

Pangea Natural Foods Inc.
Condensed Interim Financial Statements
(Unaudited – Expressed in Canadian dollars)
**For the three and nine months ended July 31, 2022, and
for the three months ended July 31, 2021 and
period from incorporation on April 10, 2021, to July 31, 2021**

NOTE TO READER

Under National Instrument 51-102, if an auditor has not performed a review of interim financial statements, they must be accompanied by a note indicating that the interim financial statements have not been reviewed by an auditor.

The accompanying unaudited condensed interim financial statements have been prepared by and are the responsibility of the management. The Company's independent auditor has not performed a review of these condensed interim financial statements.

Pangea Natural Foods Inc.

Condensed Interim Statement of Financial Position

As at July 31, 2022 and October 31, 2021

(Expressed in Canadian dollars)

	Note	July 31, 2022 (Unaudited)	October 31, 2021 (Audited)
ASSETS			
Current assets			
Cash		\$ 103,317	\$ 807,574
Accounts receivable and other receivables	4	125,412	83,625
Prepaid expenses		414,916	383,966
Inventory	5	204,436	6,712
Total current assets		848,081	1,281,877
Equipment	6	20,148	23,072
Intangible asset	7	44,200	37,000
TOTAL ASSETS		\$ 912,429	\$ 1,341,949
LIABILITIES			
Current liabilities			
Accounts payable and accrued liabilities	8,11	\$ 289,457	\$ 116,822
SHAREHOLDERS' EQUITY			
Share capital	9	769,197	747,070
Contributed surplus		730,571	651,250
Retained Earnings		(876,796)	(173,193)
Total shareholder's equity		622,972	1,225,127
Total liabilities and shareholders' equity		\$ 912,429	\$ 1,341,949

*Nature of operations and going concern (Note 1)**Subsequent events (Note 15)*

APPROVED BY THE BOARD OF DIRECTORS:

Pratap Sandhu

Director

Mohammad Fazil

Director

The accompanying notes are an integral part of these Condensed Interim Financial Statements.

Pangea Natural Foods Inc.

Condensed Interim Statement of Loss and Comprehensive Loss

For the three and nine months ended July 31, 2022 and for the three months ended July 31, 2021 and period from incorporation on April 10, 2021 to July 31, 2021
(Unaudited - Expressed in Canadian dollars)

	Note	Three months ended July 31,		Nine months ended July 31,	From incorporation on April 10, 2021 to July 31, 2021
		2022	2021	2022	
Revenue	10	\$ 99,849	\$ -	\$ 308,441	\$ -
Cost of sales	5	(94,557)	-	(278,618)	-
Gross Profit		5,292	-	29,823	-
Expenses					
Advertising and promotion		16,136	-	20,394	1,870
Depreciation	6	207	188	620	188
Office and administration		7,808	64	13,814	64
Professional fees		113,152	-	295,603	-
Rent		19,800	7,500	54,420	10,000
Salaries and wages	11	43,440	-	129,187	-
Share-based payments	9,11	-	-	76,448	-
Total operating expenses		200,543	7,752	590,486	12,122
Net Loss before other items		(195,251)	(7,752)	(560,663)	(12,122)
Other items					
Listing fees		(142,826)	-	(142,826)	-
Inventory write-off	5	-	-	(114)	-
Net Loss and comprehensive loss		\$ (338,077)	\$ (7,752)	\$ (703,603)	\$ (12,122)
Weighted average number of shares -					
basic and diluted		27,350,762	1	27,330,972	1
Basic loss per share		\$ (0.01)	\$ (7,752)	\$ (0.03)	\$ (12,122)

The accompanying notes are an integral part of these Condensed Interim Financial Statements.

Pangea Natural Foods Inc.

Condensed Interim Statement of Changes in Equity

For the nine months ended July 31, 2022 and for the period from incorporation on April 10, 2021 to July 31, 2021

(Unaudited - Expressed in Canadian dollars)

		Share capital				
	Note	Number of common shares	Share Capital	Contributed surplus	Accumulated deficit	Total
Balance, April 10, 2021		-	\$ -	\$ -	\$ -	\$ -
Shares issued on incorporation		1	-	-	-	-
Net loss for the period		-	-	-	(12,122)	(12,122)
Balance at July 31, 2021		1	\$ -	\$ -	\$ (12,122)	\$ (12,122)
Balance at October 31, 2021		27,185,001	\$ 747,070	\$ 651,250	\$ (173,193)	\$ 1,225,127
Units issued from private placement	9	150,000	7,500	7,500	-	15,000
Shares issued for exercised warrants	9	50,000	8,000	(3,000)	-	5,000
Shares issued for exercised options	9	50,000	6,627	(1,627)	-	5,000
Share-based payments	9,11	-	-	76,448	-	76,448
Net loss for the period		-	-	-	(703,603)	(703,603)
Balance at July 31, 2022		27,435,001	\$ 769,197	\$ 730,571	\$ (876,796)	\$ 622,972

The accompanying notes are an integral part of these Condensed Interim Financial Statements.

Pangea Natural Foods Inc.

Condensed Interim Statement of Cash Flows

For the nine months ended July 31, 2022 and for the period from incorporation on

April 10, 2021 to July 31, 2021

(Unaudited - Expressed in Canadian dollars)

	Note	Nine months ended July 31, 2022	From incorporation on April 10, 2021, to July 31, 2021
OPERATING ACTIVITIES			
Net loss for the year		\$ (703,603)	\$ (12,122)
Adjustments for non-cash and non-operating items:			
Depreciation	6	620	188
Share-based payments	9	76,448	-
		(626,535)	(11,934)
Changes in non-cash operating working capital:			
Accounts Receivable		(41,787)	-
Prepaid expenses		(30,950)	-
Inventory		(195,420)	(4,613)
Accounts payable and accrued liabilities		172,635	20,067
Net cash provided by (used in) operating activities		(722,057)	3,520
INVESTING ACTIVITY			
Purchase of equipment			(2,482)
Purchase of intangible asset	7	(7,200)	-
Net cash used in investing activities		(7,200)	(2,482)
FINANCING ACTIVITIES			
Proceeds from issuance of units	9	15,000	-
Proceeds from exercised warrants	9	5,000	-
Proceeds from exercised stock options	9	5,000	-
Net cash provided by financing activities		25,000	-
Change in cash during the period		(704,257)	1,038
Cash, beginning of period		807,574	-
Cash, end of period		103,317	1,038
SUPPLEMENTAL DISCLOSURE CASH FLOW INFORMATION:			
Income tax paid		\$ -	\$ -
Interest paid (received)		\$ -	\$ -

The accompanying notes are an integral part of these Condensed Interim Financial Statements.

Pangea Natural Foods Inc.

Notes to the Condensed Interim Financial Statements

For the three and nine months ended July 31, 2022 and for the three months ended July 31, 2021 and period from incorporation on April 10, 2021 to July 31, 2021
(Unaudited - Expressed in Canadian dollars)

1. NATURE OF OPERATIONS AND GOING CONCERN

Pangea Natural Foods Inc. (“Pangea” or the “Company”) was incorporated on April 10, 2021 under the laws of the British Columbia Business Corporations Act. The registered records office of Pangea is located at 10th Floor, 595 Howe Street, Vancouver B.C. V6C 2T5.

The Company was formed to produce and sell plant-based food products that are both nutritious and non-GMO.

The financial statements have been prepared on the basis on accounting principles applicable to a going concern which assumes the Company will be able to continue in operation for the foreseeable future and will be able to realize its assets and discharge its liabilities in the normal course of operations. The Company’s ability to continue as a going concern and to realize assets at their carrying values is dependent upon its ability to obtain financing and generate profits and positive cash flows from operations in order to cover its operating costs.

The Company incurred a loss of \$703,603 for the nine months ended July 31, 2022 (period ended July 31, 2021 - \$12,122), and as of that date, the Company’s accumulated deficit was \$876,796 (October 31, 2021 - \$173,193). The Company will periodically need to raise funds to continue its operations, and although it has been successful in doing so in the past, there is no assurance that it will be able to continue to do so in the future. These factors comprise a material uncertainty which may cast significant doubt about the Company’s ability to continue as a going concern. These financial statements do not give effect to any adjustments required to realize its assets and discharge its liabilities in other than the normal course of business and at amounts different from those reflected in the accompanying financial statements. These adjustments could be material.

In March 2020, the World Health Organization declared the coronavirus (COVID-19) a global pandemic. This contagious virus 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.

These condensed interim financial statements were approved and authorized for issuance on September 29, 2022 by the Board of Directors.

2. BASIS OF PRESENTATION

Statement of compliance

These condensed interim financial statements have been prepared in accordance with International Financial Reporting Standards (“IFRS”), including International Accounting Standards (“IAS”) 34 - Interim Financial Reporting, as issued by the International Accounting Standards Board (“IASB”) and interpretations of the International Financial Reporting Issues Committee (“IFRIC”).

Pangea Natural Foods Inc.

Notes to the Condensed Interim Financial Statements

For the three and nine months ended July 31, 2022 and for the three months ended July 31, 2021 and period from incorporation on April 10, 2021 to July 31, 2021
(Unaudited - Expressed in Canadian dollars)

2. BASIS OF PRESENTATION (continued)

Statement of compliance (continued)

They have been prepared in accordance with the same accounting policies and methods of application as the audited financial statements for the period from incorporation on April 10, 2021 to October 31, 2021, except that they do not include all the disclosures required for the annual audited financial statements. These condensed interim financial statements should be read in conjunction with the audited financial statements for the Company for the period from incorporation on April 10, 2021 to October 31, 2021.

Basis of measurement

These condensed interim consolidated financial statements have been prepared on a historical cost basis, except for certain financial instruments measured at fair value. In addition, these condensed interim consolidated financial statements have been prepared using the accrual basis of accounting except for cash flow information. The condensed interim consolidated financial statements are presented in Canadian dollars, unless otherwise noted.

Significant Accounting Policies

These condensed interim financial statements should be read in conjunction with the Company's audited financial statements for the period from incorporation on April 10, 2021 to October 31, 2021. The significant accounting policies applied in the preparation of these condensed interim financial statements are consistent with the accounting policies disclosed in Note 3 of the audited financial statements for the period from incorporation on April 10, 2021 to October 31, 2021, with the addition of the following:

Share-based payments

The Company grants stock options to purchase common shares of the Company to directors, officers, employees, and consultants. An individual is classified as an employee when the individual is an employee for legal or tax purposes or provides services similar to those performed by an employee. The fair value of stock options is measured on the grant date using the Black-Scholes option pricing model and is recognized over the vesting period. Share-based payments are initially recorded to reserves. Subsequently, the amount together with the consideration received for the shares on the exercise of share-based payments are credited to share capital.

In situations where equity instruments are issued to non-employees and some or all of the goods or services received by the entity as consideration cannot be specifically identified, they are measured at fair value of the share-based payment. Otherwise, share-based payments are measured at the fair value of goods or services received.

Pangea Natural Foods Inc.

Notes to the Condensed Interim Financial Statements

For the three and nine months ended July 31, 2022 and for the three months ended July 31, 2021 and period from incorporation on April 10, 2021 to July 31, 2021 (Unaudited - Expressed in Canadian dollars)

3. MANAGEMENT'S USE OF JUDGEMENTS AND ESTIMATES

The preparation of these condensed interim financial statements in accordance with IFRS requires management to make estimates, judgements and assumptions that affect the reported amount of assets and liabilities and the disclosure of contingent liabilities at the date of the condensed interim financial statements and the reported amount of income and expenses during the period. Actual results could differ from these estimates.

In preparing these condensed interim financial statements, the significant estimates and critical judgements were the same as those applied to the audited financial statements as at and for the period from incorporation on April 10, 2021 to October 31, 2021, with the addition of the following to estimates:

Share-based payments

Estimating fair value for granted stock options requires determining the most appropriate valuation model which is dependant on the terms and conditions of the grant. This estimate also requires determining the most appropriate inputs to the valuation model including the expected life of the option, volatility, dividend yield, and rate of forfeitures and making assumptions about them.

4. ACCOUNTS RECEIVABLE AND OTHER RECEIVABLES

	July 31, 2022		October 31, 2021	
Trade receivables	\$	88,981	\$	68,495
Sales tax receivable		36,431		15,130
	\$	125,412	\$	83,625

5. INVENTORY

	July 31, 2022		October 31, 2021	
Raw materials	\$	101,551	\$	-
Packaging materials		95,671		6,712
Finished goods		7,214		-
	\$	204,436	\$	6,712

During the three and nine months ended July 31, 2022, the Company expensed \$94,557 and \$278,618, respectively, (three months ended July 31, 2021 - \$nil and period from incorporation on April 10, 2021 to July 31, 2021 - \$nil) of inventory in the cost of sales and wrote-off \$nil and \$114, respectively, (three months ended July 31, 2021 - \$nil and period from incorporation on April 10, 2021 to July 31, 2021 - \$nil) of inventory.

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Notes to the Condensed Interim Financial Statements

For the three and nine months ended July 31, 2022 and for the three months ended July 31, 2021 and period from incorporation on April 10, 2021 to July 31, 2021 (Unaudited - Expressed in Canadian dollars)

6. EQUIPMENT

	Computer equipment	Production equipment	Total
Cost			
Balance, April 10, 2021	\$ -	\$ -	\$ -
Additions	2,481	21,500	23,981
Balance, October 31, 2021 and July 31, 2022	\$ 2,481	\$ 21,500	\$ 23,981
Accumulated depreciation			
Balance, April 10, 2021	\$ -	\$ -	\$ -
Additions	397	512	909
Balance, October 31, 2021	397	512	909
Additions	620	2,304	2,924
Balance, July 31, 2022	\$ 1,017	\$ 2,816	\$ 3,833
Carrying amounts			
At October 31, 2021	\$ 2,084	\$ 20,988	\$ 23,072
At July 31, 2022	\$ 1,464	\$ 18,684	\$ 20,148

During the three and nine months ended July 31, 2022, \$768 and \$2,304 (three months ended July 31, 2021 - \$nil and period from incorporation on April 10, 2021 to July 31, 2021 - \$nil) of depreciation was allocated to inventory as overhead.

7. INTANGIBLE ASSET

During the period ended October 31, 2021, the Company acquired the formula which forms the basis for their plant-based patties and incurred development costs. During the nine months ended July 31, 2022, the Company acquired the formula which forms the basis for their plant-based nuggets.

	Patty Formula	Patty Development Costs	Nugget Formula	Total
Cost				
Balance, April 10, 2021	\$ -	\$ -	\$ -	\$ -
Additions	25,000	12,000	-	37,000
Balance, October 31, 2021	25,000	12,000	-	37,000
Additions	-	-	7,200	7,200
Balance, July 31, 2022	\$ 25,000	\$ 12,000	\$ 7,200	\$ 44,200
Carrying amounts				
At October 31, 2021	\$ 25,000	\$ 12,000	\$ -	\$ 37,000
At July 31, 2022	\$ 25,000	\$ 12,000	\$ 7,200	\$ 44,200

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Notes to the Condensed Interim Financial Statements

For the three and nine months ended July 31, 2022 and for the three months ended July 31, 2021 and period from incorporation on April 10, 2021 to July 31, 2021 (Unaudited - Expressed in Canadian dollars)

8. ACCOUNTS PAYABLE

		July 31, 2022		October 31, 2021
Trade payables	\$	129,796	\$	28,413
Accrued liabilities		150,849		22,638
Payroll payable		8,812		65,771
	\$	289,457	\$	116,822

9. SHAREHOLDERS' EQUITY

Authorized capital

The Company is authorized to issue to an unlimited number of commons shares without par value.

Issued and outstanding capital

As at July 31, 2022, there were 27,435,001 common shares issued and outstanding. Details of the common shares are as follows:

For the nine months ended July 31, 2022

On November 17, 2021, the Company completed a second tranche of the private placement, issuing 150,000 units at a price of \$0.10 per unit for gross proceeds of \$15,000. Each unit consists of one common share and one half of one common share purchase warrant. Each warrant entitles the warrant holder to acquire one additional common share of the Company at an exercise price of \$0.20 for a period of 24 months commencing on the date of issuance. A value of \$7,500 has been allocated to the common share purchase warrants using the residual method.

On July 13, 2022, the Company issued 50,000 common shares pursuant to the exercise of options for gross proceeds of \$5,000. In connection with the issuance, \$1,627 was transferred from contributed surplus to share capital.

On July 20, 2022, the Company issued 50,000 common shares pursuant to the exercise of warrants for gross proceeds of \$5,000. In connection with the issuance, \$3,000 was transferred from contributed surplus to share capital.

For the period from incorporation on April 10, 2021 to July 31, 2021

During the period from incorporation on April 10, 2021 to July 31, 2021, there were no share issuances, other than a single founders share issued on the date of incorporation.

Pangea Natural Foods Inc.

Notes to the Condensed Interim Financial Statements

For the three and nine months ended July 31, 2022 and for the three months ended July 31, 2021 and period from incorporation on April 10, 2021 to July 31, 2021 (Unaudited - Expressed in Canadian dollars)

9. SHAREHOLDERS' EQUITY (continued)

Warrants

Continuity of the Company's warrants is as follows:

	Number of warrants	Weighted average exercise price
Outstanding, April 10, 2021	-	\$ -
Issued	8,592,500	0.14
Outstanding, October 31, 2021	8,592,500	\$ 0.14
Issued	75,000	0.20
Exercised	(50,000)	0.10
Outstanding, July 31, 2022	8,617,500	\$ 0.14

As at July 31, 2022, the following warrants were outstanding:

Grant date	Warrants outstanding	Exercise price	Expiry date	Remaining contractual life (years)
September 28, 2021	5,150,000	\$0.10	September 28, 2023	1.16
October 27, 2021	3,392,500	\$0.20	October 27, 2023	1.24
November 17, 2021	75,000	\$0.20	November 17, 2023	1.30
	8,617,500	\$0.14		1.19

Options

On February 14, 2022, the Company finalized its Stock Option Plan ("the Plan") which provides that the Board of Directors ("the Board") of the Company may from time to time, in its discretion, grant and issue to directors, senior officers, employees, consultants, consultant company or management company employees or an eligible charitable organization, non-transferable options to purchase common shares of the Company.

All options granted pursuant to the Plan shall be subject to the terms and conditions of the Plan. The number of shares which will be available for purchase pursuant to an option will be equal to the number of shares as determined by the Board from time to time, provided that the number of common shares reversed for issuance will not exceed 10% of the Company's issued and outstanding common shares. If any option expires or otherwise terminates for any reason without having been exercised in full, the number of shares in respect of such expired or terminated option shall again be available for the purposes of granting options pursuant to the Plan.

The grant date and the expiry date of an option shall be the dates fixed by the Board at the time the option is granted, with the expiry date not exceeding ten years from the grant date and shall be set out in the option certificate issued in respect of such option. The exercise price shall also be determined by the Board and set out in the option certificate issued in respect of the option and shall not be less than the Market Price prevailing on the date of grant of such option.

Pangea Natural Foods Inc.

Notes to the Condensed Interim Financial Statements

For the three and nine months ended July 31, 2022 and for the three months ended July 31, 2021 and period from incorporation on April 10, 2021 to July 31, 2021 (Unaudited - Expressed in Canadian dollars)

9. SHAREHOLDERS' EQUITY (continued)

Options (continued)

During the three and nine months ended July 31, 2022, share-based payments in the amount of \$nil and \$76,448 (three months ended July 31, 2021 - \$nil and period from incorporation on April 10, 2021 to July 31, 2021 - \$nil) respectively, was recognized on the issuance and vesting of stock options to directors, officers, employees and consultants.

Continuity of the Company's options is as follows:

	Number of options	Weighted average exercise price
Outstanding, April 10, 2021 and October 31, 2021	-	\$ -
Issued	2,350,000	0.10
Exercised	(50,000)	0.10
Outstanding, July 31, 2022	2,300,000	\$ 0.10

As at July 31, 2022, the following options were outstanding:

Options outstanding	Options exercisable	Exercise price	Expiry date	Remaining contractual life (years)
2,300,000	2,300,000	\$0.10	February 14, 2027	4.55

The Company uses the Black-Scholes option pricing model to estimate the fair value of the options granted and determined a weighted average fair value of \$0.03.

The following weighted average assumptions were used:

Dividend yield	Nil
Forfeiture rate	Nil
Annualized volatility	100%
Risk-free interest rate	1.78%
Expected life	5 years

10. REVENUE

The Company generates revenue primarily from the sale of its plant-based patties. The company also generates revenue from the sale of other food products as well as the sale of raw food products.

Revenue is currently generated in one geographical market, being Canada, and is recognized upon delivery of purchase orders to customers.

Pangea Natural Foods Inc.

Notes to the Condensed Interim Financial Statements

For the three and nine months ended July 31, 2022 and for the three months ended July 31, 2021 and period from incorporation on April 10, 2021 to July 31, 2021 (Unaudited - Expressed in Canadian dollars)

11. RELATED PARTY TRANSACTIONS AND BALANCES

Related parties and related party transactions impacting the condensed interim financial statements not disclosed elsewhere in these condensed interim financial statements are summarized below. Transactions with related parties are incurred in the normal course of business and are initially recorded at fair value.

Key management personnel include those persons having authority and responsibility for planning, directing and controlling the activities of the Company as a whole. Key management personnel comprise officers and directors of the Company.

Remuneration attributed to key management personnel is summarized as follows:

	Three months ended		Nine months	From
	July 31,		ended	incorporation on
	2022	2021	July 31,	April 30, 2021 to
			2022	July 31, 2021
Salaries and wages, CEO	\$ 32,308	\$ 10,833	\$ 92,308	\$10,833
Share-based payments, CEO and Director	-	-	32,531	-
Share-based payments, Director	-	-	8,133	-
	\$ 32,308	\$ 10,833	\$ 132,972	\$10,833

As at July 31, 2022, \$13,811 (October 31, 2021 - \$66,075) in accounts payable and accrued liabilities was owed to the Chief Executive Officer of the Company.

As at July 31, 2022, \$22,630 (October 31, 2021 - \$Nil) in accounts receivables and other receivables was owed by a Director of the Company.

Other transactions

During the three and nine months ended July 31, 2022, the Company completed sales of raw materials to a company owned by a Director of the Company in the amount of \$22,630 and \$83,335, respectively.

12. CAPITAL MANAGEMENT

The Company's objectives when managing capital are to safeguard the Company's ability to continue as a going concern to support its business plan, as well as to ensure that the Company is able to meet its financial obligations as they become due. The Company considers its capital for this purpose to be equity, \$622,972.

The basis for the Company's capital structure is dependent on the Company's expected business growth and changes in business environment. To maintain or adjust the capital structure, the Company may seek additional funding.

The Company believes it will be able to raise capital as required but recognizes there will be risks involved that may be beyond its control. There are no external restrictions on the management of capital. There have been no changes in the way in which the Company manages capital in the period. As at July 31, 2022, the Company expects its capital resources and projected future cash

Pangea Natural Foods Inc.

Notes to the Condensed Interim Financial Statements

For the three and nine months ended July 31, 2022 and for the three months ended July 31, 2021 and period from incorporation on April 10, 2021 to July 31, 2021 (Unaudited - Expressed in Canadian dollars)

12. CAPITAL MANAGEMENT (continued)

flows from operations to support its normal operating requirements on an ongoing basis. As at July 31, 2022, there were no externally imposed capital requirements to which the Company was subject and with which the Company did not comply.

13. FINANCIAL RISK MANAGEMENT

Fair values

The Company's financial instruments consist of cash, accounts receivable and other receivables, and accounts payable. Cash is carried at fair value, while accounts receivable and other receivables, and accounts payable are carried at amortized cost. The fair values of cash, accounts receivable and other receivables, and accounts payable approximate their carrying value due to their current nature as follows:

Financial Instrument	Classification	July 31, 2022	October 31, 2021
Cash	FVTPL	\$ 103,317	\$ 807,574
Accounts receivables and other receivables	Amortized cost	\$ 88,981	\$ 68,495
Accounts payable and accrued liabilities	Amortized cost	\$ 138,608	\$ 94,184

The Company classifies its financial assets at FVTPL according to the fair value hierarchy as follows:

Level 1 - fair value measurements are those derived from quoted prices (unadjusted) in active markets for identical assets or liabilities;

Level 2 - fair value measurements are those derived from inputs other than quoted prices included within 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 - fair value measurements are those derived from valuation techniques that include inputs for the asset or liability that are not based on observable market data (unobservable inputs).

The Company's financial instruments that are recorded at fair value generally are classified within Level 1 or Level 3 within the fair value hierarchy using quoted market prices or quotes from market makers or broker-dealers.

As at July 31, 2022, cash was classified at Level 1 in the fair value hierarchy.

The Company is exposed in varying degrees to a variety of financial instrument related risks. Significant risks that are relevant to the Company, as well as methods to manage the various types of risk to which it is exposed, are discussed below:

Market risk

Market risk is the risk that losses may arise from changes in market factors. Market risk comprised three types of risk: foreign currency risk, interest rate risk and other price risk.

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13. FINANCIAL RISK MANAGEMENT (continued)

Market risk (continued)

Foreign Currency Risk

Foreign currency risk is the risk that the fair value or future cash flows will fluctuate as a result of changes in foreign exchange rates. The Company's functional and reporting currency is the Canadian dollar and financings and major purchases are transacted in Canadian dollars. As a result, the Company's exposure to the foreign currency risk is minimal.

Interest Rate Risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. Interest earned on cash is insignificant and the Company does not rely on interest income to fund its operations. As a result, the Company's exposure to interest rate risk is minimal.

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. The Company does not hold equity investments in other entities and therefore is not exposed to a significant risk.

Credit Risk

Credit risk is the risk that one party to a financial instrument will cause a financial loss for the other party by failing to discharge an obligation. The Company's cash and account receivable and other receivables are exposed to credit risk. The Company reduces its credit risk on cash by placing these instruments with either major financial institutions or reputable institutions with a sufficiently long operating history to be considered reliable for credit worthiness purposes. The Company mitigates credit risk by monitoring its exposure for credit losses with customers. 74% of the trade receivable balance at July 31, 2022 relates to three customers (October 31, 2021 – 100% related to one customer). The Company has determined that no allowance for doubtful accounts is required as all amounts outstanding are considered collectible. Management does not believe that there is significant credit risk arising from the current customer base. The maximum exposure to loss arising from accounts receivable is equal to their total carrying amounts.

Liquidity Risk

Liquidity risk is the risk that the Company will encounter difficulty in meeting obligations associated with financial liabilities. The Company manages liquidity risk by maintaining sufficient cash balances to enable settlement of transactions on the due date. The Company addresses its liquidity by raising capital through the issuance of equity. While the Company has been successful in securing financings in the past, there is no assurance that it will be able to do so in the future.

The tables below summarize the maturity profile of the Company's financial liabilities based on the remaining period to the contractual maturity date as at July 31, 2022 and October 31, 2021.

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13. FINANCIAL RISK MANAGEMENT (continued)

	On demand	Less than 1 year	1-3 years	Total
July 31, 2022				
Accounts payable	129,796	-	-	129,796
October 31, 2021				
Accounts payable	28,413	-	-	28,413

14. COMMITMENT

On February 23, 2022, the Company entered into a short-term lease agreement for the lease of a Facility and specific equipment for the manufacturing and storing of the Company's products. The lease commenced on February 16, 2022 and ends on February 16, 2023 with monthly lease payments of \$3,500.

As at July 31, 2022, the Company is committed to minimum lease payments as follows:

Maturity analysis	
Less than one year	\$ 24,500
One to five years	-
Total commitments	\$ 24,500

15. SUBSEQUENT EVENTS

On September 6, 2022, the Company issued 100,000 common shares for the exercise of 100,000 warrants at \$0.10 for total proceeds of \$10,000.

On September 16, 2022, the Company issued 100,000 common shares for the exercise of 100,000 warrants at \$0.10 for total proceeds of \$10,000.