

**VAR RESOURCES CORP.**  
**(formerly Canadian International Pharma Corp.)**

**Condensed Consolidated Interim Financial Statements**

**For the three month periods ended January 31, 2021 and 2020**  
**(Expressed in Canadian Dollars)**

# **NOTICE OF NO AUDITOR REVIEW OF CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS**

Under National Instrument 51-102, Part 4, subsection 4.3 (3) (a), if an auditor has not performed a review of the condensed consolidated interim financial statements, they must be accompanied by a notice indicating that an auditor has not reviewed the financial statements.

The accompanying unaudited condensed consolidated interim financial statements of the Company have been prepared by and are the responsibility of the Company's management.

The Company's independent auditor has not performed a review of these condensed consolidated interim financial statements in accordance with standards established by the Chartered Professional Accountants of Canada for a review of condensed consolidated interim financial statements by an entity's auditor.

**VAR RESOURCES CORP.** (formerly Canadian International Pharma Corp.)  
Condensed Consolidated Interim Statements of Financial Position  
(Unaudited – Prepared by Management)  
(Expressed in Canadian Dollars)

	January 31, 2021	October 31, 2020
<b>ASSETS</b>		
<b>Current</b>		
Cash and cash equivalents	\$ 600,240	\$ 3,032
Receivables	2,797	1,173
Prepaid expenses	-	833
	603,037	5,038
<b>Exploration and evaluation assets</b> (Note 4)	358,000	-
	\$ 961,037	\$ 5,038
<b>LIABILITIES AND SHAREHOLDERS' DEFICIENCY</b>		
<b>Current</b>		
Accounts payable and accrued liabilities (Note 6)	\$ 327,702	\$ 302,564
Loans payable (Notes 7)	87,754	55,000
	415,456	357,564
<b>Shareholders' equity (deficiency)</b>		
Capital stock (Note 5)	15,306,795	14,342,545
Reserves	1,280,521	1,280,521
Deficit	(16,041,735)	(15,975,592)
	545,581	(352,526)
	\$ 961,037	\$ 5,038

Nature of operations and going concern (Note 1)

Subsequent events (Note 11)

**On behalf of the Board:**

*"Ron Schmitz"*
Director
*"Douglas Mason"*
Director

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

**VAR RESOURCES CORP.** (formerly Canadian International Pharma Corp.)  
Condensed Consolidated Interim Statements of Loss and Comprehensive Loss  
(Unaudited – Prepared by Management)  
(Expressed in Canadian Dollars)

	Three Months Ended January 31, 2021	Three Months Ended January 31, 2020
<b>EXPENSES</b>		
Consulting fees (Note 6)	3,000	8,250
Office and miscellaneous	2,417	8,852
Professional fees (Note 6)	40,132	13,609
Rent (Note 6)	-	5,954
Shareholder costs	2,375	-
Transfer agent and regulatory fees	18,219	1,812
<b>Loss and comprehensive loss for the period</b>	<b>(66,143)</b>	<b>(38,477)</b>
<b>Basic and diluted loss per share</b>	<b>\$ (0.01)</b>	<b>\$ (0.00)</b>
<b>Weighted average number of shares outstanding</b>	<b>4,028,998</b>	<b>3,845,302</b>

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

**VAR RESOURCES CORP.** (formerly Canadian International Pharma Corp.)  
Condensed Consolidated Interim Statements of Change in Shareholders' Deficiency  
(Unaudited – Prepared by Management)  
(Expressed in Canadian Dollars)

	Number of Common Shares	Amount	Share-based Payments Reserve	Residual Value of Warrants Reserve	Deficit	Total
<b>Authorized:</b>						
Unlimited number common shares without par value						
<b>Balance as at October 31, 2019</b>	<b>3,845,302</b>	<b>\$ 14,342,545</b>	<b>\$ 1,180,354</b>	<b>\$ 100,167</b>	<b>\$ (15,891,454)</b>	<b>\$ (268,388)</b>
Loss for the period	-	-	-	-	(38,477)	(38,477)
<b>Balance as at January 31, 2020</b>	<b>3,845,302</b>	<b>14,342,545</b>	<b>1,180,354</b>	<b>100,167</b>	<b>(15,929,931)</b>	<b>(306,865)</b>
Loss for the period	-	-	-	-	(45,661)	(45,661)
<b>Balance as at October 31, 2020</b>	<b>3,845,302</b>	<b>\$ 14,342,545</b>	<b>\$ 1,180,354</b>	<b>\$ 100,167</b>	<b>\$ (15,975,592)</b>	<b>\$ (352,526)</b>
Private placement	6,250,000	656,250	-	-	-	656,250
Shares issued for exploration and evaluation assets	2,200,000	308,000	-	-	-	308,000
Loss for the period	-	-	-	-	(66,143)	(66,143)
<b>Balance as at January 31, 2021</b>	<b>12,295,302</b>	<b>\$ 15,306,795</b>	<b>\$ 1,180,354</b>	<b>\$ 100,167</b>	<b>\$ (16,041,735)</b>	<b>\$ (545,581)</b>

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

**VAR RESOURCES CORP.** (formerly Canadian International Pharma Corp.)  
Condensed Consolidated Interim Statements of Cash Flows  
(Unaudited – Prepared by Management)  
(Expressed in Canadian Dollars)

	Three Months Ended January 31, 2021	Three Months Ended January 31, 2020
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Loss for the period	\$ (66,143)	\$ (38,477)
Changes in non-cash working capital items		
Receivables	(1,624)	(83)
Prepaid expenses	833	-
Accounts payable and accrued liabilities	25,138	31,792
Net cash used in operating activities	(41,796)	(6,768)
<b>CASH FLOWS INVESTING ACTIVITIES</b>		
Acquisition of exploration and evaluation assets	(50,000)	-
Net cash provided by investing activities	(50,000)	-
<b>CASH FLOWS FINANCING ACTIVITIES</b>		
Proceeds on issuance of capital stock	656,250	-
Loan proceeds	32,754	-
Net cash provided by financing activities	689,004	-
<b>Change in cash during the period</b>	<b>597,208</b>	<b>(6,768)</b>
<b>Cash and cash equivalents, beginning of period</b>	<b>3,032</b>	<b>7,327</b>
<b>Cash and cash equivalents, end of period</b>	<b>600,240</b>	<b>559</b>
Cash paid for interest	\$ -	\$ -
Cash paid for income taxes	\$ -	\$ -

**Supplemental disclosures with respect to cash flows** (Note 9)

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

# VAR RESOURCES CORP. (formerly Canadian International Pharma Corp.)

## Notes to the Condensed Consolidated Interim Financial Statements

(Unaudited – Prepared by Management)

(Expressed in Canadian Dollars)

January 31, 2021

### 1. NATURE OF OPERATIONS AND GOING CONCERN

VAR Resources Corp. (formerly Canadian International Pharma Corp.), (the “Company”) was incorporated under the laws of the Province of British Columbia on November 21, 1983. The Company changed its name on January 29, 2021 and has received approval to trade on the TSX Venture Exchange (“TSX-V”) as a Tier 2 Mining Issuer under the symbol “VAR” (previously “CIP.H”). The Company was previously engaged in the acquisition and exploration of mineral resource properties. Then the Company attempted to pursue new business opportunities in the area of pharmaceutical and nutraceutical manufacturing and distribution; but has returned to its pursuit of mineral resource acquisition and exploration.

These financial statements have been prepared on the basis of accounting principles applicable to a going concern, which assume that the Company will be able to continue in operation for the foreseeable future, will be able to realize its assets, discharge its liabilities and commitments in the normal course of business.

The Company has not generated revenue from operations. The Company incurred a net loss of \$66,143 during the three months ended January 31, 2021 and, as of that date the Company’s deficit was \$16,041,735. As the Company is in the exploration stage, the recoverability of the costs incurred to date on exploration properties is dependent upon the existence of economically recoverable reserves, the ability of the Company to obtain the necessary financing to complete the exploration and development of its properties and upon future profitable production or proceeds from the disposition of the properties. The Company will periodically have to raise funds to continue operations and, although it has been successful in doing so in the past, there is no assurance it will be able to do so in the future. These material uncertainties may cast significant doubt about the Company’s ability to continue as a going concern.

	January 31, 2021	October 31, 2020
Working capital (deficiency)	\$ 187,581	\$ (352,526)
Deficit	(16,041,735)	(15,975,592)

In March 2020 the World Health Organization declared coronavirus COVID-19 a global pandemic. This contagious disease outbreak, which has continued to spread, and any related adverse public health developments, has adversely affected workforces, economies, and financial markets globally, potentially leading to an economic downturn. It is not possible for the Company to predict the duration or magnitude of the adverse results of the outbreak and its effects on the Company’s business or ability to raise funds.

### 2. BASIS OF PRESENTATION

#### Statement of compliance

These interim financial statements are unaudited and have been prepared in accordance with IAS 34 ‘Interim Financial Reporting’ (“IAS 34”) using accounting policies consistent with the International Financial Reporting Standards (“IFRS”) issued by the International Accounting Standards Board (“IASB”) and Interpretations of the International Financial Reporting Interpretations Committee (“IFRIC”).

The policies applied in these condensed consolidated interim financial statements are based on IFRS issued and effective as of January 31, 2021. The Board of Directors approved the financial statements for issue on **March 16, 2021**.

## **VAR RESOURCES CORP. (formerly Canadian International Pharma Corp.)**

### Notes to the Condensed Consolidated Interim Financial Statements

(Unaudited – Prepared by Management)

(Expressed in Canadian Dollars)

January 31, 2021

---

## **2. BASIS OF PRESENTATION (Cont'd...)**

### **Basis of measurement**

The consolidated financial statements have been prepared on the historical cost basis, except for certain financial instruments, which are measured at fair value as explained in the accounting policies set out in Note 3.

### **Functional and presentation currency**

These consolidated financial statements are presented in Canadian dollars, which is the Company and its subsidiary's functional currency. All financial information is expressed in Canadian dollars unless otherwise stated and have been rounded to the nearest dollar.

### **Use of estimates and judgements**

The preparation of the financial statements in conformity with IFRS requires the use of estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Although these estimates are based on management's best knowledge of the amount, event or actions, actual results ultimately may differ from those estimates.

The most significant accounts that require estimates as the basis for determining the stated amounts include the impairment of assets, valuation of share-based payments and recognition of deferred tax amounts.

### **Critical accounting estimates**

#### *Share-based payments*

The fair value of share options granted is measured using the Black-Scholes option pricing model. Measurement inputs include share price on measurement date, exercise price of the option, expected volatility, expected life of the options, expected dividends and the risk-free rate. These estimates will impact the amount of share-based payments recognized.

#### *Income taxes*

Related assets and liabilities are recognized for the estimated tax consequences between amounts included in the financial statements and their tax base using substantively enacted future income tax rates. Timing of future revenue streams and future capital spending changes can affect the timing of any temporary differences and, accordingly, affect the amount of the deferred tax asset or liability calculated at a point in time.

## **VAR RESOURCES CORP. (formerly Canadian International Pharma Corp.)**

### Notes to the Condensed Consolidated Interim Financial Statements

(Unaudited – Prepared by Management)

(Expressed in Canadian Dollars)

January 31, 2021

---

### **3. SIGNIFICANT ACCOUNTING POLICIES**

#### **Basis of Consolidation**

These consolidated financial statements include the accounts of the Company and its wholly-owned inactive subsidiary, Grupo Minero Venturix, S.A. de C.V. (Mexico). All significant inter-company transactions and balances have been eliminated.

#### **Cash and cash equivalents**

Cash and cash equivalents include highly liquid instruments that are readily convertible to known amounts of cash and which are subject to an insignificant risk of change in value. Cash equivalents are held for the purpose of meeting short-term cash commitments rather than for investment or other purposes. For the periods presented, the Company does not have any cash equivalents.

#### **Financial Instruments**

The following is the Company's accounting policy for financial instruments under IFRS 9:

##### *Classification*

The Company classifies its financial instruments in the following categories: at fair value through profit and loss ("FVTPL"), at fair value through other comprehensive income (loss) ("FVTOCI"), or at amortized cost. The Company determines the classification of financial assets at initial recognition. The classification of debt instruments is driven by the Company's business model for managing the financial assets and their contractual cash flow characteristics. Equity instruments that are held for trading are classified as FVTPL. For other equity instruments, on the day of acquisition the Company can make an irrevocable election (on an instrument-by-instrument basis) to designate them as at FVTOCI. Financial liabilities are measured at amortized cost, unless they are required to be measured at FVTPL (such as instruments held for trading or derivatives) or the Company has opted to measure them at FVTPL.

##### *Measurement*

a) Financial assets and liabilities at amortized cost

Financial assets and liabilities at amortized cost are initially recognized at fair value plus or minus transaction costs, respectively, and subsequently carried at amortized cost less any impairment.

b) Financial assets and liabilities at FVTPL

Financial assets and liabilities carried at FVTPL are initially recorded at fair value and transaction costs are expensed in profit or loss. Realized and unrealized gains and losses arising from changes in the fair value of the financial assets and liabilities held at FVTPL are included in the consolidated statements of comprehensive loss in the period in which they arise.

c) Debt investments at FVOCI

These assets are subsequently measured at fair value. Interest income calculated using the effective interest method, foreign exchange gains and losses and impairment are recognised in profit or loss. Other net gains and losses are recognised in OCI. On derecognition, gains and losses accumulated in OCI are reclassified to profit or loss.

## **VAR RESOURCES CORP. (formerly Canadian International Pharma Corp.)**

### Notes to the Condensed Consolidated Interim Financial Statements

(Unaudited – Prepared by Management)

(Expressed in Canadian Dollars)

January 31, 2021

---

### **3. SIGNIFICANT ACCOUNTING POLICIES (cont'd...)**

#### **Financial instruments (cont'd...)**

#### d) Equity investments at FVOCI

These assets are subsequently measured at fair value. Dividends are recognised as income in profit or loss unless the dividend clearly represents a recovery of part of the cost of the investment. Other net gains and losses are recognised in OCI and are never reclassified to profit or loss.

#### e) Impairment of financial assets at amortized cost

An 'expected credit loss' impairment model applies which requires a loss allowance to be recognized based on expected credit losses. The estimated present value of future cash flows associated with the asset is determined and an impairment loss is recognized for the difference between this amount and the carrying amount as follows:

the carrying amount of the asset is reduced to estimated present value of the future cash flows associated with the asset, discounted at the financial asset's original effective interest rate, either directly or through the use of an allowance account and the resulting loss is recognized in profit or loss for the period. In a subsequent period, if the amount of the impairment loss related to financial assets measured at amortized cost decreases, the previously recognized impairment loss is reversed through profit or loss to the extent that the carrying amount of the investment at the date the impairment is reversed does not exceed what the amortized cost would have been had the impairment not been recognized.

#### f) Financial assets

The Company derecognizes financial assets only when the contractual rights to cash flows from the financial assets expire, or when it transfers the financial assets and substantially all of the associated risks and rewards of ownership to another entity. Gains and losses on derecognition are generally recognized in the consolidated statements of comprehensive loss.

#### g) Financial liabilities

The Company derecognizes a financial liability when its contractual obligations are discharged or cancelled or expire. The Company also derecognizes a financial liability when the terms of the liability are modified such that the terms and/or cash flows of the modified instrument are substantially different, in which case a new financial liability based on the modified terms is recognized at fair value.

Gains and losses on derecognition are generally recognized in profit or loss.

The Company provides information about its financial instruments measured at fair value at one of three levels according to the relative reliability of the inputs used to estimate the fair value:

Level 1 – quoted prices (unadjusted) in active markets for identical assets or liabilities.

Level 2 – inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly (i.e., as prices) or indirectly (i.e., derived from prices); and

Level 3 – inputs for the asset or liability that are not based on observable market data (unobservable inputs).

## **VAR RESOURCES CORP. (formerly Canadian International Pharma Corp.)**

### Notes to the Condensed Consolidated Interim Financial Statements

(Unaudited – Prepared by Management)

(Expressed in Canadian Dollars)

January 31, 2021

---

### **3. SIGNIFICANT ACCOUNTING POLICIES (cont'd...)**

#### **Exploration and evaluation assets**

For investments in exploration and evaluation assets the Company follows the practice of capitalizing all costs upon obtaining the legal right to explore relating to the acquisition of, exploration for and evaluation of mineral claims and crediting all proceeds received against the cost of the related claims. Such costs include, but are not exclusive to, geological, geophysical studies, exploratory drilling and sampling. The aggregate costs related to abandoned mineral claims are charged to operations at the time of any abandonment, or when it has been determined that there is evidence of a permanent impairment. An impairment charge relating to an exploration and evaluation asset is subsequently reversed when new exploration results or actual or potential proceeds on sale or farm-out of the property result in a revised estimate of the recoverable amount, but only to the extent that this does not exceed the original carrying value of the property that would have resulted if no impairment had been recognized.

The recoverability of amounts shown for exploration and evaluation assets is dependent upon the discovery of economically recoverable reserves, the ability of the Company to obtain financing to complete development of the properties, and on future production or proceeds of disposition.

The Company recognizes in income costs recovered on exploration and evaluation assets when amounts received, or receivable are in excess of the carrying amount.

Once the technical feasibility and commercial viability of the extraction of mineral resources in an area of interest are demonstrable, exploration and evaluation assets attributable to that area of interest are first tested for impairment and then reclassified to mining property and development assets. At such time as commercial production commences, these costs are reclassified as mining assets and will be charged to operations on a unit-of-production method based on proven and probable reserves.

All capitalized exploration and evaluation expenditure is monitored for indications of impairment at each financial position reporting date. Where a potential impairment is indicated, assessments are performed for each area of interest. To the extent that exploration expenditure is not expected to be recovered, it is charged to the results of operations.

Although the Company has taken steps to verify the title to exploration and evaluation assets in which it has an interest, in accordance with industry standards for the current stage of exploration of such properties, these procedures do not guarantee the Company's title. Property title may be subject to unregistered prior agreements or transfers and title may be affected by undetected defects.

#### **Impairment of non-current assets**

At each financial position reporting date, the Company's non-current assets are reviewed to determine whether there is any indication that the carrying value of those assets are impaired and may not be recoverable. If any such indication exists, the recoverable amount of the asset is evaluated at the level of a cash-generating unit ("CGU"), the smallest identifiable group of assets that generates cash inflows that are largely independent of the cash inflows from other assets or groups of assets, where the recoverable amount of a CGU is the higher of fair value less costs to sell and value in use. Fair value is determined as the amount that would be obtained from the sale of the asset in an arm's length transaction between knowledgeable and willing parties. 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. If the recoverable amount is estimated to be less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount and the impairment loss is recognized in the profit or loss for the period.

## **VAR RESOURCES CORP. (formerly Canadian International Pharma Corp.)**

### **Notes to the Condensed Consolidated Interim Financial Statements**

(Unaudited – Prepared by Management)

(Expressed in Canadian Dollars)

January 31, 2021

---

#### **3. SIGNIFICANT ACCOUNTING POLICIES (cont'd...)**

##### **Impairment of non-current assets (cont'd...)**

Where an impairment loss subsequently reverses, 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 profit or loss.

##### **Share capital**

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

The Company uses the residual value method with respect to the measurement of common shares and share purchase warrants issued as units. The proceeds from the issue of units is allocated between common shares and share purchase warrants where the fair value of the common shares is based on the market value on the date of the announcement of the placement and the balance, if any, is allocated to the attached warrants. Share issue costs are netted against common share component.

##### **Share-based payment transactions**

The Company's stock option plan allows employees and consultants to acquire shares of the Company. The fair value of options granted is recognized as an employee or consultant expense with a corresponding increase in equity. An individual is classified as an employee when the individual is an employee for legal or tax purposes (direct employee) or provides services similar to those performed by a direct employee. Share-based payments to non-employees are measured at the fair value of the goods or services received or at the fair value of the equity instruments issued, if it is determined the fair value of the goods or services cannot be reliably measured and are recorded at the date the goods or services are received.

The fair value is measured at grant date, and each tranche is recognized on the graded vesting method over the period during which the options vest. The fair value of the options granted is measured using the Black-Scholes option pricing model taking into account the terms and conditions upon which the options were granted. At each financial position reporting date, the amount recognized as an expense is adjusted to reflect the actual number of share options that are expected to vest. The fair value of the options is accrued and charged either to operations or exploration and evaluation assets, with the offset credit to share-based payments reserve, over the vesting period. If and when the stock options are exercised, the applicable amounts from share-based payments reserve are transferred to capital stock.

The Black-Scholes option valuation model used by the Company to determine fair values of options and similar financial instruments requires the input of highly subjective assumptions including future stock volatility and expected time until exercise. Changes in the subjective input assumptions can materially affect the fair value estimate.

## **VAR RESOURCES CORP. (formerly Canadian International Pharma Corp.)**

### Notes to the Condensed Consolidated Interim Financial Statements

(Unaudited – Prepared by Management)

(Expressed in Canadian Dollars)

January 31, 2021

---

### **3. SIGNIFICANT ACCOUNTING POLICIES (cont'd...)**

#### **Loss per share**

Basic loss per share is calculated by dividing the loss for the period by the weighted average number of common shares outstanding during the period. Diluted loss per share reflects the potential dilution that could occur if potentially dilutive securities were exercised or converted to common shares. The dilutive effect on loss per share is calculated presuming the exercise of outstanding options, warrants and similar instruments. It assumes that the proceeds would be used to purchase common shares at the average market price during the period. However, the calculation of diluted loss per share excludes the effects of various conversions and exercise of options and warrants that would be anti-dilutive.

#### **Income taxes**

Income tax on the profit or loss for the periods presented comprises current and deferred tax. Income tax 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 as equity.

Current tax expense is the expected tax payable on the taxable income for the year, using tax rates enacted or substantively enacted at period end, adjusted for amendments to tax payable with regards to previous years.

Deferred tax is recorded by providing for temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. The following temporary differences are not provided for: goodwill not deductible for tax purposes; the initial recognition of assets or liabilities that affect neither accounting or taxable profit; nor differences relating to investments in subsidiaries to the extent that they will probably not reverse in the foreseeable future. The amount of deferred tax provided is based on the expected manner of realization or settlement of the carrying amount of assets and liabilities, using tax rates enacted or substantively enacted at the statement of financial position date.

A deferred tax asset is recognized only to the extent that it is probable that future taxable profits will be available against which the asset can be utilized. To the extent that the Company does not consider it probable that a deferred tax asset will be recovered, it will not be recognized. Additional income taxes that arise from the distribution of dividends are recognized at the same time as the liability to pay the related dividend.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when they relate to income taxes levied by the same taxation authority and the Company intends to settle its current tax assets and liabilities on a net basis.

#### **Restoration and rehabilitation provision**

An obligation to incur restoration, rehabilitation and environmental costs arises when environmental disturbance is caused by the exploration, development or ongoing production of an exploration and evaluation asset interest. Such costs arising from the decommissioning of plant and other site preparation work, discounted to their net present value, are provided for and capitalized at the start of each project to the carrying amount of the asset, as soon as the obligation to incur such costs arises. Discount rates using a pre-tax rate that reflects the time value of money are used to calculate the net present value. These costs are charged against profit or loss over the economic life of the related asset, through amortization using either the unit-of-production or the straight-line method. The related liability is adjusted for each period for the unwinding of the discount rate and for changes to the current market-based discount rate, amount or timing of the underlying cash flows needed to settle the obligation. Costs for restoration of subsequent site damage which is created on an ongoing basis during production are provided for at their net present values and charged against profits as extraction progresses. As at January 31, 2021 the Company does not have any significant restoration obligations.

## **VAR RESOURCES CORP. (formerly Canadian International Pharma Corp.)**

### Notes to the Condensed Consolidated Interim Financial Statements

(Unaudited – Prepared by Management)

(Expressed in Canadian Dollars)

January 31, 2021

---

### **3. SIGNIFICANT ACCOUNTING POLICIES (cont'd...)**

#### **Provisions**

Provisions are recognized where a legal or constructive obligation has been incurred as a result of past events; it is probable that an outflow of resources embodying economic benefit will be required to settle the obligation; and a reliable estimate of the amount of the obligation can be made. If material, provisions are measured at the present value using a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability of the expenditures expected to be required to settle the obligation. The increase in any provision due to passage of time is recognized as interest expense.

#### **New accounting standards, interpretations, and amendments**

*IAS 1 - Presentation of Financial Statements* is effective for annual periods beginning on or after January 1, 2020.

*IAS 8 - Accounting Policies, Changes in Accounting Estimates and Errors* is effective for annual periods beginning on or after January 1, 2020.

The IASB made amendments to IAS 1 and IAS 8. The amendments clarify that the reference to obscuring information addresses situations in which the effect is similar to omitting or misstating that information, and that an entity assesses materiality in the context of the financial statements as a whole. Also, the meaning of ‘primary users of general purpose financial statements’ to whom those financial statements are directed, by defining them as ‘existing and potential investors, lenders and other creditors’ that must rely on general purpose financial statements for much of the financial information they need.

There is no material impact on the statements of financial position or results of operations as a result of adopting the new standards above.

### **4. EXPLORATION AND EVALUATION ASSETS**

On October 30, 2020, the Company entered into a Mineral Property Option Agreement (“Option Agreement”) whereby the Company has the exclusive right and option to acquire a 100% interest in the Hook Bay Property (“Hook Bay”), located on Vancouver Island, British Columbia. The Company paid \$50,000 in cash and issued 2,200,000 common shares valued at \$308,000 to the optionor. The Company must also incur \$100,000 in exploration expenditures within 30 days of closing (paid subsequent to the period) and issue and additional 500,000 common shares and incur \$300,000 in exploration expenditures within 18 months of closing. The Option Agreement received regulatory approval on January 29, 2021.

Upon completion of the Option Agreement, the Company will have earned an undivided 100% legal and beneficial interest in Hook Bay, subject to a 2.0% net smelter return royalty to be granted to the optionor. The royalty can be reduced to 1% prior to commercial production by paying \$1,500,000 to the optionor.

## VAR RESOURCES CORP. (formerly Canadian International Pharma Corp.)

### Notes to the Condensed Consolidated Interim Financial Statements

(Unaudited – Prepared by Management)

(Expressed in Canadian Dollars)

January 31, 2021

#### 5. SHAREHOLDERS' EQUITY

##### Authorized share capital:

Unlimited number common shares without par value

During the three month period ended January 31, 2021, the Company issued the following share transactions:

- a) Issued 6,250,000 units at a price of \$0.105 per unit for gross proceeds of \$656,250 pursuant to a non-brokered private placement. Each unit consists of one common share and one transferable share purchase warrant. Each warrant is exercisable at \$0.14 into one common share expiring on December 2, 2025.
- b) Issued 2,200,000 common shares pursuant to the terms of the Option Agreement (Note 4) on Hook Bay.

During the year ended October 31, 2020, the Company completed the following share transactions:

- On October 28, 2020, the Company's common shares were consolidated on a basis of one post-consolidated common shares or every 10 pre-consolidated common shares. The number of the shares, options, warrants and per share amounts presented have been adjusted to reflect the impact of this share consolidation.

##### Stock Options

The Company has a rolling stock option plan, whereby it is allowed to issue options of up to 10% of the Company's issued and outstanding common shares at any given time. Under the plan, options can be granted for a maximum term of five years and vesting of stock options is at the discretion of the board of directors at the time options are granted.

Stock option transactions and the number of stock options outstanding are summarized as follows:

	Number of Options	Weighted Average Exercise Price
Outstanding, October 31, 2019	131,000	\$ 0.70
Expired/cancelled	<u>(30,000)</u>	0.70
Outstanding, October 31, 2020	101,000	0.70
Expired/cancelled	<u>(60,500)</u>	0.70
Outstanding, January 31, 2021	40,500	\$ 0.70
Exercisable, January 31, 2021	40,500	\$ 0.70

Stock options outstanding at January 31, 2021 are as follows:

Number Of Options	Exercise Price	Expiry Date
40,500	\$ 0.70	April 15, 2021

**VAR RESOURCES CORP. (formerly Canadian International Pharma Corp.)**

## Notes to the Condensed Consolidated Interim Financial Statements

(Unaudited – Prepared by Management)

(Expressed in Canadian Dollars)

January 31, 2021

**5. SHAREHOLDERS' EQUITY (cont'd...)****Warrants**

Warrant transactions and the number of stock options outstanding are summarized as follows:

	Number of Warrants	Weighted Average Exercise Price
Outstanding, October 31, 2019 and 2020	-	\$ -
Granted	<u>6,250,000</u>	0.14
Outstanding, January 31, 2021	<u>6,250,000</u>	\$ 0.14
Exercisable, January 31, 2021	<u>6,250,000</u>	\$ 0.14

Warrants outstanding at January 31, 2021 are as follows:

Number Of Warrants	Exercise Price	Expiry Date
6,250,000	\$ 0.14	December 2, 2025

**6. RELATED PARTY TRANSACTIONS**

Included in accounts payable and accrued liabilities at January 31, 2021 is \$2,500 (October 31, 2020 - \$219,425) owing to companies controlled by directors and officers.

The Company entered into two loan agreements dated February 25, 2020 and May 4, 2020, pursuant to which the Company received \$40,000 for working capital purposes. The loans were provided by a company controlled by a director and an officer of the Company with a term of one year with interest at a rate of 1% per month (12% per annum). There were two advances of \$23,000 and \$17,000 under the loan agreements and a total of \$40,000 was outstanding as at January 31, 2021. Subsequent to the period, the Company paid \$44,111 comprising of \$40,000 as the loan principle and \$4,111 in accrued interest as settlement of the two loans.

During the three month period ended January 31, 2021, the Company paid or accrued the following amounts to companies controlled by directors and officers of the Company:

	January 31, 2021	January 31, 2020
Professional fees	\$ 2,500	\$ -
Consulting fees	-	7,500
Rent	-	5,954

## VAR RESOURCES CORP. (formerly Canadian International Pharma Corp.)

### Notes to the Condensed Consolidated Interim Financial Statements

(Unaudited – Prepared by Management)

(Expressed in Canadian Dollars)

January 31, 2021

#### 6. RELATED PARTY TRANSACTIONS (cont'd...)

Key management compensation to the CEO, President, CFO, Directors, Officers and/or related entities includes the following:

	January 31, 2021	January 31, 2020
Professional fees	\$ 2,500	\$ -
Consulting fees	-	7,500

#### 7. LOANS PAYABLE

The Company entered into two loan agreements dated February 25, 2020 and May 4, 2020, pursuant to which the Company received \$40,000 for working capital purposes. The loans were provided by a company controlled by a director and an officer with a term of one year with interest at a rate of 1% per month (12% per annum). There were two advances of \$23,000 and \$17,000 under the loan agreements and a total of \$40,000 was outstanding as at January 31, 2021. Subsequent to the period, the Company paid \$44,111 comprising of \$40,000 as the loan principle and \$4,111 in accrued interest as settlement of the two loans.

The Company entered into a loan agreement, dated August 13, 2019, pursuant to which the lender agreed to loan the Company up to \$15,000 for working capital purposes. The loan agreement was provided by the private lender for a term of one year with interest at a rate of 1% per month (12% per annum). The \$15,000 was advanced under the loan agreement and was outstanding as of January 31, 2021. Subsequent to the period, the Company paid \$15,848 comprising of \$15,000 as the loan principle and \$848 in accrued interest as settlement of the loan.

During the three month period ended January 31, 2021, the company received \$32,754 in loans from shareholders. These loans are non-interest bearing and have no specific terms of repayment.

#### 8. CAPITAL MANAGEMENT

The Company's shareholders' deficiency comprises its capital under management. The Company's objectives when managing capital are to safeguard the Company's ability to continue as a going concern in order to pursue new business opportunities in the area of pharmaceutical and nutraceutical manufacturing and distribution and to maintain a flexible capital structure that optimizes the costs of capital at an acceptable risk.

The Company manages the capital structure 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 new debt, acquire or dispose of assets.

In order to facilitate the management of its capital requirements, the Company prepares expenditure budgets that are updated as necessary depending on various factors, including successful capital deployment and general industry conditions. 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.

## VAR RESOURCES CORP. (formerly Canadian International Pharma Corp.)

### Notes to the Condensed Consolidated Interim Financial Statements

(Unaudited – Prepared by Management)

(Expressed in Canadian Dollars)

January 31, 2021

#### 8. CAPITAL MANAGEMENT (cont'd...)

In order to maximize ongoing development efforts, the Company does not pay out dividends. The Company's investment policy is to invest its short-term excess cash in highly liquid short-term interest-bearing investments with maturities of 365 days or less from the original date of acquisition, selected with regards to the expected timing of expenditures from continuing operations.

To fund future operating activities, the Company will need to become profitable in perusing its new business and/or raise funds through future share issuances, issue new debt or dispose of assets.

There have been no changes to the Company's approach to capital management during the three month period ended January 31, 2021. The Company is not subject to externally imposed capital requirements.

#### 9. SUPPLEMENTAL DISCLOSURES WITH RESPECT TO CASH FLOWS

Non-cash financing or investing during the three month period ended January 31, 2021 included the issuance of 2,200,000 common shares to the optionor pursuant to the Option Agreement on the Hook Bay Property (Note 4).

There were no significant non-cash financing or investing during the three month period ended January 31, 2020.

#### 10. FINANCIAL INSTRUMENTS

##### Fair value

The Company classifies its cash and cash equivalents and marketable securities as fair value through profit or loss; receivables and reclamation deposits as financial assets at amortized cost; and accounts payable and accrued liabilities at amortized cost.

The carrying values of receivables, reclamation deposits, accounts payable and accrued liabilities approximate their fair values due to the short-term maturity of these financial instruments.

The Company's measurement of fair value of financial instruments in accordance with the fair value hierarchy is as follows:

	Total	Level 1	Level 2	Level 3
<b>January 31, 2021</b>				
Assets				
Cash and cash equivalents	\$ 600,240	\$ 600,240	\$ -	\$ -
	\$ 600,240	\$ 600,240	\$ -	\$ -
<b>October 31, 2020</b>				
Assets				
Cash and cash equivalents	\$ 7,327	\$ 7,327	\$ -	\$ -
	\$ 7,327	\$ 7,327	\$ -	\$ -

## **VAR RESOURCES CORP. (formerly Canadian International Pharma Corp.)**

### Notes to the Condensed Consolidated Interim Financial Statements

(Unaudited – Prepared by Management)

(Expressed in Canadian Dollars)

January 31, 2021

---

#### **10. FINANCIAL INSTRUMENTS**

The Company's risk exposure and the impact on the Company's financial instruments are summarized below.

##### **Credit risk**

Credit risk is the risk of potential loss to the Company if a counter party to a financial instrument fails to meet its payment obligations. The Company is exposed to credit risk with respect to its cash and other receivables.

The Company's credit risk is primarily attributable to cash and cash equivalents. Management believes that the credit risk concentration with respect to cash and cash equivalents is remote as it maintains accounts with highly rated financial institutions.

##### **Liquidity risk**

Liquidity risk is the risk that the Company will not be able to meet its obligations as they become due. The Company manages its liquidity risk by forecasting cash flows from operations and anticipated investing and financing activities. As at January 31, 2021, the Company had accounts payable and accrued liabilities of \$327,702 (October 31, 2020 \$302,564). Based on the current funds held, the Company does not have sufficient working capital for the short term, and thus will need to rely upon financing from shareholders and/or debt holders to obtain sufficient working capital. There is no assurance that such financing will be available on terms and conditions acceptable to the Company.

##### **Market risk**

Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate due to changes in market prices. Market risk comprises three types of risk: interest rate risk, foreign currency risk and other price risk.

###### *(i) Interest rate risk*

Interest rate risk consists of two components:

- To the extent that payments made or received on the Company's monetary assets and liabilities are affected by changes in the prevailing market interest rates, the Company is exposed to interest rate cash flow risk.
- To the extent that changes in prevailing market rates differ from the interest rate in the Company's monetary assets and liabilities, the Company is exposed to interest rate price risk.

The Company is not exposed to significant interest rate risk.

###### *(ii) Foreign currency risk*

The Company is not exposed to foreign currency risk.

###### *(iii) Other price risk*

Other price risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices, other than those arising from interest rate risk or foreign currency risk. The Company is not exposed to other price risk since it has sold its marketable securities.

**VAR RESOURCES CORP. (formerly Canadian International Pharma Corp.)**

Notes to the Condensed Consolidated Interim Financial Statements

(Unaudited – Prepared by Management)

(Expressed in Canadian Dollars)

January 31, 2021

---

**11. SUBSEQUENT EVENTS**

The Company repaid \$55,000 in principle and \$4,959 in accrued interest pursuant to the terms the loan agreements entered into in prior fiscal years.