price of the greater of C\$0.10 and the market price at the time of issue (collectively, the "**Transaction**"). The maximum number of equity securities issuable pursuant to the Transaction, including earnout securities and securities issued to Cannavative's financial advisor in lieu of a cash payment, is 224.3 million.

As a condition to the completion of the Transaction, the unsecured convertible debenture issued by Vencanna on July 3, 2020, in the principal amount of US\$1,300,000 (the "**Debenture**"), plus its accrued interest, will be converted into a total of 40.9 million common shares of the Company ("**Shares**") and 20.45 million Share purchase warrants, each warrant exercisable at C\$0.075 for 12 months from the date of issue. The Company currently has 181.3 million Shares outstanding, and following the completion of the debenture conversion, but not including the completion of the Transaction, the Company will have approximately 222.1 million Shares, 20.25 Share purchase warrants and 5.0 million options outstanding. Following the completion of the Transaction and the Debenture conversion, the Company will have approximately 279.0 million Shares, 43.5 Share purchase warrants and 5.0 million options outstanding (including the shares and warrants issuable upon the exchange of the exchangeable securities issued pursuant to the Transaction). At closing, the pro forma Company will be debt-free with approximately C\$4.0 million in cash. Prior to giving effect to any earn-out, Transaction value is US\$8.1 million based on a deemed issue price of C\$0.10 per Share.

The Transaction was negotiated at arm's length. On the closing date, the number of equity securities issued pursuant to the Transaction will be equal to approximately 32% of the equity securities outstanding prior to the Transaction (inclusive of the Debenture conversion) on a fully-diluted basis. Inclusive of the maximum number of earn-out securities issuable post-closing upon the achievement of financial milestones, the maximum number of equity securities issuable pursuant to the Transaction will be equal to approximately 91% of the equity securities outstanding prior to the Transaction on a fully-diluted basis. As such, the Transaction is expected to constitute a "Major Acquisition" pursuant to the policies of the Canadian Securities Exchange (the "**CSE**"). In addition to certain other escrow restrictions described in the Amended Agreement, all of the equity securities issuable pursuant to the Transaction will be subject to a restriction from trading until ten trading days after a business acquisition report has been filed in respect of the Transaction. Further details regarding Cannavative and the Transaction are available in the listing summary of Vencanna dated February 23, 2024 (the "**Listing Summary**"), which is available on SEDAR+ (www.sedarplus.ca) under Vencanna's issuer profile. The completion of the Transaction is expected to occur in April 2024.

In alignment with the Company's evolving operations, brand and corporate vision and existing investment strategy, the Company has officially rebranded as Vencanna Ventures Inc., and effective today, the Company's shares will resume trading on the CSE and the OTCB under the symbols VENI and TPPRF, respectively, as an investment issuer. On January 17, 2023, at an annual general and special meeting, the shareholders of Vencanna approved the name change.

Strategic Market Timing

The acquisition of Cannavative, coupled with our ongoing developments in New Jersey, will position Vencanna to offer its shareholders opportunities in the U.S. cannabis market. The landscape of U.S. cannabis reform is rapidly evolving. Notably, on October 6, 2022, President Biden directed the U.S. Department of Health and Human Services ("**HHS**") to undertake an administrative review of the scheduling of cannabis, presently categorized as a Schedule I substance under the Controlled Substance Act.

On August 29, 2023, the HHS forwarded a letter to the U.S. Drug Enforcement Agency (the "**DEA**") recommending the reclassification of cannabis from Schedule I to Schedule III. This proposed change would eliminate the application of IRC 280E, a tax provision currently applicable only to Schedule I & II substances. Such a move would substantially alleviate the tax burden on U.S. state-compliant cannabis businesses, including Cannavative, leading to increased cash flows for the sector. Senior officials have been quoted as stating they do not recall the DEA to have deviated from a scheduling recommendation from the HHS. Ongoing legislative reforms, such as the SAFE Banking Act, and the potential re-scheduling of cannabis, stand as near-term material catalysts currently under consideration, though the exact timing remains uncertain.

David McGorman, Vencanna's CEO, expressed: "The U.S. cannabis market has faced its challenges, but our strategic objective has consistently been to identify operations with top-tier management, products, and market penetration. Cannavative aligns perfectly with our strategy. They were among the first in Nevada to secure both a cultivation and manufacturing license, establishing deep roots in one of the most dynamic recreational states in the U.S.. The product development and talent pool at Cannavative are readily exportable into new markets, aligning with the expanding cannabis reform landscape in the U.S. We eagerly anticipate integrating the Cannavative team into our operations."

Post-Transaction Management and Directors

Management and the board of directors will be comprised of professionals from both entities, forming an integrated team capable of executing the Company's forward-looking business plan. This plan includes expanding market penetration in Nevada, venturing into New Jersey, and exploring potential investment opportunities. The following outlines the Company's core team and directors post-closing, which include the addition of a representative of Cannavative as a director of the Company and the appointment of a representative of Cannavative as an officer of the Company.

Jon Sharun, Executive Chairman & Interim CFO

Mr. Sharun is a co-founder and the current Executive Chairman and interim CFO of Vencanna. He has more than two decades of diverse experience in international investment, real estate, branding, and business development. As the founder and Managing Partner of Venexo Capital, a boutique private equity firm that has successfully raised over \$100 million, he has spearheaded investments in healthcare, hospitality, and real estate. A pioneer in the cannabis sector, Venexo has made over 60 international placements. Jon is actively engaged on various private, public, and non-profit boards, earning recognition as a Top Forty Under 40 and a Top 100 in Finance award winner. His extensive list of qualifications includes an MBA, CPA, CSA, LEED AP, and ICD.D.

David McGorman, CEO & Director

Mr. McGorman, a co-founder and current CEO and director of Vencanna, brings a remarkable 25 years of experience from the financial industry. He has provided years of M&A and corporate structuring advice to clients, as well as leading their critical equity and debt placements. Mr. McGorman has held senior positions at

prominent U.S. and Canadian financial institution, which has included The Chase Manhattan Bank, Raymond James Ltd., as well as serving as the CEO of Jennings Capital Inc. and Vice-Chairman at Research Capital Corp. Mr. McGorman is an alumnus of the University of Guelph, holding a Hon's B.Sc. in Theoretical Physics, and earned his M.B.A. from the DeGroote School of Business.

Jason Crum, Chief Revenue Officer

Mr. Crum currently holds the positions of President and Chief Revenue Officer at Cannavative, bringing over two decades of diverse experience in Consumer Packaged Goods (CPG) and Fast-Moving Consumer Goods (FMCG), specifically in alcohol sales management. His extensive background includes roles at industry giants like MillerCoors and Treasury Wine Estates, where he directly oversaw supply, distribution, and brand building in the beer and wine sectors. Jason's expertise encompasses team development, strategic analytics optimization, and operational efficiency enhancements. Since joining Cannavative in 2019, he has played a crucial role in significantly expanding the company's penetration in Nevada dispensaries and driving sales growth. Mr. Crum is an alumnus of UT Austin.

Alan Gertner, Independent Director

Alan Gertner, a founding director of Vencanna, currently holds the position of Vice Chair at IGaming Ontario, actively collaborating with the Government of Ontario and the Alcohol and Gaming Commission of Ontario to establish robust online consumer protection measures within the gaming industry. Alan served as the CEO of Hiku Brands and played a pivotal role as the co-founder of Tokyo Smoke, a globally acclaimed cannabis brand with an extensive network of retail stores across the country. The success of Hiku Brands and Tokyo Smoke culminated in their acquisition by Canopy Growth Corp. in July 2018. Prior thereto, Alan was a founding member of Google's inaugural Global Business Strategy team, initially based in Mountain View California. His expanding role with Google saw him leading one of their prominent Asian divisions. Alan earned Dean's list honors from the Richard Ivey School of Business.

W. Scott McGregor, Independent Director

Mr. McGregor, a founding director of Vencanna, has over two decades of corporate finance and capital market experience. Along with senior investment banking positions at Canada's leading independent brokers, Scott has been Managing Director at Invest Alberta Corp, a Crown corporation committed to facilitating investment and fostering trade in the province of Alberta, as well as the Senior Vice President of Merrco Payments Inc., a cannabis focused payment services company. Mr. McGregor is an alumnus of Queens University, holding a B.A., and earned his M.B.A. from the prestigious Rotman School of Management.

Dr. Scott Wrye MD, Independent Director

Dr. Wrye, a co-founder and director of Cannavative, brings a wealth of expertise as a private practicing physician and specialist in Cosmetic, Plastic & Reconstructive Surgery based in Reno, Nevada. Early on he championed the cause of medical cannabis, actively educating and assisting numerous patients in northern Nevada to legally access medical cannabis. Beyond his community advocacy, Dr. Wrye has played a pivotal role in guiding Cannavative's product and brand development. Dr. Wrye is a graduate of New York State University, College of Medicine.

Effective as of closing of the Transaction, Matthew Christopherson and Smoke Wallin will be stepping down from the Company's board.

New Jersey & NJ Entities

Vencanna is making substantial strides in advancing its investments in New Jersey through three community partnerships: TGC New Jersey LLC ("**TGC**"), CGT New Jersey LLC ("**CGT**"), and October Gold LLC ("**October Gold**," collectively referred to as the "**NJ Entities**"). The New Jersey Cannabis Regulatory Commission has awarded TGC an annual cultivation and manufacturing license, with the conditional retail license pending approval, and each of CGT and October Gold has received a conditional retail license.

New Jersey, with a population of 9.3 million (and another 35 million residing in its border states), ranks as the 11th most populous, and the most densely populated state in the United States. While adult cannabis was legalized in April 2020, its roll out has been slow. This has been in part due to a nascent medical market before adult legalization, and the fact that less than 25% of state's municipalities has opted-in. Adding to the challenges, most opted-in municipalities limit the number of retail locations and generally pose restrictive zoning parameters.

Vencanna is pleased to announce that TGC has secured a 15,500-square-foot facility in Cinnaminson, NJ. The site shall house cultivation, manufacturing and retail sales. This single-site vertical operation will enable direct product showcasing to customers. This strategically located site is just off the Hwy-130 corridor between Trenton and Camden, which effectively borders Pennsylvania. Retail sales in Cinnaminson are restricted, as they are only allowed if the establishment is co-located with cultivation. In addition, currently all the adjoining municipalities either do not allow retail operations or limit their number, making the TGC site positioned for success. TGC expects to become operational later in 2024.

In addition to TGC, Vencanna is very pleased to announce that CGT has also successfully secured a site; a 4,150 s.f. location in Bellmawr NJ, that is less than 10 miles from Philadelphia. The location has direct egress off HWY 24, the main artery from Philadelphia. The location is situated between the I-295 and the NJ Turnpike, on the southbound side of HWY 42 thereby capturing the afternoon traffic from Philadelphia. The south bound traffic on HWY 42 alone sees over 145,000 cars each day. CGT has received its joint land use approval from the municipality, and is now working with them in obtaining its retail support letter. Should CGT successfully obtain its retail operating licence, they would be only the second cannabis retailer in Bellmawr (Bellmawr currently allows only two retailers).

The Company continues to review potential sites for 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 bring its SOP's and top Nevada brands to this new market, further expanding our reach. The retail market in New Jersey is anticipated to remain very attractive, as the real estate and market challenges are anticipated to continue thereby limiting new entrants in the near term.

Normal Course Issuer Bid

The Company announces the re-commencement today of a normal course issuer bid ("**NCIB**"). The previous NCIB expired on October 11, 2022. During the prior NCIB, the Company did not purchase any Shares.

Under the new Bid, the Company may purchase up to 5% of the Company's Shares. The Bid commenced today and will terminate on the earlier of February 23, 2025 and the date on which the maximum number of Shares that can be acquired pursuant to the Bid have been purchased. The Company reserves the right to revoke the Bid earlier if it determines that it is appropriate to do so. The actual number of Shares that may be purchased under the Bid and the timing of any such purchases will be determined by the Company.

Vencanna is executing the Bid because it believes that, from time to time, the market price of its Shares does not reflect the underlying value of the Company and its prospects, and that depending on the trading price of its Shares and other relevant factors, purchasing its own Shares represents an attractive investment opportunity and is in the best interests of the Company and its shareholders.

All Shares will be purchased under the Bid on the open market and through the facilities of the CSE and payment for the Shares will be made in accordance with CSE policies. The timing and extent of repurchases will depend upon several factors, including market and business conditions, valuation of Shares, regulatory requirements and other corporate considerations. The price paid for Shares will be the prevailing market price at the time of purchase and all Shares acquired by the Company will be cancelled. The Company has 181,283,390 Shares issued and outstanding as of today's date. Purchases may be suspended at any time, and no purchases will be made other than by means of open market transactions during the term of the Bid. The Company has engaged Independent Trading Group (ITG) Inc. to act as the broker through which the Bid will be conducted.

About Cannavative

Established in 2016 as the first in Nevada to hold both cultivation and processing licenses, Cannavative stands as a distinguished cultivator and processor garnering shelf space in over 80% of the state's retail outlets. They are a multiple award-winning cultivator and processor: 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 offers an extensive range of extracted items, including the Motivator infused pre-roll and Resin8 vape.

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, according to the LVCVA Research Centre. The Nevada tourist industry, and Las Vegas in particular, offers Cannavative significant exposure for its national brand development.

Cannavative operates from a 40,000-square-foot facility, situated on an 8.5-acre site in Reno Nevada. The facility includes a cutting-edge, 10,000 square feet pharmaceutical-grade extraction lab and kitchen. In addition to its in-door cultivation, there's 2,800-square-foot high-tech light deprivation greenhouse, with significant potential for expansion on the property. Cannavative's substantive operations allow it to offer multiple products across multiple product categories, to meet the diverse and discerning customer base. Cannavative's commitment to quality and innovation will continue to position them as one of Nevada best-selling brands.

Financial Information

The table below presents selected financial information for Cannavative. For additional information, see the Listing Summary.

	September 30, 2023 ⁽¹⁾	December 31, 2022 ⁽²⁾
	US\$000s	US\$000s
Revenues	8,067	10,774
Expenses	9,521	13,872
Net Income	(1,454)	(3,129)
Total Assets	8,919	9,641
Total Liabilities	16,062	15,279
Total Shareholders' Equity (Deficit)	(7,144)	(5,637)

Notes:

(1) Based on the unaudited financial statements for the nine-month period ended September 30, 2023.

(2) Based on the audited financial statements for the year ended December 31, 2022.

About Vencanna

On September 24, 2018, the Company completed a recapitalization financing, appointed a new management team and board of directors, and commenced trading on the CSE as an investment issuer. The transactions transitioned the Company from an oil and gas issuer to a merchant capital firm, and rebranded as "Vencanna Ventures". Following the completion of the Transaction, the Company's continued aim will be to be a go-to capital provider for early-stage cannabis initiatives. The Company focuses on strong management operating in strategic state-compliant jurisdictions, possessing unique characteristics and barriers to entry.

Vencanna Ventures is dedicated to offering investors a diversified and high-growth cannabis investment strategy. It proposes to achieve this through strategic investments and acquisitions spanning the entire cannabis value chain, encompassing cultivation, processing, distribution, retail, and ancillary businesses, with a particular focus in the United States of America.

Reader Advisories

Completion of the Transaction is subject to a number of conditions, including, but not limited to, the acceptance of the CSE. The Transaction cannot close until the required CSE acceptance 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 Summary filed 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 and Cannavative, 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; and future purchases of Shares under the NCIB.

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, 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 and Cannavative; the impact of increasing competition; timing and amount of capital expenditures; the legislative and regulatory environments of the jurisdictions where of the Company and Cannavative 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; 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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