

TOP STRIKE RESOURCES CORP.

Condensed Interim Financial Statements (unaudited)

Three and Six months ended October 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		October 31, 2019	April 30, 2019
	Notes		
ASSETS			
Current Assets			
Cash and cash equivalents		\$ 4,244,384	\$ 4,856,455
Subscriptions receivable		-	200,000
Note receivable	7	4,000,000	3,250,000
Trade and other receivables		73,156	250,977
Prepays		21,832	35,912
		8,339,372	8,593,344
Non-Current Assets			
Deposits		2,500	2,500
Investment	8	90,000	-
Equipment		6,965	7,982
		\$ 8,438,837	\$ 8,603,826
TOTAL ASSETS			
LIABILITIES			
Current liabilities			
Accounts payable and accrued liabilities		\$ 37,109	\$ 58,370
		37,109	58,370
SHAREHOLDERS' EQUITY			
Share capital		22,061,737	22,061,737
Warrants		4,556,922	4,556,922
Contributed surplus		1,759,332	1,566,334
Deficit		(19,906,188)	(19,639,537)
Treasury stock	4	(70,075)	-
		8,401,728	8,545,456
TOTAL SHAREHOLDERS' EQUITY			
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY			
		\$ 8,438,837	\$ 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)

		Three months ended		Six months ended	
		October 31		October 31	
		2019	2018	2019	2018
	Notes				
Expenses					
Office and miscellaneous		\$ 2,945	\$ 5,406	\$ 8,351	\$ 5,459
Depreciation		490	-	1,016	-
Professional fees		9,533	9,820	68,463	11,156
Corporate communication		38,246	33,251	46,109	35,270
Rent and parking		10,556	1,774	20,036	1,774
Travel		13,553	24,626	29,790	24,626
Salaries and benefits		121,350	17,665	238,776	17,665
Meals and entertainment		2,165	23,607	13,148	23,606
Marketing		14,460	1,230	29,080	1,230
Conferences		6,858	1,701	14,082	1,701
Loss on disposal of property		-	1,038	-	1,038
Share-based compensation	5	122,322	166,776	192,998	166,776
		342,478	286,894	661,849	290,302
Other income					
Finance income	7,8	281,650	95	395,198	218
		281,650	95	395,198	218
Loss and comprehensive loss for the period					
		\$ (60,828)	\$ (286,799)	\$ (266,651)	\$ (290,084)
Basic loss per common share					
	6	\$ 0.00	\$ 0.00	\$ 0.00	\$ 0.01
Weighted average number of common shares outstanding					
	6	185,462,456	72,394,277	184,958,744	44,412,852

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, 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 Oct 31, 2019	183,163,168	\$ 22,061,737	\$ 4,556,922	\$ 1,759,332	\$ (19,906,188)	\$ (70,075)	\$ 8,401,728

	Shares outstanding	Share capital	Warrants	Contributed surplus	Deficit	Treasury stock	Total shareholders equity
Balance at May 1, 2018	16,431,428	\$17,757,383	\$ -	\$ 33,256	\$ (17,726,231)	\$ -	\$ 64,408
Issue of units	169,324,740	3,247,270	5,594,006	-	-	-	8,841,276
Grant of options	-	-	-	166,776	-	-	166,776
Loss and comprehensive loss for the period	-	-	-	-	(290,084)	-	(290,084)
Balance at Oct 31, 2018	185,756,168	\$21,004,653	\$ 5,594,006	\$ 200,032	\$ (18,016,315)	\$ -	\$ 8,782,376

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	
		2019	2018	2019	2018
	Notes				
Operating activities					
Loss for the period		\$ (60,828)	\$ (286,799)	\$ (266,651)	\$ (290,084)
Non-cash items:					
Depreciation		490	-	1,016	-
Unrealized loss on investments	8	14,339	-	-	-
Share-based compensation	5	122,322	166,776	192,998	166,776
		76,323	(120,023)	(72,637)	(123,308)
Changes in non-cash working capital items:					
Trade and other receivables		195,961	(9,393)	377,821	(9,909)
Prepays		(540)	(1,667)	14,080	(1,667)
Deposits		-	(2,500)	-	(2,500)
Accounts payable and accrued liabilities		(21,027)	427,285	(21,260)	431,230
Net cash provided by operating activities		250,717	293,702	298,004	293,486
Financing activities					
Issue of common shares, net of issuance costs		-	3,247,270	-	3,247,270
Issue of warrants, net of issuance costs		-	5,594,006	-	5,594,006
Purchase of treasury stock	4	(70,075)	-	(70,075)	-
		(70,075)	8,841,276	(70,075)	8,841,276
Change in non-cash working capital		-	(9,157,631)	-	(9,157,631)
Net cash used in financing activities		(70,075)	(316,355)	(70,075)	(316,355)
Investing activities					
Property and equipment expenditures		-	(9,151)	-	(9,151)
Issuance of note receivable	7	-	-	(4,000,000)	-
Repayment of note receivable		-	-	3,250,000	-
Purchase of investments	8	(90,000)	-	(90,000)	-
		(90,000)	(9,151)	(840,000)	(9,151)
Change in non-cash working capital		-	9,151	-	9,151
Net cash used in investing activities		(90,000)	-	(840,000)	-
Change in cash and cash equivalents for the period		90,642	(22,653)	(612,071)	(22,509)
Cash and cash equivalents, beginning of period		4,153,743	71,935	4,856,455	71,791
Cash and cash equivalents, end of period		\$ 4,244,384	\$ 49,282	\$4,244,384	\$ 49,282

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, 2019 and 2018

(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 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 and under the symbol "TPPRF" on the US OTCQB Venture Market. 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, 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 December 30, 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

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Notes to Condensed Interim Financial Statements

For the three and six months ended October 31, 2019 and 2018

(Expressed in Canadian dollars)

(unaudited)

3. Summary of significant accounting policies (continued)

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

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. Share capital

On September 16, 2019 the Company commenced a Normal course issuer bid (NCIB). Under the NCIB the Company may purchase up to 5% of the issued and outstanding common shares. As of September 16, 2019 the Company had 185,966,168 common shares issued and outstanding and was eligible to purchase up to 9,298,308 shares for a period of one year. As at October 31, 2019, the Company purchased 2,803,000 shares for \$70,075. Upon purchase the outstanding common shares balance was reduced to 183,163,168 and treasury stock was increased by 2,803,000.

5. Share-based compensation – stock options

The Company has a share option plan for directors, officers, employees and consultants of the Company whereby share options representing up to 10% of the issued and outstanding common shares can be granted by the Board of Directors.

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5. Share-based compensation – stock options (continued)

On August 27, 2019 the Company granted 5,000,000 share options to its directors, officers, employees, and consultants for a term of 5 years and vest 1/3 immediately, 1/3 on the first anniversary and 1/3 on the second anniversary. The exercise price of each option was \$0.03 per common share at the date of grant.

The Company accounts for share-based compensation granted to directors, officers, employees and consultants using the Black-Scholes option-pricing model to determine the fair value of the options at grant date. Share-based compensation expense is recorded and reflected as share-based compensation expense over the vesting period with a corresponding amount reflected in contributed surplus.

The fair value of the 5,000,000 options granted were estimated on the date of grant using the Black-Scholes option-pricing model with the following assumptions and resulting values:

Risk free interest rate (%)	1.75%
Expected life (years)	5 years
Expected volatility (%)	149.5%
Estimated forfeiture rate (%)	0%
Weighted average fair value of options granted	\$0.0225
Weighted average share price on date of grant	\$0.025

The fair value of the 5,000,000 stock options granted August 27, 2019 was \$112,500, they expire Aug 27, 2024.

	Options	Weighted average exercise price
Balance, May 1, 2019	12,466,740	\$0.06
Granted	5,000,000	\$0.03
Balance, October 31, 2019	17,466,740	\$0.051

As at October 31, 2019, 9,977,827 stock options are exercisable at a weighted average price of \$0.051 per common share with an average remaining life of 4.10 years.

6. Per share amounts

Basic loss per share is calculated based on the 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		Nine months ended October 31	
	2019	2018	2019	2018
Loss for the period	\$ (60,828)	\$ (286,799)	\$ (266,651)	\$ (290,084)
Weighted average number of common shares (basic and diluted)	185,462,456	72,394,277	184,958,744	44,412,852
Basic and diluted loss per share	\$ 0.00	\$ 0.00	\$ (0.00)	\$ (0.01)

At October 31, 2019, there were 17,466,740 (April 30, 2019 – 12,466,740) stock options considered anti-dilutive.

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7. Note receivable

Medical Investor Holdings LLC (d.b.a. Vertical Companies, “Vertical”)

On July 19, 2019, the Company entered into a \$4,000,000 loan agreement with Vertical for inventory expansion and general working capital purposes. The principal of the note accrues interest at an annual rate of 30% per annum. Upon maturity, the principal balance of the note is payable along with the right to purchase 54,176 warrants to acquire class B units of Vertical at an exercise price of US\$22.15 for up to two years from the maturity date.

As at October 31, 2019, the note had a maturity date of November 1, 2019. The maturity continues to be extended and on November 5, 2019 the note was set to renew monthly. At this time the Company has added additional terms to the extension, including the execution of a general security agreement by Vertical and the Company providing the Company with a security interest over all of Vertical’s present and after acquired personal property.

8. Investments

Ionic Warrants

The 2,600,000 Ionic warrants were originally valued at \$338,003 on May 17, 2019. Using the Black Scholes warrant pricing model, the value of the warrants was \$nil on October 31, 2019 (July 31, 2019 - \$14,339).

	October 31, 2019	July 31, 2019
Volatility	91.8%	81.5%
Life	0.55 years	0.8 year
Risk-free interest rate	1.75%	1.68%
Market price	\$0.035	\$0.175
Exercise price	\$0.55	\$0.55
Dividend yield	nil	nil

The unrealized loss is included in other income together with the interest earned on the Company’s loans.

Galenas New Jersey LLC

August 8, 2019 the Company purchased an approximate 15% interest in Galenas New Jersey LLC (“Galenas NJ”) for \$90,000. Galenas NJ has applied for a cultivation and dispensary license and there is no assurance Galenas NJ’s application will be successful.

9. Related party transactions

The Company paid or accrued accounting fees of \$1,331 (October 31, 2018 - \$3,038) 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 October 31, 2019, trade and other payables included amounts payable to related parties totaling \$1,000 (October 31, 2018 - \$3,709) for accounting fees.

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10. Financial risk management

As at October 31, 2019, the carrying values of cash and cash equivalents, 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 October 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 October 31, 2019, the Company had a cash and cash equivalents balance of \$4,244,384 (April 30, 2019 - \$4,856,455) to settle current liabilities of \$37,109 (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 October 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.

11. Subsequent Event

On December 16, 2019 the Companies shares commenced trading on the OTCQB Venture Market ("OTCQB"). The OTCQB is a US trading platform that is operated by the OTC Markets Group in New York. The Company is trading under the symbol "TPPRF".