

## FORM 5

### QUARTERLY LISTING STATEMENT

Name of Listed Issuer: TOP STRIKE RESOURCES CORP. (the "Issuer").

Trading Symbol: VENI

This Quarterly Listing Statement must be posted on or before the day on which the Issuer's unaudited interim financial statements are to be filed under the *Securities Act*, or, if no interim statements are required to be filed for the quarter, within 60 days of the end of the Issuer's first, second and third fiscal quarters. This statement is not intended to replace the Issuer's obligation to separately report material information forthwith upon the information becoming known to management or to post the forms required by the Exchange Policies. If material information became known and was reported during the preceding quarter to which this statement relates, management is encouraged to also make reference in this statement to the material information, the news release date and the posting date on the Exchange website.

#### **General Instructions**

- (a) Prepare this Quarterly Listing Statement using the format set out below. The sequence of questions must not be altered nor should questions be omitted or left unanswered. The answers to the following items must be in narrative form. When the answer to any item is negative or not applicable to the Issuer, state it in a sentence. The title to each item must precede the answer.
- (b) The term "Issuer" includes the Listed Issuer and any of its subsidiaries.
- (c) Terms used and not defined in this form are defined or interpreted in Policy 1 – Interpretation and General Provisions.

There are three schedules which must be attached to this report as follows:

#### **SCHEDULE A: FINANCIAL STATEMENTS**

Financial statements are required as follows:

For the first, second and third financial quarters interim financial statements prepared in accordance with the requirements under Ontario securities law must be attached.

If the Issuer is exempt from filing certain interim financial statements, give the date of the exempting order.

## **SCHEDULE B: SUPPLEMENTARY INFORMATION**

The supplementary information set out below must be provided when not included in Schedule A.

### **1. Related party transactions**

Provide disclosure of all transactions with a Related Person, including those previously disclosed on Form 10. Include in the disclosure the following information about the transactions with Related Persons:

- (a) A description of the relationship between the transacting parties. Be as precise as possible in this description of the relationship. Terms such as affiliate, associate or related company without further clarifying details are not sufficient.
- (b) A description of the transaction(s), including those for which no amount has been recorded.
- (c) The recorded amount of the transactions classified by financial statement category.
- (d) The amounts due to or from Related Persons and the terms and conditions relating thereto.
- (e) Contractual obligations with Related Persons, separate from other contractual obligations.
- (f) Contingencies involving Related Persons, separate from other contingencies.

**See Schedule "A"**

### **2. Summary of securities issued and options granted during the period.**

Provide the following information for the period beginning on the date of the last Listing Statement (Form 2A):

- (a) summary of securities issued during the period,

**See Schedule "A"**

Date of Issue	Type of Security (common shares, convertible debentures, etc.)	Type of Issue (private placement, public offering, exercise of warrants, etc.)	Number	Price	Total Proceeds	Type of Consideration (cash, property, etc.)	Describe relationship of Person with Issuer (indicate if Related Person)	Commission Paid

(b) summary of options granted during the period,

Date	Number	Name of Optionee if Related Person and relationship	Generic description of other Optionees	Exercise Price	Expiry Date	Market Price on date of Grant

### 3. Summary of securities as at the end of the reporting period.

Provide the following information in tabular format as at the end of the reporting period:

- (a) description of authorized share capital including number of shares for each class, dividend rates on preferred shares and whether or not cumulative, redemption and conversion provisions,

**The Company is authorized to issue an unlimited number of Common Shares and preferred shares.**

**The holders of Common Shares are entitled to notice of and to one vote per Common Share at all meetings of Shareholders. Holders of Common Shares are entitled to receive, if, as and when declared by the Board, such dividends as may be declared thereon by the Board from time to time, subject to the rights of holders of Preferred Shares and any other class of shares of the Company entitled to receive dividends in priority to or concurrently with the holders of the Common Shares. In the event of the liquidation, dissolution or**

**winding-up of the Company or other distribution of property or assets of the Company among its shareholders, holders of Common Shares are entitled to share pro rata in the distribution of the property or assets, subject to the rights of holders of Preferred Shares or shares of any other class ranking in priority to the Common Shares.**

**The holders of Preferred Shares are entitled, in priority to the holders of Common Shares and the shares of any other class ranking junior to the Preferred Shares, to receive, if, as and when declared by the Board, such dividends as may be declared thereon by the Board from time to time, to be paid ratably with the other holders of the Preferred Shares of the same series and every other series. In the event of the liquidation, dissolution or winding-up of the Company, or any other distribution of assets among its shareholders for the purpose of winding-up its affairs, holders of Preferred Shares are entitled, in priority to the holders of Common Shares and the shares of any other class ranking junior to the Preferred Shares, to share equally, share for share, in the property of the Company.**

- (b) number and recorded value for shares issued and outstanding,

**As of the date hereof, there were 181,991,390 Common Shares.**

- (c) description of options, warrants and convertible securities outstanding, including number or amount, exercise or conversion price and expiry date, and any recorded value, and

Type	Exercise/Conversion Price	Expiry Date
Options (12,466,740)	\$0.06	September 24, 2023
Options (5,000,000)	\$0.03	August 27, 2024
Warrants (61,029,524)	\$0.09	September 24, 2021 October 19, 2021
Insider Warrants (53,552,577)	\$0.06	September 24, 2023 October 19, 2023

- (d) number of shares in each class of shares subject to escrow or pooling agreements or any other restriction on transfer.

**As of the date hereof, there are 7,109,985 common shares of the Issuer subject to escrow pursuant to escrow arrangements made with current and former directors and officers of the Issuer as required by the policies of the Exchange and National Policy 46-201 – Escrow for Initial Public Offerings.**

4. List the names of the directors and officers, with an indication of the position(s) held, as at the date this report is signed and filed.

**David McGorman – Chief Executive Officer and Director**  
**Jon Sharun – Executive Director, Chief Financial Officer and Chairman**  
**Jason Ewasuik – Vice President, Originations**  
**Sony Gill – Corporate Secretary**  
**Matt Christopherson – Director**  
**Alan Gertner – Director**  
**W. Scott McGregor – Director**  
**J. Smoke Wallin – Director**

#### **SCHEDULE C: MANAGEMENT DISCUSSION AND ANALYSIS**

Provide Interim MD&A if required by applicable securities legislation.

**See Attached.**

## Certificate Of Compliance

The undersigned hereby certifies that:

1. The undersigned is a director and/or senior officer of the Issuer and has been duly authorized by a resolution of the board of directors of the Issuer to sign this Quarterly Listing Statement.
2. As of the date hereof there is no material information concerning the Issuer which has not been publicly disclosed.
3. The undersigned hereby certifies to the Exchange that the Issuer is in compliance with the requirements of applicable securities legislation (as such term is defined in National Instrument 14-101) and all Exchange Requirements (as defined in CNSX Policy 1).
4. All of the information in this Form 5 Quarterly Listing Statement is true.

Dated **August 28, 2020**.

David McGorman  
Name of Director or Senior Officer

"David McGorman"  
Signature

Chief Executive Officer  
Official Capacity

<b>Issuer Details</b> Name of Issuer	For Quarter Ended	Date of Report YY/MM/D
Top Strike Resources Corp.	April 30, 2020	20/08/28
Issuer Address		
Suite 310, 250 – 6 <sup>th</sup> Avenue SW		
City/Province/Postal Code	Issuer Fax No. ( )	Issuer Telephone No.
Calgary, Alberta, T2P 3H7		N/A
Contact Name	Contact Position	Contact Telephone No.
David McGorman	Chief Executive Officer	(403) 470-9528
Contact Email Address	Web Site Address	
<a href="mailto:david@vencanna.com">david@vencanna.com</a>	www.vencanna.com	

Schedule "A"

**TOP STRIKE RESOURCES CORP.**

**Audited Financial Statements**

**Years ended April 30, 2020 and 2019**

(Expressed in Canadian Dollars)

## Independent Auditor's Report

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To the Shareholders of Top Strike Resources Corp.:

### Opinion

We have audited the financial statements of Top Strike Resources Corp. (the "Company"), which comprise the statements of financial position as at April 30, 2020 and April 30, 2019, and the statements of income (loss) and comprehensive income (loss), changes in shareholders' equity and cash flows for the years then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Company as at April 30, 2020 and April 30, 2019, and its financial performance and its cash flows for the years then ended in accordance with International Financial Reporting Standards.

### Basis for Opinion

We conducted our audits in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are independent of the Company in accordance with the ethical requirements that are relevant to our audits of the financial statements in Canada, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

### Other Information

Management is responsible for the other information. The other information comprises Management's Discussion and Analysis.

Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audits of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audits or otherwise appears to be materially misstated. We obtained Management's Discussion and Analysis prior to the date of this auditor's report. If, based on the work we have performed on this other information, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

### Responsibilities of Management and Those Charged with Governance for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with International Financial Reporting Standards, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Company's financial reporting process.



## Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with Canadian generally accepted auditing standards, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audits and significant audit findings, including any significant deficiencies in internal control that we identify during our audits.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

The engagement partner on the audit resulting in this independent auditor's report is Scott Laluk.

Calgary, Alberta

August 26, 2020

*MNP* LLP

Chartered Professional Accountants

**TOP STRIKE RESOURCES CORP.**

Statements of Financial Position

(Expressed in Canadian dollars)

As at		April 30, 2020	April 30, 2019
	Notes		
<b>ASSETS</b>			
<b>Current Assets</b>			
Cash	5	\$ 3,745,922	\$ 4,856,455
Subscriptions receivable	6	-	200,000
Note receivable	7	-	3,250,000
Trade and other receivables	8	9,601	250,977
Prepays		-	35,912
Due from related parties	15	146,618	-
		<b>3,902,141</b>	8,593,344
<b>Non-Current Assets</b>			
Deposits		2,500	2,500
Equipment	9	6,300	7,982
Investments	10	5,383,020	-
<b>TOTAL ASSETS</b>		<b>\$ 9,293,961</b>	<b>\$ 8,603,826</b>
<b>LIABILITIES</b>			
<b>Current liabilities</b>			
Trade and other payables		\$ 76,132	\$ 58,370
<b>TOTAL LIABILITIES</b>		<b>76,132</b>	<b>58,370</b>
<b>SHAREHOLDERS' EQUITY</b>			
Share capital	11	21,984,522	22,061,737
Warrants	11	4,556,922	4,556,922
Contributed surplus		1,810,617	1,566,334
Deficit		(19,134,232)	(19,639,537)
<b>TOTAL SHAREHOLDERS' EQUITY</b>		<b>9,217,829</b>	<b>8,545,456</b>
<b>TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY</b>		<b>\$ 9,293,961</b>	<b>\$ 8,603,826</b>

**Subsequent event (Note 19)**

The accompanying notes are an integral part of these financial statements.

**On behalf of the Board of Directors:**

"W. S. McGregor"      Director     
 
 "J. Sharun"      Director

**TOP STRIKE RESOURCES CORP.**

Statements of Income (Loss) and Comprehensive Income (Loss)

(Expressed in Canadian dollars)

For the years ended April 30		2020	2019
	Notes		
<b>Revenues</b>			
Interest income		\$ 852,429	\$ 223,976
Change in fair value of investments			
Gain on settlement of note receivable	7	700,345	-
Unrealized gain on foreign exchange		244,478	-
Unrealized loss on investments	10	(144,000)	-
		<b>1,653,252</b>	<b>223,976</b>
<b>Expenses</b>			
Office and miscellaneous		15,796	16,229
Depreciation	9	1,682	1,169
Professional fees		127,166	103,762
Corporate communication		92,547	47,599
Rent and parking		37,786	23,101
Travel		41,393	58,144
Salaries and benefits		517,046	270,616
Meals and entertainment		20,244	35,185
Marketing		35,922	39,818
Conferences		14,082	8,443
Loss on redemption of GIC		-	1,038
Share-based compensation	12	244,283	1,532,178
		<b>1,147,947</b>	<b>2,137,282</b>
<b>Net income (loss) and comprehensive income (loss) for the year</b>		<b>\$ 505,305</b>	<b>\$ (1,913,306)</b>
<b>Net income (loss) per common share</b>			
<b>Basic and diluted</b>	13	<b>\$ 0.00</b>	<b>\$ (0.02)</b>
<b>Weighted average number of common shares outstanding</b>			
<b>Basic and diluted</b>	13	<b>185,256,640</b>	<b>114,577,565</b>

**TOP STRIKE RESOURCES CORP.**

## Statements of Changes in Shareholders' Equity

(Expressed in Canadian dollars)

	Shares outstanding	Share capital	Warrants	Contributed surplus	Deficit	Total shareholders' equity
<b>Balance at May 1, 2019</b>	<b>185,966,168</b>	<b>\$ 22,061,737</b>	<b>\$ 4,556,922</b>	<b>\$ 1,566,334</b>	<b>\$ (19,639,537)</b>	<b>\$ 8,545,456</b>
Issue of units, net of costs	2,222,222	44,950	-	-	-	44,950
Share based compensation	-	-	-	244,283	-	244,283
Shares cancelled	(6,197,000)	(122,165)	-	-	-	(122,165)
Comprehensive income for the year	-	-	-	-	505,305	505,305
<b>Balance at April 30, 2020</b>	<b>181,991,390</b>	<b>\$ 21,984,522</b>	<b>\$ 4,556,922</b>	<b>\$ 1,810,617</b>	<b>\$ (19,134,232)</b>	<b>\$ 9,217,829</b>

<b>Balance at May 1, 2018</b>	<b>16,431,428</b>	<b>\$ 17,757,383</b>	<b>\$ -</b>	<b>\$ 33,256</b>	<b>\$ (17,726,231)</b>	<b>\$ 64,408</b>
Issue of units, net of costs	169,324,740	4,283,454	4,557,822	-	-	8,841,276
Exercise of options	200,000	20,000	-	-	-	20,000
Exercise of warrants	10,000	900	(900)	900	-	900
Share based compensation	-	-	-	1,532,178	-	1,532,178
Comprehensive loss for the year	-	-	-	-	(1,913,306)	(1,913,306)
<b>Balance at April 30, 2019</b>	<b>185,966,168</b>	<b>\$ 22,061,737</b>	<b>\$ 4,556,922</b>	<b>\$ 1,566,334</b>	<b>\$ (19,639,537)</b>	<b>\$ 8,545,456</b>

The accompanying notes are an integral part of these financial statements.

**TOP STRIKE RESOURCES CORP.**

## Statements of Cash Flows

(Expressed in Canadian dollars)

For the years ended April 30		2020	2019
	Notes		
<b>Operating activities</b>			
Net income (loss) for the year		\$ 505,305	\$ (1,913,306)
Adjustments for:			
Interest income		(852,429)	-
Depreciation	9	1,682	1,169
Share-based compensation	12	244,283	1,532,178
Gain on settlement of note receivable	7	(700,345)	-
Unrealized foreign exchange gain		(244,478)	-
Unrealized loss on investments	10	144,000	-
Trade and other receivables		241,376	(250,050)
Prepays		35,912	(35,079)
Deposits		-	(2,500)
Accounts payable and accrued liabilities		17,761	49,227
		<b>(606,933)</b>	<b>(618,361)</b>
Purchase of investments	10	(90,000)	-
Issuance of notes receivable	7	(4,000,000)	(3,250,000)
Payments of notes receivable	7	3,250,000	-
Interests received		405,183	-
Net cash used in operating activities		<b>(1,041,750)</b>	<b>(3,868,361)</b>
<b>Financing activities</b>			
Issue of common shares, net of issuance costs	11	-	3,056,415
Issue of warrants, net of issuance costs		-	5,805,761
Retirement of common shares	11	(122,165)	-
Advance to related parties	15	(146,618)	-
Decrease (increase) in subscription receivable		200,000	(200,000)
Net cash (used in) provided by financing activities		<b>(68,783)</b>	<b>8,662,176</b>
<b>Investing activities</b>			
Property and equipment expenditures	9	-	(9,151)
Net cash used in investing activities		-	(9,151)
<b>Change in cash</b>		<b>(1,110,533)</b>	<b>4,784,664</b>
<b>Cash, beginning of year</b>		<b>4,856,455</b>	<b>71,791</b>
<b>Cash, end of year</b>		<b>\$ 3,745,922</b>	<b>\$ 4,856,455</b>

The accompanying notes are an integral part of these financial statements.

## **TOP STRIKE RESOURCES CORP.**

Notes to Financial Statements

Years ended April 30, 2020 and 2019

(Expressed in Canadian Dollars)

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### **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 while focusing 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, operating as "Vencanna Ventures Inc.", and aims to provide 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 6<sup>th</sup> Avenue SW, Calgary, Alberta, T2P 3H7.

In early March, 2020, the World Health Organization declared COVID-19 a global pandemic. This contagious disease outbreak and any related adverse public health developments, has adversely affected workforces, economies and financial markets globally, leading to an economic downturn. The impact on the Company is not currently determinable, but management continues to monitor the situation.

### **2. Basis of preparation**

#### **(a) Statement of compliance**

These financial statements have been prepared in accordance with International Financial Accounting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB") and in effect on May 1, 2019.

These financial statements were approved and authorized for issuance by the Board of Directors on August 26, 2020.

#### **(b) Basis of measurement**

These financial statements have been prepared on a historical cost basis, except for share-based payment transactions, investments and convertible debentures which have been measured at fair market value.

#### **(c) Functional and presentation currency**

The Company's presentation currency is Canadian dollars. The functional currency of the Company is Canadian dollars.

### **3. Significant accounting policies**

The accounting policies set out below have been applied consistently to all periods presented in these financial statements and have been applied consistently by the Company.

#### **(a) Cash**

Cash include cash on hand and in banks.

## TOP STRIKE RESOURCES CORP.

Notes to Financial Statements  
Years ended April 30, 2020 and 2019  
(Expressed in Canadian Dollars)

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### 3. Significant accounting policies (continued)

#### (b) Equipment

Equipment is recorded at cost and is depreciated over its estimated useful lives as follows:

- |                      |                       |
|----------------------|-----------------------|
| • Computer equipment | 30% declining balance |
| • Equipment          | 20% declining balance |
| • Furniture          | 20% declining balance |

#### (c) Impairment of non-financial assets

At the end of each reporting period, the Company reviews the carrying amounts of its long-lived assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated to determine the extent of the impairment loss (if any). A cash generating unit (“CGU”) is the smallest identifiable group of assets that generates cash inflows that are largely independent of the cash inflows of other assets.

Recoverable amount is the higher of fair value less costs of disposal and value in use. Fair value less costs of disposal is determined to be the amount for which the asset could be sold in an arm’s length transaction. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted. If the recoverable amount of an asset or CGU is estimated to be less than its carrying amount, the carrying amount of the asset or CGU is reduced to its recoverable amount. An impairment loss is recognized immediately in the Statements of Income (Loss) and Comprehensive Income (Loss).

Where an impairment loss subsequently reverses for assets with a finite useful life, the carrying amount of the asset or CGU is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognized for the asset or CGU in prior years. A reversal of an impairment loss is recognized immediately in the Statement of Income (Loss) and Comprehensive Income (Loss).

#### (d) Financial instruments

##### Recognition and measurement

Financial instruments are required to be classified into one of the following categories: amortized cost, fair value through other comprehensive income (“FVOCI”) or fair value through profit or loss (“FVTPL”). All financial instruments are measured at fair value on initial recognition. Measurement in subsequent periods depends on the classification of the financial instrument. Transaction costs are included in the initial carrying amount of financial instruments except for financial instruments classified as FVTPL in which case transaction costs are expensed as incurred.

Financial assets and liabilities are recognized initially on the trade date, which is the date on which the Company becomes a party to the contractual provisions of the instrument. The Company derecognizes a financial liability when its contractual obligations are discharged, cancelled or expire.

A financial asset is measured at amortized cost if it meets both of the following conditions:

- it is held within a business model whose objective is to hold assets to collect contractual cash flows, and,
- its contractual terms give rise on specified dates to cash flows that are solely payments of principal and/or interest of the principal amount outstanding.

## TOP STRIKE RESOURCES CORP.

Notes to Financial Statements

Years ended April 30, 2020 and 2019

(Expressed in Canadian Dollars)

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### 3. Significant accounting policies (continued)

A financial asset is measured at FVOCI if it meets both of the following conditions:

- it is held within a business model whose objective is both to hold assets to collect contractual cash flows and to potentially sell financial assets, and,
- its contractual terms give rise on specified dates to cash flows that are solely payments of principal and/or interest of the principal amount outstanding.

All financial assets not classified as and measured at amortized costs or FVOCI as described above are measured at FVTPL when doing so eliminates or significantly reduces a measurement of recognition inconsistency.

A financial liability is generally measured at amortized cost, with exceptions that may allow for classification as FVTPL. The Company may also, at initial recognition, irrevocably designate a financial liability as measured at FVTPL when doing so eliminates or significantly reduces a measurement of recognition inconsistency.

#### *Amortized Cost*

The Company classifies its note receivable, trade and other receivables, and trade and other payables at amortized cost. The contractual cash flows received from the financial assets are solely payments of principal and interest and are held within a business model whose objective is to collect the contractual cash flows. These financial assets and financial liabilities are subsequently measured at amortized cost using the effective interest method.

#### *FVTPL*

The Company classifies its cash and investments including its convertible note at FVTPL. Financial assets and liabilities classified as FVTPL are subsequently measured at fair value with changes in fair value charged immediately to the Statement of Income (Loss) and Comprehensive Income (Loss).

#### *Fair value*

The fair value of financial instruments that are actively traded in organized financial markets is determined by reference to quoted market bid prices at the valuation date. For financial instruments that have no active market, fair value is determined using valuation techniques including the use of recent arm's length market transactions, reference to the current market value of equivalent financial instruments and discounted cash flow analysis.

#### *Share capital*

Common shares are classified as equity. Incremental costs directly attributable to the issue of common shares and stock options are recognized as a deduction from equity, net of any tax effects.

#### (e) Investments in associates and subsidiaries

The Company meets the criteria required to be considered an "investment entity" under IFRS 10 Consolidated financial statements. In cases where the Company has control or significant influence over a Company, the Company values such investments as financial assets at FVTPL.

#### (f) Share-based compensation

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 plan at grant date. An estimated forfeiture rate is incorporated into the fair value calculated and adjusted to reflect the actual number of options that vest. 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. At exercise, the associated amounts previously recorded as contributed surplus are reclassified to share capital.



## TOP STRIKE RESOURCES CORP.

Notes to Financial Statements

Years ended April 30, 2020 and 2019

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### 3. Significant accounting policies (continued)

#### (g) Revenue recognition

Interest income is recognized on an accrual basis and is shown on the Statement of Income (Loss) and Comprehensive Income (Loss) and consists of interest earned on the note receivable and convertible note balances.

#### (h) Per share amounts

Basic per share amounts are computed by dividing net income (loss) by the weighted average number of common shares outstanding for the period. Diluted per share amounts are calculated giving effect to the potential dilution that would occur if stock options or other dilutive instruments were exercised into

common shares. The treasury stock method assumes that any proceeds upon the exercise of dilutive instruments, including remaining unamortized compensation costs, would be used to purchase common shares at the average market price of the common shares during the period.

#### (i) Income taxes

Income tax expense comprises current and deferred tax. Income tax expense is recognized in profit or loss except to the extent that it relates to items recognized directly in equity, in which case it is recognized in equity.

Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted or substantively enacted at the reporting date, and any adjustments to tax payable in respect of previous years.

Deferred tax is recognized providing for temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Deferred tax is not recognized on the initial recognition of assets or liabilities in a transaction that is not a business combination. In addition, deferred tax is not recognized for taxable temporary differences arising on the initial recognition of goodwill. Deferred tax is measured at the tax rates that are expected to be applied to temporary differences when they reverse, based on the laws that have been enacted or substantively enacted by the reporting date. Deferred tax assets and liabilities are offset if there is a legally enforceable right to offset, and they relate to income taxes levied by the same tax authority on the same taxable entity, or on different tax entities, but they intend to settle current tax liabilities and assets on a net basis or their tax assets and liabilities will be realized simultaneously.

A deferred tax asset is recognized to the extent that it is probable that future taxable profits will be available against which the temporary difference can be utilized. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realized.

#### (j) Determination of fair value

A number of the Company's accounting policies and disclosures required the determination of fair value, both for financial and non-financial assets and liabilities. Fair values have been determined for measurement and/or disclosure purposes based on the following methods. When applicable, further information about the assumptions made in determining fair values is disclosed in the notes specific to that asset or liability.

##### *Fair Value Hierarchy*

Financial instruments that are measured subsequent to initial recognition at fair value are grouped into three categories based on the degree to which fair value is observable:

Level 1 – Quoted prices are available in active markets for identical assets or liabilities as of the reporting date. Active markets are those in which transactions occur in sufficient frequency and volume to provide pricing information on an ongoing basis;

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### 3. Significant accounting policies (continued)

Level 2 – Valuations are based on inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly or indirectly; including forward prices for commodities, time value and volatility factors which can be substantially observed or corroborated in the marketplace; and

Level 3 – Inputs that are not based on observable data for the asset or liability.

Financial instruments comprising of cash, trade and other receivables, and accounts payable and accrued liabilities. The fair values of these financial instruments approximate their carrying amounts due to their short term to maturity. The Company's policy is to recognize transfers in and out of the fair value hierarchy as of the date of the event or change in circumstances that caused the transfer. There were no such transfers during the period. For more complex instruments including Level 3 investments the Company uses recognized valuation models.

### 4. Management judgments and estimates

The timely preparation of the financial statements requires management to make judgments, estimates and assumptions that affect the application of accounting policies and reported amounts of assets and liabilities and income and expenses. Accordingly, actual results may differ from these estimates. Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimates are revised and in any future periods affected. Significant estimates and judgments made by management in the preparation of these financial statements are out-lined below.

#### Critical judgments in applying accounting policies

The following are the critical judgments, apart from those involving estimations (see below), that management has made in the process of applying the Company's accounting policies and that have the most significant effect on the amounts recognized in these financial statements.

#### (a) Recognition of deferred income tax assets

The recognition of deferred income tax assets requires judgments regarding the likelihood and applicability of future income tax deductions. Deferred tax assets (if any) are recognized only to the extent it is considered probable that those assets will be recoverable. This involves an assessment of when those deferred tax assets are likely to reverse and a judgment as to whether or not there will be sufficient taxable profits available to offset the tax assets when they do reverse. This requires assumptions regarding future profitability and ability to apply income tax deductions.

#### (b) Fair value of financial instruments

For Level 3 investments and complex instruments where quoted prices are not readily available the Company values its investments using recognized valuation models. Some or all of the significant inputs into these models may not be observable in the market, and are derived from market prices or rates or are estimated based on assumptions. Valuation models that employ significant unobservable inputs require a higher degree of management judgment and estimation in the determination of fair value.

In determining fair value for these types of instruments: the history and nature of the business; operating results and financial conditions; the general economic, industry and market conditions; capital market and transaction market conditions; contractual rights relating to the investment; comparable trading and transaction multiples, where applicable; and other pertinent considerations are taken into consideration. Adjustments to the carrying value of the investments may also be determined when there is pervasive and objective evidence of a decline in the value of the investment, as indicated by an assessment of the financial condition of the investment based on operational results, forecasts and other developments since acquisition.

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### 4. Management judgments and estimates (continued)

Although the Company believes that its estimates of fair value for Level 3 investments are appropriate, the use of different methodologies or assumptions could lead to different measurements of fair value.

#### (c) Other key sources of estimation uncertainty

The following are the key assumptions concerning the sources of estimation uncertainty at the end of the reporting period that have a significant risk of causing adjustments to the carrying amounts of the assets and liabilities.

#### Income taxes

Tax provisions are based on enacted or substantively enacted laws. Changes in those laws could affect amounts recognized in profit or loss both in the period of change, which would include any impact on cumulative provisions, and in future periods. Deferred tax assets (if any) are recognized only to the extent it is considered probable that those assets will be recoverable. This involves an assessment of when those deferred tax assets are likely to reverse and a judgment as to whether or not there will be sufficient taxable profits available to offset the tax assets when they do reverse. This requires assumptions regarding future profitability and is therefore inherently uncertain. To the extent assumptions regarding future profitability change, there can be an increase or decrease in the amounts recognized in respect of deferred tax assets as well as the amounts recognized in profit or loss in the period which the change occurs.

#### Share-based payments

The Company measures the cost of its share-based payments to directors, officers, employees and consultants by reference to the fair value of the equity instruments at the date at which they are granted. The assumptions used in determining fair value include share price, expected lives of the options, risk-free rates of return, share price volatility and the estimated forfeiture rate. Changes to assumptions may have a material impact on the amounts presented.

### 5. Cash

Cash at the end of the reporting period as shown in the statement of financial position are comprised of:

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As at	April 30, 2020	April 30, 2019
Cash and bank balances	\$ 3,745,922	\$ 4,856,455

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### 6. Subscriptions receivable

Pursuant to the Insider Private Placement on September 24, 2018, \$200,000 of the proceeds were held in trust by the Company's legal counsel. Proceeds were released from trust to the Company during the year. The balance as at April 30, 2020 is Nil (2019 - \$200,000).

### 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 "Vertical Loan"). The principal of the note accrued interest at an annual rate of 30% per annum. Upon maturity, the principal balance of the note is payable along

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**7. Note receivable (continued)**

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.

On February 20, 2020, the Vertical loan, including the right to acquire 54,176 Vertical Class B units was settled with the assignment of a US denominated convertible debenture held by Vertical. The principle and accrued interest of the Vertical loan was \$4,239,129 on the settlement date. The fair market value of the convertible debenture (Note 10) upon settlement was \$4,939,474; resulting in a gain on settlement of the Vertical loan of \$700,345.

Ionic Brands Corp.

On January 30, 2019, the Company entered into a loan of \$3,250,000 to Ionic Brands Corp. (“Ionic”, formerly Blacklist Holdings, Inc. for inventory expansion into its markets and general working capital purposes (the “Loan”). The Loan matured on May 15, 2019, at which time Ionic repaid the Loan in its entirety.

**8. Trade and other receivables**

The Company’s trade and other receivables are exposed to the risk of financial loss if a counterparty to a financial instrument fails to meet its contractual obligations.

Top Strike’s trade and other receivables consist of:

As at	April 30, 2020	April 30, 2019
Interest due from the note receivable (note 7)	\$ -	\$ 222,857
GST receivable	9,601	28,120
	<b>\$ 9,601</b>	<b>\$ 250,977</b>

**9. Equipment**

Cost	Furniture	Computer equipment	Equipment	Total
Balance at May 1, 2018	\$ -	\$ -	\$ -	\$ -
Additions	2,227	6,482	442	9,151
Balance at April 30, 2019	\$ 2,227	\$ 6,482	\$ 442	\$ 9,151
Additions	-	-	-	-
Balance at April 30, 2020	\$ 2,227	\$ 6,482	\$ 442	\$ 9,151
Accumulated depreciation	Furniture	Computer equipment	Equipment	Total
Balance at May 1, 2018	\$ -	\$ -	\$ -	\$ -
Depreciation	214	913	42	1,169
Balance at April 30, 2019	\$ 214	\$ 913	\$ 42	\$ 1,169
Depreciation	367	1,241	74	1,682
Balance at April 30, 2020	\$ 581	\$ 2,154	\$ 116	\$ 2,851
Net book value	Furniture	Computer equipment	Equipment	Total
Balance at April 30, 2019	\$ 2,013	\$ 5,569	\$ 400	\$ 7,982
Balance at April 30, 2020	\$ 1,646	\$ 4,328	\$ 326	\$ 6,300

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### 10. 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 Vertical with a settlement of accrued interest of \$127,950 on Vertical Loan (note 7). On January 14, 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. Upon closing, the Company owns approximately 60% of Galenas NJ. As at April 30, 2020, The Company considers itself to constitute an investment entity as defined under IFRS 10. As a result, this investment is recorded at fair value on the Company’s statement of financial position.

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 April 30, 2020 is \$118,900. The fair value was determined based on most recent comparable arm’s length transactions. During the year ended April 30, 2020, the Company recorded an unrealized loss on the investments of \$144,000.

#### Convertible promissory note

On February 20, 2020, the Company was assigned a convertible promissory note (“GOH Note”) as settlement for the note receivable to Vertical (Note 7). The GOH Note was originally issued by Galenas LLC for the principal sum of US\$3,300,000 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 of 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 fair value hierarchy. The fair value of this investment as at April 30, 2020 is \$5,264,120. The fair value of the GOH Note was determined based on operating results, current financial and market conditions, and comparable market transactions.

### 11. Share capital

#### (a) Authorized:

Unlimited number of common shares with no par value.

#### (b) Issued

	Number of shares	Amount
Balance May 1, 2018	16,431,428	\$ 17,757,383
Issued by private placement	169,324,740	4,949,843
Share issue costs	-	(666,389)
Issued on exercise of options	200,000	20,000
Issued on exercise of warrants	10,000	900
Balance at April 30, 2019	185,966,168	22,061,737
Issued by acquisition	2,222,222	44,950
Cancelled	(6,197,000)	(122,165)
Balance at April 30, 2020	181,991,390	\$ 21,984,522

On September 16, 2019, the Company commenced a Normal Course Issuer Bid (NCIB). Under which the Company may purchase up to 5% of its issued and outstanding common shares. During the year, the Company purchased 6,197,000 of the eligible 9,298,308 common shares at a cost of \$121,165. All 6,197,000 were held in treasury until 2,803,000 were cancelled on November 13, 2019 and 3,394,000 common shares on April 23, 2020.

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**11. Share capital (continued)**

On January 14, 2020, in connection with the purchase of additional interest in the investment in Galenas New Jersey LLC, the Company issued an additional 2,222,222 common shares in exchange for 22.5% of the outstanding interest in the entity.

## (c) Warrants

	Number of warrants	Amount
Balance at May 1, 2018	-	\$ -
Issued by private placement	117,711,059	5,072,045
Warrant issue costs	-	(514,223)
Exercise of warrants	(10,000)	(900)
Balance at April 30, 2019 and 2020	117,701,059	\$ 4,556,922

Each whole Warrant entitled the holder to acquire one Common Share as follows:

Number of warrants	Purchase price	Expiry date
49,546,915	\$0.09	September 24, 2021
31,497,766	\$0.06	September 24, 2023
11,497,248	\$0.09	October 19, 2021
22,054,811	\$0.06	October 19, 2023
3,104,319	\$0.09	January 16, 2022
117,701,059		

The fair value of the Warrants was determined using a Black-Scholes option pricing model using the following assumptions:

Risk-free rate (%)	1.91 – 2.40 %
Expected life (years)	3 – 5 years
Contractual life (years)	3 – 5 years
Expected volatility (%)	100%
Expected dividend yield	-

**12. Share-based compensation**

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. On September 2018 and August 2019, the Company granted 12,466,740 and 5,000,000 share options respectively for a term of five years which 1/3 vest immediately, 1/3 vest on the first anniversary and 1/3 on the second anniversary. The exercise price of each option equals no less than the market price of the Company's common shares on 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 plan 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.

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**12. Share-based compensation (continued)**

A summary of stock options outstanding as at April 30, 2020 and 2019 is as follows:

	Options	Weighted average exercise price
Balance, April 30, 2018	900,000	\$0.10
Exercised	(200,000)	\$0.10
Expired	(700,000)	\$0.10
Granted	12,466,740	\$0.06
Balance, April 30, 2019	12,466,740	\$0.06
Granted	5,000,000	\$0.03
Balance, April 30, 2020	17,466,740	\$0.05

As at April 30, 2020, 9,977,827 (2019 – 4,155,580) options are exercisable at \$0.05 with a weighted average life remaining of 3.7 years (2019 – 4.4 years).

Total share-based compensation recorded during the year ended April 30, 2020 was \$244,283 (2019 - \$1,532,178). The Company values share-based compensation by using the Black-Scholes option pricing model. Stock options granted during the year are valued using the following inputs.

Year ended April 30	2020	2019
Volatility	<b>149.5%</b>	100%
Life	<b>5 years</b>	5 years
Risk-free interest rate	<b>1.75%</b>	2.2%
Exercise price	<b>\$0.03</b>	\$0.06
Dividend yield	<b>nil</b>	nil

**13. 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 years presented and therefore any addition to basic shares is anti-dilutive.

Year ended April 30	2020	2019
Income (loss) for the year	\$ <b>505,305</b>	\$ (1,913,306)
Weighted average number of common shares (basic and diluted)	<b>185,256,640</b>	114,577,565
Basic and diluted loss per share	\$ <b>0.00</b>	\$ (0.02)

At April 30, 2020, there were 17,466,740 (2019 – 12,466,740 ) stock options considered anti-dilutive.

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### 14. Compensation of key management personnel

The Company considers its directors and executives to be key management personnel. The key management personnel compensation is comprised of the following:

Year ended April 30	2020	2019
Share-based compensation	\$ 236,955	\$ 1,458,364
Salaries, consulting and professional fees	427,672	225,802
	<u>\$ 664,627</u>	<u>\$ 1,684,166</u>

As at April 30, 2020, amount payable to directors and executives was \$18,367 (2019 - \$Nil).

### 15. Related party transactions

During the year ended April 30, 2020, the Company paid accounting fees of \$8,600 (2019 - \$15,003) to a company controlled by a former officer of the Company. In addition, during the year ended April 30, 2020, \$113,612 (2019 - \$nil), was paid to a law firm at which the Corporate Secretary of the Company is a Partner. As at April 30, 2020, accounts payable and accrued liabilities included amounts payable to related parties totaling \$24,428 (2019 - \$6,000) for above professional fees.

From March 25, 2020 to April 23, 2020, the Company loaned its directors, executives and employees \$218,190 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. \$71,572 of the loan balances have been repaid leaving \$146,618 outstanding as at April 30, 2020.

During the year ended April 30, 2020, the Company acquired 22.5% interest in Galenas NJ from MIF and 22.5% interest from Vertical (Note 10). Jon Sharun and Smoke Wallin, directors of the Company, are a partner of MIF and Chairman of Vertical, respectively. Both Mr. Sharun and Mr. Wallin abstained from voting at the director's meeting of the Company on the investment in Galenas NJ. In its consideration and approval of the investment, the board of directors of the Company determined that the Investment was exempt from the formal valuation and minority approval requirements of MI-101 on the basis that the fair market value of the investment, as it relates to the related parties, did not exceed 25% of the market capitalization of the Company.

On February 21, 2020, the Company announced the purchase of the GOH Note where the purchase price was satisfied through the release and discharge of all amounts owing of the Company under the Vertical Loan, resulting in the retirement and settlement of the Vertical Loan. Smoke Wallin, a director of the Company, is the Vice Chairman of Vertical. Mr. Wallin abstained from voting at the director's meeting of Vencanna regarding the GOH Note.

### 16. Management of capital

The Company manages its capital structure and makes adjustments to it, based on the funds available to the Company, in order to support its activities as a merchant capital firm. The Board of Directors does not establish quantitative return on capital criteria for management, but rather relies on the expertise of the Company's management to sustain future development of the business.

The Company's objectives when managing capital are to safeguard the Company's ability to continue as a going concern and to maintain a flexible optimized capital structure in order to pursue state compliant cannabis investments focused throughout the value chain. In the management of capital, the Company includes its cash balances and components of shareholders' equity (deficiency). The Company manages the capital structure



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### 16. Management of capital (continued)

and makes adjustments to it in light of changes in economic conditions and the risk characteristics of the underlying assets. To maintain or adjust the capital structure, the Company may attempt to issue new shares, issue debt, acquire or adjust the amount of cash and cash equivalents and investments.

At this stage of the Company's development, in order to maximize on-going development efforts, the Company does not pay out dividends. Management reviews its capital management approach on an on-going basis and believes that this approach, given the relative size of the Company, is reasonable.

There were no changes in the Company's approach to capital management during the year ended April 30, 2020. The Company is not subject to externally imposed capital requirements.

### 17. Financial risk management

As at April 30, 2020, the carrying values of cash, balances due from related parties, 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*

Credit risk represents the risk associated with the inability of a counterparty to fulfill its financial obligations. The Company is exposed to credit risk through cash, trade and other receivables, due from related parties and its investments in loans and convertible debentures in its investee companies.

The cash balance is primarily held in a chequing account at a reputable financial. Trade and other receivables consist of amounts due from secured related party loans. The Company's has no significant concentration of credit risk from cash and trade and other receivables.

The Company manages credit risk through careful selection and monitoring of its investments. The convertible note is managed through active review of the financial performance of the issuer, Galenas LLC.

The Company's maximum exposure to credit risk as at April 30, 2020 is \$9,166,261 (2019 - \$8,557,432).

#### *Liquidity risk*

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they fall due. The Company endeavors to ensure that there are sufficient funds to meet its short-term business requirements, taking into account its anticipated cash flows from operations and its holding of cash.

As at April 30, 2020, the Company had cash of \$3,745,922 (2019 - \$4,856,455) to settle current liabilities of \$76,132 (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.

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**17. Financial risk management (continued)***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 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 April 30, 2020, the Company had a convertible debenture of \$5,264,120 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

As of April 30, 2020, the Company owns 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 rate risk from fluctuations in the value of its investments which are denominated in \$US. The Company does not currently use foreign exchange contracts to hedge its exposure to foreign currency risk.

As at April 30, 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).

**18. Income taxes**

## (a) Income tax reconciliation

The Company's income tax provision differs from that which would be expected from applying the combined effective Canadian federal and provincial income tax rate 25.8% (2019– 27.0%) to the net loss before income taxes as follows:

	2020	2019
Income (Loss) before taxes	\$ 505,305	\$ (1,913,306)
Tax rate	25.8%	27%
Expected income tax recovery	130,537	(516,593)
Rate change and other	214,053	-
Share-based compensation	63,106	413,688
Non-deductible expenses	2,615	4,751
Share issuance cost	-	(179,925)
Investments	(19,103)	-
Change in unrecognized deferred tax asset	(319,208)	(278,079)
Income tax expense (recovery)	\$ -	\$ -

The statutory tax rate decreased from 27% to 25% due to a decrease in the federal tax rate. The federal tax rate decreased to 26% and 25% effective on July 1, 2019 and January 1, 2020 respectively.

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**18. Income taxes (continued)**

## (b) Temporary differences

The components of the Company's deferred tax liability are as follows:

	2020	2019
Investments	\$ (17,097)	\$ -
Non-capital losses carried forward	17,097	-
	<u>\$ -</u>	<u>\$ -</u>

The following provides the details of unrecognized deductible temporary differences and unused losses for which no deferred tax asset has been recognized:

	2020	2019
Exploration and development expenditures and PPE	\$3,370,501	\$3,386,119
Share issue expense	399,834	533,112
Non-capital losses carried forward	2,841,400	3,386,458
Capital losses carried forward	<u>1,729,554</u>	<u>1,729,554</u>

A valuation allowance to eliminate the recognition of the benefits of the temporary differences has been recorded as management believes it is more likely than not that the benefits will never be utilized.

## (c) Non-capital losses

The Company's non-capital losses expire as follows:

	(\$000s)
2026	\$ 275
2027	788
2028	432
2029	235
2030	203
2031	14
2032	81
2033	89
2034	105
2035	21
2036	24
2037	76
2038	20
2039	496
	<u>\$2,859</u>

## (d) Capital losses

The Company has capital losses which can be carried forward indefinitely to offset future capital gains. As of April 30, 2020, the Company has \$1,729,554 (2019 - \$1,729,554) capital losses carried forward.

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### 19. Subsequent event

On July 3, 2020, the Company announced the issuance of an Unsecured Convertible Debenture in the principal amount of US\$1,300,000 (the “**Debenture**”) to a private investment fund (the “**Holder**”). The Debenture matures on July 3, 2022, with an interest rate of 8.0%, and is convertible at the option of the Holder into 26,000,000 common shares of the Company (“**Shares**”). The Company may, in its sole discretion, extend the maturity date an additional two years, in which case the interest rate shall be 9.2% and the Holder may convert the debenture at its option into 29,900,000 Shares. Interest shall accrue and be payable on January 31, April 30, July 31, and October 31 of each year with the initial payment being due July 31, 2020. The Company may elect to defer the accrued interest or pay the accrued interest in cash or Shares at the prevailing share price (or any combination thereof). The Company may force conversion if the Company’s 20-day VWAP equals to or exceeds US\$0.075 per Share. Further, if the \$1.3 MM Galenas Note (defined below) is retired or sold at less than the outstanding under the \$1.3 MM Galenas Note, the amount owing under the Debenture shall be reduced by the same amount.

Proceeds from the Debenture will be used to purchase from the Holder a convertible promissory note, issued by Galenas LLC, with a face value of US\$1.3 million, interest of US\$10,400 payable monthly, and maturing on August 1, 2021 (the “\$1.3 MM Galenas Note”).

Jon Sharun, a director of Vencanna, is a partner of the Holder. Mr. Sharun has abstained from voting at the director's meeting of Vencanna regarding the issue of the Debenture and the purchase of the \$1.3 MM Galenas Note (collectively, the “Transaction”). Due to the involvement of Mr. Sharun, who is a related party of Vencanna pursuant to Multilateral Instrument 61-101 – *Protection of Minority Security Holders in Special Transactions* (“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 Vencanna 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 Vencanna, in accordance with Sections 5.5 and 5.7 of MI 61-101.

## Schedule “B”

### **Top Strike Resources Corp. Management’s Discussion & Analysis Three and Twelve Months Ended April 30, 2020 and 2019**

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The following Management's Discussion & Analysis (“MD&A”) as provided by the management of Top Strike Resources Corp. (“Top Strike” or the “Company”) should be read in conjunction with the Company’s audited financial statements and accompanying notes for the years ended April 30, 2020 and 2019. All financial measures are expressed in Canadian dollars unless otherwise indicated. Top Strike’s MD&A and financial statements were prepared under International Financial Reporting Standards (“IFRS”). The reader should be aware that historical results are not necessarily indicative of future performance. The effective date of this MD&A is August 26, 2020.

Management is responsible for the preparation and integrity of the financial statements, including the maintenance of appropriate information systems, procedures and internal controls and to ensure that information used internally or disclosed externally, including the financial statements and MD&A, is complete and reliable. The Company’s board of directors follows recommended corporate governance guidelines for public companies to ensure transparency and accountability to shareholders. The board’s audit committee meets with management on a quarterly basis to review the financial statements including the MD&A and to discuss other financial, operating and internal control matters.

Statements in this report that are not historical facts are forward-looking statements involving known and unknown risks and uncertainties, which could cause actual results to vary considerably from these statements. Readers are cautioned not to put undue reliance on forward-looking statements. See “Forward Looking Statements” on page 9 of this report.

The reader is encouraged to review the Company’s statutory filings on [www.sedar.com](http://www.sedar.com).

#### **DESCRIPTION OF BUSINESS AND OVERVIEW**

The Company trades under the symbol “VENI” on the Canadian Securities Exchange and “TPPRF” on the OTCQB Venture Market (“OTCQB”), a US trading platform operated by the OTC Markets 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.

Prior to September 24, 2018, Top Strike Resources Corp. (dba Vencanna Ventures, “**Vencanna**” or the “**Company**”) had no activity and had not earned significant revenues and was listed on the TSX Venture Exchange. 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”, providing capital to early-stage global cannabis initiatives including state compliant opportunities in the United States.

Over this past year there has been significant upheaval in the global cannabis markets. From April 30, 2019 to April 30, 2020, the US Operator Index fell 80% (the broader Global Index fell 74%). The US Operator Index has currently rebounded 68% (the Global Index has rebounded 28%), however both indices are still down 66% since April 30, 2019.

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#### DESCRIPTION OF BUSINESS AND OVERVIEW (continued)

The full impact of the Covid-19 pandemic and jurisdictional policies put into effect to counter the virus (including social distancing and the closure of non-essential services) are unknown at this time. While most US states have deemed access to medical cannabis an “essential” service, and many state jurisdictions have been working with their local cannabis associations in designing safe strategies to maintain the delivery of cannabis to their respective patients and customers, it is unknown if this will be continued or how future policies will impact US cannabis businesses.

The global cannabis industry continues to expand with demand increasing due to patient and customer growth, as well as new jurisdictions expanding their access to cannabis for both medical and recreational purposes. The Secure and Fair Enforcement (SAFE) of Banking Act (which was passed on September 25, 2019 by Congress), The Strengthening the Tenth Amendment Through Entrusting States (STATES) Act, and the Marijuana Opportunity Reinvestment and Expungement (MORE) Act, are three pieces of legislation seeking to reform cannabis laws in the United States. While these pieces of legislation has stalled, in part due to procedural timelines, lack of political support, and/or legislative disruption as politicians and policy makers focus on the impact of Covid-19, 2020 is an election year in the United States and the continued focus of the racial implications associated with cannabis laws as well as the potential positive economic impact from the legal cannabis business, cannabis legislation can be expected to be a major issue in this upcoming election. The Company derives 100% of its income from the cannabis industry in certain states in the United States which is illegal under the federal laws of the United States. However, the Company is not aware of any non-compliance by the Company or its investees that would be contrary, or illegal, under applicable state laws. While Management believes that the Company is on track to accomplish its stated business objectives, continued reform and global legalization of cannabis will create a more competitive environment for cannabis-based companies and its service providers thereby potentially affecting market conditions and hence affecting our foregoing milestones.

#### HIGHLIGHTS AND RECENT DEVELOPMENTS

On July 22, 2019 the Company announced a \$4 million strategic loan (the “Vertical Loan”) to Vertical Companies (“Vertical”) and the addition of J. Smoke Wallin, Vertical’s Vice Chairman, to the board of directors of the Company. Use of proceeds was for working capital and inventory expansion.

On September 10, 2019 the Company announced its normal course issuer bid (“NCIB”), as the Company believed that from time to time the market price of its common shares would not reflect the underlying value of the Company. Since the announcement the NCIB, the Company has purchased and cancelled 6,197,000 of its common shares at an average price of \$0.02.

On January 14, 2020 the Company announced that it had purchased up to an additional 45% interest in a New Jersey cannabis cultivation and dispensary application for settled interest of US\$100,000 and the issuance of 2.22 million common shares of the Company. The Company now holds a 60% interest in the cultivation application and a 54% interest in the dispensary application. The application was submitted on August 19, 2019, however due to regulatory delays from Covid-19, it is unknown at this time as to when the successful applicants will be announced.

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On Feb 21, 2020, the Company announced the purchase from Vertical of a US\$3.3 million Convertible Promissory Note issued by Galenas, LLC (“**Galenas**”, the “**\$3.3 MM Note**”) for a cost of US\$3.3 million. At the time of the purchase, the outstanding under the \$3.3 MM Note, including accrued interest, was approximately US\$3.73 million. The purchase price of the \$3.3 MM Note was satisfied through the release **HIGHLIGHTS AND RECENT DEVELOPMENTS (continued)**

and discharged of all amounts owing to the Company under the Vertical Loan which at the time was approximately US\$3.3 million. The \$3.3 MM Note has an interest rate of 8.0%, matures July 1, 2021 and converts into Galenas, at the option of the Company, into a non-dilutive 35% equity interest in Galenas.

#### SUBSEQUENT TRANSACTIONS

On July 3, 2020, the Company announced the purchase of a US\$1.3 million Convertible Promissory Note issued by Galenas (the “**\$1.3 MM Note**”) for a cost of US\$1.3 million. The purchase price was satisfied through the issue of an Unsecured Convertible Debenture (“**Debenture**”) to the sellers of the \$1.3 MM Note. The \$1.3 MM Note has an interest rate of US\$10,400 per month, matures August 1, 2021, and converts, at the Company’s option, into 223 membership units of Galenas (approximately 10.3% equity interest).

The Debenture matures on July 3, 2022, has an interest rate of 8.0%, and is convertible at the option of the holder into 26,000,000 common shares of the Company (“**Shares**”). The Company may, in its sole discretion, extend the maturity date an additional two years, in which case the interest rate shall be 9.2% and the holder may convert the debenture at its option into 29,900,000 Shares. Interest shall accrue and be payable on January 31, April 30, July 31, and October 31 of each year with the initial payment being due July 31, 2020. The Company may elect to defer the accrued interest or pay the accrued interest in cash or Shares at the prevailing share price (or any combination thereof). The Company may force conversion if the Company's 20-day VWAP equals or exceeds US\$0.075 per Share. Further, if the \$1.3 MM Note is retired or sold at less than the outstanding amount under the \$1.3 MM Note, the amount owing under the Debenture shall be reduced by the same amount.

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### Top Strike Resources Corp. Management’s Discussion & Analysis Three and Twelve Months Ended April 30, 2020 and 2019

#### SELECTED ANNUAL INFORMATION

Year ended April 30	2020	2019	2018
(\$)			
Revenue	\$ 1,653,252	\$ 223,976	\$ 538
General and administrative expenses	(1,147,947)	(605,104)	(20,807)
Share-based compensation	(244,283)	(1,532,178)	-
Gain (Loss)	505,305	(1,913,306)	(20,269)
Gain (Loss) per share – basic/diluted	0.00	0.02	0.00
Total assets	9,293,961	8,603,826	73,551

#### SUMMARY OF QUARTERLY RESULTS

The following financial data is selected information for the Company for the eight most recently completed financial quarters:

(\$)	Apr 30, 2020	Jan 31, 2020	Oct 31, 2019	Jul 31, 2019	Apr 30, 2019	Jan 31, 2019	Oct 31, 2018	July 31, 2018
Revenue	950,424	307,630	281,650	113,548	222,857	900	95	123
Gain (Loss) for the period	712,761	59,196	(60,828)	(205,824)	(1,390,478)	(232,744)	(286,799)	(3,285)
Gain (Loss) per share - basic	0.00	0.00	(0.00)	(0.00)	(0.02)	(0.00)	(0.00)	(0.00)
Total assets	9,293,961	8,671,208	8,438,837	8,468,446	8,603,826	8,633,369	9,231,900	74,211
Total liabilities	76,132	66,268	37,109	58,138	58,370	14,829	449,524	13,088

As of the date hereof, a major portion of the Company’s business was derived from material ancillary involvement in US cannabis-related activities. As at April 30, 2020, 59% of the Company’s assets and 100% of other income was directly related to US cannabis activities.

#### RESULTS OF OPERATIONS

##### *Financial results for the three months ended April 30, 2020 and 2019*

Overall, the Company recorded net income of \$712,761, \$0.00 per share for the three months ended April 30, 2020 as compared to a net loss of (\$1,390,478), (\$0.02) per share for the three months ended April 30, 2019.

Revenue for the three months ended April 30, 2020 was \$950,424 (2019 – \$222,857). Revenues consisted of interest income of \$149,601 (2019 - \$222,857), a realized gain from the settlement of the Company’s note receivable of 700,345 (2019 – Nil), an investment related unrealized gain on foreign exchange of \$244,478 (2019 – Nil) and an investment related unrealized loss of \$144,000 (2019 – Nil).



## Schedule “B”

### Top Strike Resources Corp. Management’s Discussion & Analysis Three and Twelve Months Ended April 30, 2020 and 2019

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Expenses for the three months ended April 30, 2020 was \$237,663 (2019 - \$1,613,334). Expenses consisted of general and administrative expense of \$205,164 (2019 - \$295,942) and share based compensation expense of \$32,499 (2019 - \$1,317,394).

#### **RESULTS OF OPERATIONS (continued)**

Significant expenses during the three months ending April 30, 2020 included salaries and benefits of \$130,899 (2019 - \$120,738), professional fees (which include accounting, audit and legal fees) of \$39,435 (2019 - \$86,944) corporate communication expenses (which include Transfer Agent fees, listing expenses, filing fees and press release costs) of \$14,776 (2019 - \$3,537) and share based compensation of \$32,499 (2019 - \$1,317,394).

The share-based compensation expense was the result of the following: (1) the share options granted September 24, 2018; (2) the share-based compensation adjustment booked on share capital in Q4 fiscal 2019 as a result of management receiving common shares in excess of market value as per the Private Placements; and (3) the share-based compensation adjustment booked to warrants in Q4 fiscal 2019 as a result of management receiving a full warrant with units as per the Private Placements.

#### ***Financial results for the year ended April 30, 2020 and 2019***

Overall, the Company recorded net income of \$505,305 (\$0.00 gain per share) for the year ended April 30, 2020 as compared to a net loss of \$1,913,306 (\$0.02 loss per share) for the year ended April 30, 2019.

Revenue for the year ended April 30, 2020 was \$1,653,252 (2019 - \$223,976). Revenues consisted of interest income of \$852,429 (2019 - \$223,976), a realized gain from the settlement of the Company’s note receivable of 700,345 (2019 – Nil), an investment related unrealized gain on foreign exchange of \$244,478 (2019 – Nil) and an investment related unrealized loss of \$144,000 (2019 – Nil).

Expenses for the year ended April 30, 2020 was \$1,147,947 (2019 - \$2,137,282). Expenses consisted of general and administrative expense of \$903,664 (2019 - \$605,104) and share based compensation expense of \$244,283 (2019 - \$1,532,178).

Significant expenses during the year ended April 30, 2020 consist of the following: professional fees (which include accounting, audit and legal fees) of \$127,166 (2019 - \$103,762) comprised of audit and accounting fees of \$42,363 (2019 - \$30,012) and legal of \$84,803 (2019 - \$73,750); corporate communication expenses of \$92,547 (2019 - \$47,599), travel of \$41,393 (2019 – \$58,144), salaries and benefits of \$517,046 (2019 - \$270,616), marketing of \$35,922 (2019 - \$39,818), meals and entertainment \$20,244 (2019 - \$35,185) and share-based compensation \$244,283 (2019 - \$1,532,178). The variance in share-based compensation is outlined in the three months ended April 30, 2020 above.

#### **LIQUIDITY, FINANCINGS AND CAPITAL RESOURCES**

At April 30, 2020, the Company had a cash balance of \$3,745,922 (April 30, 2019 - \$4,856,455) to settle current liabilities of \$76,132 (April 30, 2019 - \$58,370). As at April 30, 2020, the Company’s cash decreased by \$1,110,533 from April 30, 2019, primarily related to investing activity during the year.

The Company has no commitments for property and equipment expenditures for fiscal 2021. The Company anticipates that any property and equipment expenditures based on future needs, will be funded from cash on hand and the issuance of equity securities.

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### Top Strike Resources Corp. Management’s Discussion & Analysis Three and Twelve Months Ended April 30, 2020 and 2019

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#### CRITICAL ACCOUNTING ESTIMATES AND JUDGMENTS

The timely preparation of the financial statements requires management to make judgments, estimates and assumptions that affect the application of accounting policies and reported amounts of assets and liabilities and income and expenses. Accordingly, actual results may differ from these estimates. Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimates are revised and in any future periods affected.

#### *Critical judgments in applying accounting policies*

The following are the critical judgments, apart from those involving estimations (see below), that management has made in the process of applying the Company’s accounting policies and that have the most significant effect on the amounts recognized in these financial statements.

#### *Recognition of deferred income tax assets*

The recognition of deferred income tax assets requires judgments regarding the likelihood and applicability of future income tax deductions. Deferred tax assets (if any) are recognized only to the extent it is considered probable that those assets will be recoverable. This involves an assessment of when those deferred tax assets are likely to reverse and a judgment as to whether or not there will be sufficient taxable profits available to offset the tax assets when they do reverse. This requires assumptions regarding future profitability and ability to apply income tax deductions.

#### *Fair value of financial instruments*

For Level 3 investments and complex instruments where quoted prices are not readily available the Company values its investments using recognized valuation models. Some or all of the significant inputs into these models may not be observable in the market, and are derived from market prices or rates or are estimated based on assumptions. Valuation models that employ significant unobservable inputs require a higher degree of management judgment and estimation in the determination of fair value.

In determining fair value for these types of instruments: the history and nature of the business; operating results and financial conditions; the general economic, industry and market conditions; capital market and transaction market conditions; contractual rights relating to the investment; comparable trading and transaction multiples, where applicable; and other pertinent considerations are taken into consideration. Adjustments to the carrying value of the investments may also be determined when there is pervasive and objective evidence of a decline in the value of the investment, as indicated by an assessment of the financial condition of the investment based on operational results, forecasts and other developments since acquisition.

Although the Company believes that its estimates of fair value for Level 3 investments are appropriate, the use of different methodologies or assumptions could lead to different measurements of fair value.

#### *Income taxes*

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Tax provisions are based on enacted or substantively enacted laws. Changes in those laws could affect amounts recognized in profit or loss both in the period of change, which would include any impact on cumulative provisions, and in future periods. Deferred tax assets (if any) are recognized only to the extent it is considered probable that those assets will be recoverable. This involves an assessment of when those deferred tax assets are likely to reverse and a judgment as to whether or not there will be sufficient taxable profits available to offset the tax assets when they do reverse. This requires assumptions regarding future profitability and is therefore inherently uncertain. To the extent assumptions regarding future profitability change, there can be an increase or decrease in the amounts recognized in respect of deferred tax assets as well as the amounts recognized in profit or loss in the period which the change occurs.

#### **CRITICAL ACCOUNTING ESTIMATES AND JUDGMENTS (continued)**

##### ***Share-based payments***

The Company measures the cost of its share-based payments to directors, officers, employees and consultants by reference to the fair value of the equity instruments at the date at which they are granted. The assumptions used in determining fair value include share price, expected lives of the options, risk-free rates of return, share price volatility and the estimated forfeiture rate. Changes to assumptions may have a material impact on the amounts presented.

#### **ACCOUNTING POLICIES**

The accounting policies of Top Strike used in the determination of the results for the year ended April 30, 2020 and 2019 are described in detail in Note 3 of the Company’s audited financial statements for the year ended April 30, 2020.

#### **OFF- BALANCE SHEET ARRANGEMENTS**

The Company has not entered into any off-balance sheet arrangements.

#### **PROPOSED TRANSACTIONS**

As at the date of this MD&A, there are no proposed transactions that the board of directors or senior management have decided to proceed with and that have not been publicly disclosed.

#### **RELATED PARTY TRANSACTIONS**

During the year ended April 30, 2020, the Company paid accounting fees of \$8,600 (2019 - \$15,003) to a company controlled by a former officer of the Company. In addition, during the year ended April 30, 2020, \$113,612 (2019 - \$Nil), was paid to a law firm at which the Corporate Secretary of the Company is a Partner.

As at April 30, 2020, accounts payable and accrued liabilities included amounts payable to related parties totaling \$24,428 (2019 - \$6,000) for professional fees.

From March 25, 2020 to April 23, 2020, the Company loaned its directors, executives and employees \$218,190 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

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bear zero interest. \$71,572 of the loan balances have been repaid leaving \$146,618 outstanding as at April 30, 2020.

During the year ended April 30, 2020, the Company acquired 22.5% interest In Galenas NJ from MIF and 22.5% interest from Vertical (Note 10). Jon Sharun and Smoke Wallin, directors of the Company, are a partner of MIF and Chairman of Vertical, respectively. Both Mr. Sharun and Mr. Wallin abstained from voting at the director's meeting of the Company on the investment in Galenas NJ. In its consideration and approval of the investment, the board of directors of the Company determined that the Investment was exempt from the formal valuation and minority approval requirements of MI-101 on the basis that the fair market value of the investment, as it relates to the related parties, did not exceed 25% of the market capitalization of the Company.

#### **RELATED PARTY TRANSACTIONS (continued)**

On February 21, 2020, the Company announced the purchase of the GOH Note where the purchase price was satisfied through the release and discharge of all amounts owing of the Company under the Vertical Loan, resulting in the retirement and settlement of the Vertical Loan. Smoke Wallin, a director of Vencanna, is the Vice Chairman of Vertical. Mr. Wallin abstained from voting at the director's meeting of Vencanna regarding the GOH Note.

On July 3, 2020, the Company announced the purchase of the \$1.3 MM Note and the issue of the Debenture. Jon Sharun, a director of Vencanna, is a partner of the seller and purchaser of the \$1.3 MM. Note and Debenture respectively. Mr. Sharun has abstained from voting at the director's meeting of Vencanna regarding the issue of the Debenture and the purchase of the \$1.3 MM Note (collectively, the "Transaction"). Due to the involvement of Mr. Sharun, who is a related party of Vencanna pursuant to Multilateral Instrument 61-101 – *Protection of Minority Security Holders in Special Transactions* ("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 Vencanna 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 Vencanna, in accordance with Sections 5.5 and 5.7 of MI 61-101.

#### **SHARE CAPITAL**

The Company has an unlimited number of common shares authorized for issuance. At April 30, 2020, there were 181,991,390 common shares issued and outstanding. There are also 117,701,059 warrants and 17,466,740 stock options outstanding.

The Company is authorized to purchase up to 9,298,308 shares under its NCIB program until Sep 16, 2020. The Company has purchased 6,197,000 shares, representing approximately 67% of the authorized purchases.

#### **RISKS AND UNCERTAINTIES**

The Company's financial success will be dependent upon the Company's ability to raise equity. There is no assurance that the Company will be able to raise the equity required to meet the obligations of the Company and the Company has no source of financing other than those identified in the previous section.

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Additionally, given the illegality of cannabis under U.S. federal law (discussed below), the Company’s ability to raise equity in the U.S. may be limited. However, these barriers to participation in U.S. capital markets also serve as the Company’s competitive advantage when supplying alternative sources of capital to state compliant U.S. cannabis businesses.

**Marijuana is illegal under U.S. federal law and the enforcement of such laws poses significant risk to the Company.** As at the date hereof, 40 states of the United States plus the District of Columbia, Puerto Rico and Guam have laws and/or regulations that recognize, in one form or another, legitimate medical uses for cannabis and consumer use of cannabis in connection with medical treatment and eleven states of the United States have legalized recreational cannabis. Many other states are considering similar legislation. However, the position of the federal government and its agencies is that cannabis has no medical benefit and, accordingly, a range of activities including cultivation and the personal use of cannabis are prohibited. Unless and until Congress amends the U.S. Controlled Substances Act of 1970 with respect to medical and recreational cannabis, there is a risk that federal authorities may enforce current federal law and the

#### **RISKS AND UNCERTAINTIES (continued)**

Company may be deemed to be producing, cultivating or dispensing cannabis in violation of federal law or facilitating the selling or distribution of drug paraphernalia in violation of federal law. Active enforcement of the current federal regulatory position on cannabis may thus indirectly and adversely affect the Company’s future cash flows, earnings, results of operations and financial condition. As of the date hereof, the Company has not obtained legal advice, either in the form of a legal opinion or otherwise, regarding compliance with applicable state regulatory frameworks and potential exposure and implications arising from U.S. federal law. See the Company’s most recent Annual Information Form filed under the Company’s SEDAR profile at [www.sedar.com](http://www.sedar.com) for more information, including a discussion of U.S. federal cannabis laws, guidance given by federal authorities or prosecutors regarding the risk of enforcement action and risks associated with providing financing to U.S. state compliant cannabis businesses.

#### ***Impacts of the COVID-19 coronavirus outbreak***

The Company cautions that current global uncertainty with respect to the spread of the COVID-19 virus and its effect on the broader global economy may have a significant negative effect on the Company. While the precise impact of the COVID-19 virus on the Company and its US cannabis related investments remain unknown, rapid spread of the COVID-19 virus may have a material adverse effect on global economic activity, and can result in volatility and disruption to global supply chains, operations, mobility of people, consumer spending and the financial markets, which could in turn affect interest rates, credit ratings, credit risk, inflation, business, financial conditions, results of operations for the Company’s current and future investments and other factors relevant to the Company.

#### **FORWARD-LOOKING STATEMENTS**

This MD&A may contain “forward-looking statements” which reflect the Company’s current expectations regarding the future results of operations, performance and achievements of the Company, including but not limited to: statements with respect to the Company’s plans or future financial or operating performance; the success of the Company’s investments; future market prospects for medical cannabis in the United States; anticipated regulatory and market changes in the cannabis industry; anticipated global market

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conditions; conclusions of economic assessments of projects; requirements for additional capital and sources thereof; and timing of additional financing.

The Company has tried, wherever possible, to identify these forward-looking statements by, among other things, using words such as “anticipate,” “believe,” “estimate,” “expect”, “budget”, or variations of such words and phrases or state that certain actions, events or results “may”, “could”, “would”, “might” or “will be taken”, “occur” or “be achieved”.

The statements reflect the current beliefs of the management of the Company, and are based on currently available information. Accordingly, these statements are subject to known and unknown risks, uncertainties and other factors, which could cause actual results, performance, or achievements of the Company to differ materially from those expressed in, or implied by, these statements. These uncertainties are factors that include, but are not limited to, risks related to: regulatory and third party approvals being obtained in the manner or timing anticipated by the Company; enforcement of U.S. federal law governing cannabis; changes in how the developing U.S. legal regime will impact the cannabis industry; changes in the global cannabis market; potential negative impacts from the global COVID-19 outbreak; increases in competition from industry participants; the ability to implement the corporate strategy of the Company; the Company’s investment strategy; the success and timely payment of current and future investments; the state of United States and Canadian capital markets; the ability to obtain financing; changes in general market conditions; **FORWARD-LOOKING STATEMENTS (continued)**

and other factors more fully described from time to time in the reports and filings made by the Company with securities regulatory authorities.

The Company’s management reviews periodically information reflected in forward-looking statements. The Company has and continues to disclose in its Management Discussion & Analysis and other publicly filed documents, changes to material factors or assumptions underlying the forward-looking statements and to the validity of the statements themselves, in the period the changes occur.

Historical results of operations and trends that may be inferred from the above discussions and analysis may not necessarily indicate future results from operations.

#### **ADDITIONAL INFORMATION**

Additional information relating to the Company can be found on SEDAR at [www.sedar.com](http://www.sedar.com).