Pangea Natural Foods Inc.

(also referred to as “Pangea”, the “Corporation”, or the “Company”)

Management’s Discussion and Analysis

The following management’s discussion and analysis should be read in conjunction with the unaudited condensed interim financial statements for the three and nine months ended July 31, 2022, and the audited financial statements for the period from incorporation on April 10, 2021 to October 31, 2021 and the notes thereto, prepared in accordance with International Financial Reporting Standards (“IFRS”), as issued by the International Accounting Standards Board (“IASB”).

All dollar figures included therein and in the following discussion analysis are quoted in Canadian dollars unless otherwise noted.

Date

This management’s discussion and analysis (“MD&A”) is dated September 29, 2022 and is in respect of the three and nine month period ended July 31, 2022. The discussion in this management’s discussion and analysis focuses on this period. Estimates and forward-looking information are based on assumptions of future events and actual results may vary from these estimates. This MD&A is prepared in conformity with National Instrument 51-102F1 and has been approved by the Board of Directors.

Disclaimer for Forward-Looking Statements

This MD&A contains forward-looking statements relating to future events. In some cases, forward-looking statements can be identified by such words as “anticipate”, “continue”, “estimate”, “expect”, “may”, “will”, “project”, “should”, “believe” or similar expressions. These statements represent management’s best projections, but undue reliance should not be placed upon them as they are derived from numerous assumptions. These assumptions are subject to known and unknown risks and uncertainties, including the business risks discussed in the MD&A which may cause actual performance and financial results to differ materially from any projections of future performance or results expressed or implied by such forward-looking statements. Accordingly, readers are cautioned that events or circumstances could cause results to differ materially from those predicted.

Description of the Business

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 research and develop as well as produce and sell plant-based patties and other plant-based foods that are nutritious, and non-GMO.

Pangea Foods sells a plant-based patty that has been manufactured in-house at a facility in the lower mainland which utilizes brand new, customized production machinery, which has been approved by both the Canadian Food Inspection Agency and the Federal Drug Administration. The products are then packaged and distributed via our multiple sales channels. To provide a convenient experience for Pangea Food customers, we are offering our products along E-commerce as well as retail, such as Save-On-Foods, and wholesale networks.

Corporate Highlights

Operational Highlights

The following are the Company's notable operational achievements for the nine months ended July 31, 2022 and to the date of this MD&A:

- In November 2021, the Company began distributing its products to retail stores and launched its plant-based patties in selected Save-on-Foods locations. As at the date of this MD&A, the Company does not have a formal agreement in place with Save-On-Foods, but receives purchase orders from Save-On-Foods for Pangea's plant-based patties. Pangea has received repeated orders from every Save-On-Foods location to which it has distributed thus far, and the Company's plant-based patties are currently stocked in approximately 41 Save-On-Foods locations.
- In December 2021, the Company had their first purchase from Vegano Foods and the product became available on Vegano's virtual marketplace "www.veganofoods.com"
- In January 2022, the Company received their first order with Vegano Foods Inc. for the Company's plant-based patties in the amount of approximately $20,000. The Company also expanded its presence in Save-on-Foods retail stores during this month by increasing distribution to an additional 25 locations, bringing the current total number to 41 locations.
- In February 2022, the Company expanded its retail presence by distributing its products to and having its products made available for sale in retail locations of Fresh St. Market.
- In March 2022, the Company completed the research and development of their plant-based Chick'n bites. The Company has also developed another product and added it to the Company's product list called "Old Fashioned Ghee". This product is a 400g jar of clarified butter made using organic butter from New Zealand. The cows producing the milk used to make this product are grass fed and Old Fashioned Ghee is rich in Vitamin E, Vitamin A and antioxidants and is lactose free. The Facility has a special permit issued by the Canadian Dairy Commission required in order to purchase the butter from New Zealand.
- Also in March 2022, the Company received its first set of purchase orders for plant-based patties from Loblaws on behalf of Real Canadian Superstore, including orders from 7 different retail locations. As at the date of this MD&A, the Company does not have a formal agreement in place with Loblaws, but receives purchase orders from Real Canadian Superstore for Pangea's plant-based patties.
- In April 2022, the Company added an additional two products to the Company's product list, being Whole Wheat Flour and Durum Flour. This product is sold in 20lb bags. In April 2022, the Company has also decided that they will also be adding rice to the Company's product list and is currently in the process of investigating suppliers for the raw materials.
- In April 2022, the Company completed a purchase order from Save-On-Foods to purchase 400 cases of Old Fashioned Ghee, representing approximately 4,800 individual jars. These cases of Old Fashioned Ghee are being distributed to all Save-On-Foods locations across Canada, making the product a nationally sold product.

- Also in April 2022, the Company began negotiations with SMPL Oats Ltd. to act as a distributor for their oat milk products to retailers. As at the date of this prospectus, the Company does not yet have a formal agreement in place.
- In May 2022, the Company finalized the packaging design of the plant-based Chickn' bites and is waiting on the packaging to be delivered to begin selling the product.
- Also in May 2022, the Company began the process of adding another product to its product line, a 'munchie mix', a product which includes mixed nuts, such as almonds and cashews, white chocolate chunks and raisins. These mixes will be sold in individual packages of 45 grams.
- In July 4, 2022, the common shares of the Company commenced trading on the Canadian Securities Exchange under the trading symbol PNGA.
- Also in July, the Company formally launched Pangea Old Fashioned Ghee, a grass-fed, organic, clarified butter sourced from New Zealand to the market.
- In mid-July and early August, the Company announced the listing of its products, Pangea Old Fashioned Ghee and Pangea Plant-Based Patties, in all Save-on-Foods and Loblaw Companies Limited stores across British Columbia and Alberta.

Summary of Quarterly Results

The following table provides selected quarterly financial data for the completed quarters since the inception of the Company:

	Quarter Ended				
	July 31, 2022	**April 30, 2022**	**January 31, 2022**	**October 31, 2021**	**July 31, 2021**
Revenue	99,849	198,362	10,230	68,495	-
Net loss for the period	(338,077)	(194,910)	(170,616)	(161,071)	(7,752)
Basic and diluted loss per share	(0.01)	(0.01)	(0.01)	(0.02)	(7,752)

The Company incurred a net loss of $338,077 in the three months ended July 31, 2022 as compared to a net loss of $194,910 in the previous quarter. Gross profit decreased by $20,307 during the third quarter of fiscal 2022 compared with the second quarter. This decrease was offset by a $19,852 decrease in expenditures. The increase in net loss was mainly driven by listing fees recognized of $142,826 as a result of the Company's shares being publicly listed during the quarter.

The Company incurred a net loss of $194,910 in the three months ended April 30, 2022 as compared to a net loss of $170,616 in the previous quarter. Net loss in the three months ended April 30, 2022 increased slightly due to share based compensation recognized on stock options issued during the period, slightly offset by a decrease in professional fees due to decreased consulting fees incurred.

The Company incurred a net loss of $170,616 in the three months ended January 31, 2022, which is comparable to a net loss of $161,071 in the previous quarter.

The Company incurred a net loss of $161,071 in the three months ended October 31, 2021 as compared to a net loss of $7,752 in the previous quarter. Net loss in the three months ended

October 31, 2021 increased significantly due to the Company ramping up operations and incurring professional fees and salaries and wages for the first time.

The Company incurred a net loss of $7,752 in the three months ended July 31, 2021 due to the Company just starting operations.

Selected Quarterly Financial Information

The following tables set out selected quarterly financial information for our Company, which has been prepared in accordance with IFRS:

		For the three months ended July 31, 2022		For the three months ended July 31, 2021		For the nine months ended July 31, 2022		For the period from incorporation on April 10, 2021 to July 31, 2021
Revenue	$	99,849	$	-	$	308,441	$	-
Operating expenses	$	200,543	$	7,752	$	590,486	$	12,122
Net loss and comprehensive loss for the period	$	(338,077)	$	(7,752)	$	(703,603)	$	(12,122)
Basic and diluted loss per share for the period	$	(0.01)	$	(7,752)	$	(0.02)	$	(12,122)
Weighted average number of shares outstanding		27,350,762		1		27,330,972		1

		As at July 31, 2022		As at October 31, 2021
Total assets	$	912,429	$	1,341,949
Non-current liabilities	$	-	$	-
Shareholders' equity	$	622,972	$	1,225,127

Refer to section *"Discussion of Operations"* for discussions of the details of revenue, operating expenses, and the composition of net loss during the period as compared to the comparable period.

Total assets as at July 31, 2022 was $912,429, which comprised of cash, accounts receivable and other receivables, prepaid expenses, inventory, equipment and intangible assets.

As at July 31, 2022, prepaid expenses of $414,916 comprises approximately 45% of the Company's total assets. Approximately 95% of total prepaid expenses relate to prepayments for advertising and marketing services. The prepaid advertising and marketing services relate to digital marketing campaigns expected to be executed within the next 12 months. The campaigns will include, but are not limited to: news distributions, video creations, search engine optimization, social media advertising and campaigns and product photoshoots. As at July 31, 2022, inventory comprises approximately 22% of the Company's total assets, refer to Note 5 in the condensed interim financial statements.

Results of operations for the three months ended July 31, 2022

Pangea's loss for the three months ended July 31, 2022, was $338,077 as compared to a loss of $7,752 in the comparative period of 2021. During the period, the Company was focused and ramping up sales of its plant-based patties as well as launching its newest product, Old Fashioned Ghee. The Company also listed is shares on the Canadian Securities Exchange.

Revenue

The Company recorded revenue of $99,849 during the period as compared to $nil in the similar period from 2021. Revenue from sales of each product is broken down as follows:

Product		**Revenue**
Plant-based patties	$	8,156
Old-Fashioned Ghee	$	25,931
Flour	$	2,418
Munchie Mix	$	2
Raw food products	$	63,342

Cost of sales

The Company recorded cost of sales of $94,557 during the period as compared to $nil in 2021, related to the purchase of plant-based patties, Old-Fashioned Ghee, flour and raw food products for resale. The cost of sales related to the plant-based patties is comprised of overhead allocations of rent for production and storage, labour for production and amortization of production equipment as well as direct costs including the cost of raw ingredients and the cost of packaging material. Cost of sales related to the flour and Old-Fashion Ghee relate to direct costs.

Gross profit

As a result of revenue exceeding the cost of sales, the Company recognized a gross profit of $5,292 during the period ended July 31, 2022, as compared to gross profit of $nil during the comparative period in 2021.

Expenses

The major expenses incurred in the period, resulting in the loss, primarily related to professional fees, salaries and wages, and rent.

Professional fees for the period were $113,152 as compared to $nil in the three-month period ended July 31, 2021, and mainly related to legal fees for general business matters, consulting fees for CFO services, and general accounting services.

Rental costs for the period were $19,800 as compared to $7,500 in the three-month period ended July 31, 2021, and related to the rental of a facility for the Company's production as well as an office space rental.

Salaries and wages for the period were $43,440 as compared to $nil in the comparative period in 2021, and related to wages for the CEO of the Company, refer to section *"Transactions with Related Parties"*, as well as wages for one part-time administrative staff.

Other items

The Company recognized $142,826 as compared to $nil in the comparative period in 2021 in listing expenses. The listing expenses were previously included in prepaid expenses and were incurred in connection with the Company's shares being listing on the Canadian Securities Exchange. Listing expenses mainly related to legal costs, direct costs to list, and accounting costs to prepare the required documents for the prospectus filing.

Results of operations for the nine months ended July 31, 2022

Pangea's loss for the nine months ended July 31, 2022, was $703,603 as compared to a loss of $12,122 in the period from incorporation on April 10, 2021, to July 31, 2021. During the period, the Company was focused on launching its plant-based patties and ramping up related sales, as well as launching the Company's Old-Fashion Ghee product while also developing two new products, the plant-based Chickn' bites and munchie mix to get ready for launch in 2022's fourth quarter.

Revenue

The Company recorded revenue of $308,441 during the period as compared to $nil in the period from incorporation on April 10, 2021 to July 31, 2021. Revenue from sales of each product is broken down as follows:

Product		**Revenue**
Plant-based patties	$	98,683
Old-Fashioned Ghee	$	70,091
Flour	$	15,618
Munchie Mix	$	2
Raw food products	$	124,047

Cost of sales

The Company recorded cost of sales of $278,618 during the period as compared to $nil in the period from incorporation on April 10, 2021, to July 31, 2021, of which $119,839 was related to the purchase of raw products, $159,016 are related to the plant-based patties, Old-Fashioned Ghee and flour. The cost of sales related to the plant-based patties is comprised of overhead allocations of rent for production, labour for production and amortization of production equipment, as well as direct costs, including the cost of raw ingredients and the cost of packaging material. Cost of sales related to the flour and Old-Fashion Ghee relate to direct costs.

Gross profit

As a result of revenue exceeding the cost of sales, the Company recognized a gross profit of $29,823 during the period ended July 31, 2022, as compared to a gross profit of $nil during the period from incorporation on April 10, 2021, to July 31, 2021.

Expenses

The major expenses incurred in the period, resulting in the loss, primarily related to professional fees, salaries and wages and share-based payments.

Professional fees for the period were $295,603 as compared to $nil in the period from incorporation on April 10, 2021 to July 31, 2021, and related to consulting fees for marketing which included general business development and digital marketing, legal fees related to the prospectus filing for the Company, and accounting fees related to bookkeeping services as well as preparation of the financial reports and the audit for the period ended March 31, 2022, required for the prospectus filing.

Salaries and wages for the period were $129,187 as compared to $Nil in the period from incorporation on April 10, 2021, to July 31, 2021, and related to wages for the CEO of the Company, refer to section "*Transactions with Related Parties*", as well as wages for two other employees including a part-time administrative staff and part-time digital marketing specialist.

Share-based payments for the period were $76,448 as compared to $nil in the period from incorporation on April 10, 2021 to July 31, 2021 and related to the vesting of options issued in the period.

Other items

The Company recognized $142,826 as compared to $nil in the comparative period in 2021 in listing expenses. The listing expenses were previously included in prepaid expenses, and were incurred in connection with the Company's shares being listing on the Canadian Securities Exchange. Listing expenses mainly related to legal costs, direct costs to list, and accounting costs to prepare the required documents for the prospectus filing.

Disclosure of Outstanding Share Data

Authorized share capital of the Company consists of:

- Unlimited commons shares without par value

As of the date of this MD&A, the Company had 27,635,001 common shares issued and outstanding. In addition, there are 8,417,500 warrants outstanding and 2,300,000 options outstanding and exercisable.

As of the date of this MD&A, 19,890,001 common shares of the Company are subject to escrow.

Transactions during 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.

Liquidity and Capital Resources

As at July 31, 2022, the Company had a working capital of $558,624 (October 31, 2021 - $1,165,055). As at July 31, 2022, the Company had cash on hand of $103,317 (October 31, 2021 - $807,574) to meet accounts payable and accrued liabilities of $289,457 (October 31, 2021 - $116,822).

Working capital is mainly comprised of prepaid expenses of $414,916, see below for a discussion of cash flows in the period, and inventory of $204,436, as discussed in *"Selected Financial Information",* offset by accounts payable and accrued liabilities of $289,457.

Cash Flows

Net cash provided by (used in) operating activities
Net cash used in operating activities for the nine-month period ended July 31, 2022, was $722,057 as compared to $3,520 provided by operating activities in the period from incorporation on April 10, 2021 to July 31, 2021. The Company generated a net loss and had negative cash flows from operating activities due to the Company launching two products to the market and ramping up of operations. The Company expects to have sufficient working capital to meet any operating cash outflows or working capital requirements for the immediate future.

Net cash used in investing activities
Net cash used in investing activities for the nine-month period ended July 31, 2022 was $7,200 as compared to $2,482 in the period from incorporation on April 10, 2021 to July 31, 2021, and related to the purchase of a vegan nugget formulation.

Net cash provided by financing activities
Net cash provided by financing activities for the period ended July 31, 2022 was $25,000 as compared to $nil in the period from incorporation on April 10, 2021 to July 31, 2021. This cash inflow was due to proceeds received from the issuance of units, and the exercise of warrants and options.

The Company has no commitments to make capital expenditures in future fiscal periods.

Off-Balance Sheet Arrangements

Refer to the "*Commitment*" section below.

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

Transactions with Related Parties

Key management personnel include those persons having authority and responsibility for planning, directing and controlling the activities of Pangea, including officers and directors of Pangea.

Related parties consist of the following individuals:

- Pratap Sandhu, CEO and director
- Toni Madan, CFO
- Mohammad S. Fazil, director
- Nashir Virani, director

	Three months ended July 31, 2022	Three months ended July 31, 2021	Nine months ended July 31, 2022	Period from incorporation on April 10, 2021 to April 30, 2021
Salaries and wages				
Pratap Sandhu, CEO and director	$ 32,308	$ 10,833	$ 92,308	$ 10,833
Share-based payments				
Pratap Sandhu, CEO and director	-	-	32,531	-
Mohammad Fazil, director	-	-	8,133	-
	$ 32,308	$ 10,833	$ 132,792	$ 10,833

All transactions with related parties were intended to be carried out on the same basis as if such transactions were with arm's length parties.

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

As at July 31, 2022, $22,630 (October 31, 2021 - $nil) in accounts receivable and other receivables was owed by a company controlled by Nashir Virani, a Director of the Company.

Other transactions

During the nine months ended July 31, 2022, the Company completed sales of raw materials to a Company owned by a Nashir Virani, a director of the Company, in the amount of $83,335.

Financial Risk Management Objectives and Policies

Pangea is exposed to financial risks arising from its operations and from its use of financial instruments. The key financial risks include market risk, credit risk and liquidity risk. The following describes Pangea's objectives, policies, and processes for managing those risks and the methods used to measure them.

The overall objective of management is to set policies that seek to reduce risk to the extent possible without unduly impacting Pangea's competitiveness and flexibility. Further details regarding these policies are set out 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.

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 creditworthiness purposes. 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 table below summarizes the maturity profile of the Company's financial liabilities based on the remaining period to the contractual maturity date as at July 31, 2022.

July 31, 2022	On demand	Less than 1 year	1-3 years	Total
Accounts payable	$129,796	-	-	$129,796

October 31, 2021	On demand	Less than 1 year	1-3 years	Total
Accounts payable	$28,413	-	-	$28,413

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 and accrued liabilities are carried at amortized cost. The fair values of cash, accounts receivable and other receivables, and accounts payable and accrued liabilities approximate their carrying value due to their current nature.

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 marker 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.

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

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.

Critical Accounting Estimates

This MD&A is based on the Financial Statements which have been prepared in accordance with IFRS. The preparation of the Financial Statements requires that certain estimates and judgments are based on historical experience and on various other assumptions that are believed to be reasonable under the circumstances.

Information about critical estimates in applying accounting policies that have the most significant risk of causing material adjustment to the carrying amounts of assets and liabilities recognized in the Financial Statements within the next financial year are discussed below:

Deferred tax assets and liabilities
The estimation of income taxes includes evaluating the recoverability of deferred tax assets and liabilities based on an assessment of the Company's ability to utilize the underlying future tax deductions against future taxable income prior to expiry of those deductions. Management assesses whether it is probable that some or all of the deferred income tax assets and liabilities will not be realized. The ultimate realization of deferred tax assets and liabilities is dependent upon the generation of future taxable income. To the extent that management's assessment of the Company's ability to utilize future tax deductions changes, the Company would be required to recognize more or fewer deferred tax assets or liabilities, and deferred income tax provisions or recoveries could be affected.

Inventory
In calculating final inventory values, management is required to determine an estimate of spoiled, obsolete or expired inventory and compares the inventory cost to estimated net realizable value. The Company must determine if the cost of any inventory exceeds its net realizable value, such as cases where prices have decreased or inventory has spoiled or has otherwise been damaged.

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.

Estimated useful lives and depreciation of equipment
Depreciation of equipment is dependent upon estimates of useful lives which are determined through the exercise of judgment. Changes to the estimated useful life of equipment could result in differences in their carrying amounts.

Carrying value and recoverability of equipment
The Company has determined that equipment that are capitalized have future economic benefits and will be economically recoverable. The assessment of any impairment of these assets is

dependent upon estimates of recoverable amounts that take into account factors such as economic and market conditions and useful lives of the assets.

Intangible assets
The Company estimates the value of intangible assets acquired. This valuation is completed through determining an appropriate discount rate to apply to future cash flows from respective assets. Asset cash flows are also estimated based on prevailing and forecasted market conditions as well as the Company's ability to leverage its intangible assets.

Impairment of intangible assets
The Company assesses, at each reporting date, whether there is an indication that an asset may be impaired. If any indication exists, or when annual impairment testing for an asset is required, the Company estimates the asset's recoverable amount. An asset's recoverable amount is the higher of an asset's or cash generating unit's ("CGU") fair value less costs of disposal and its value in use. The recoverable amount is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets. When the carrying amount of an asset or CGU exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount.

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. In determining fair value less costs of disposal, recent market transactions are taken into account. If no such transactions can be identified, an appropriate valuation model is used. These calculations are corroborated by valuation multiples, or other relevant fair value indicators. The Company bases its impairment calculation on the most recent management forecast calculations, which are prepared separately for each of the Company's CGUs to which the individual assets are allocated.

Adoption of New Standards and Interpretations, and Recent Accounting Pronouncements

Pangea has reviewed new and revised accounting pronouncements that have been issued but are not yet effective. The Company has not early adopted any new standards and determined that there are no standards that are relevant to the Company.

Management's Responsibility for Financial Statements

Management of the Company, under the supervision of the Chief Executive Officer and the Chief Financial Officer, is responsible for the design and operations of internal controls over financial reporting.

The Company's management is responsible for establishing and maintaining adequate internal controls over financial reporting and the preparation of financial statements in accordance with generally accepted accounting principles. Any system of internal control over financial reporting, no matter how well designed, has inherent limitations. Therefore, even those systems determined to be effective can provide only reasonable assurance with respect to financial statement preparation and presentation.

Limitations of Controls and Procedures
The Company's management, including the Chief Executive Officer and Chief Financial Officer, believe that any disclosure controls and procedures or internal controls over financial reporting, no matter how well conceived and operated, can provide only reasonable, not absolute,

assurance that the objectives of the control system are met. Further, the design of a control system must reflect the fact that there are resource constraints, and the benefits of controls must be considered relative to their costs. Because of the inherent limitations in all control systems, they cannot provide absolute assurance that all control issues and instances of fraud, if any, within the Company have been prevented or detected. These inherent limitations include the realities that judgments in decision-making can be faulty, and that breakdowns can occur because of simple error or mistake. Additionally, controls can be circumvented by the individual acts of some persons, by collusion of two or more people, or by unauthorized override of the control. The design of any systems of controls also is based in part upon certain assumptions about the likelihood of future events, and there can be no assurance that any design will succeed in achieving its stated goals under all potential future conditions. Accordingly, because of the inherent limitations in a cost-effective control system, misstatements due to error or fraud may occur and not be detected.

Approval

The Board of Directors of Pangea has approved the disclosure contained in this MD&A.