

Pangea Natural Foods Inc.

CONDENSED INTERIM FINANCIAL STATEMENTS

For the three months ended January 31, 2023 and 2022

(Unaudited – Expressed in Canadian dollars)

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 Statements of Financial Position

As at January 31, 2023 and October 31, 2022

(Expressed in Canadian dollars)

| | Notes | January 31, 2023 (Unaudited) | October 31, 2022 (Audited) |
|---|-------|------------------------------------|----------------------------------|
| ASSETS | | | |
| Current assets | | | |
| Cash | | \$ 96,452 | \$ 75,951 |
| Accounts receivable and other receivables | 4 | 268,312 | 248,750 |
| Prepaid expenses | | 13,424 | 176,580 |
| Inventory | 5,12 | 118,572 | 88,355 |
| | | 496,760 | 589,636 |
| Equipment and right-of-use asset | 6,12 | 18,199 | 22,503 |
| Intangible assets | 7,12 | 8,200 | 8,200 |
| Total assets | | \$ 523,159 | \$ 620,339 |
| LIABILITIES | | | |
| Current liabilities | | | |
| Accounts payable and accrued liabilities | 8,12 | \$ 603,671 | \$ 408,574 |
| | | 603,671 | 408,574 |
| SHAREHOLDERS' (DEFICIENCY) EQUITY | | | |
| Share capital | 10 | 913,197 | 801,197 |
| Share-based payments reserve | 10 | 676,571 | 718,571 |
| Deficit | | (1,670,280) | (1,308,003) |
| Total shareholders' (deficiency) equity | | (80,512) | 211,765 |
| Total liabilities and shareholders' (deficiency) equity | | \$ 523,159 | \$ 620,339 |

Approved and authorized for issue by the Board of Directors on March 31, 2023:

“Pratapvir Sandhu” Director “Mohammad Fazil” Director

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

Pangea Natural Foods Inc.

Condensed Interim Statements of Loss and Comprehensive Loss

For the three months ended January 31, 2023 and 2022

(Unaudited - Expressed in Canadian dollars)

| | Notes | Three months ended January 31, 2023 | Three months ended January 31, 2022 |
|---|-------|--|--|
| Revenue | 11,12 | \$ 138,684 | \$ 10,230 |
| Cost of sales | 5 | (132,839) | (11,298) |
| Gross profit | | 5,845 | (1,068) |
| Expenses | | | |
| Advertising and promotion | | 223,089 | 4,158 |
| Depreciation | 6 | 3,536 | 207 |
| Office and administration | | 14,793 | 1,041 |
| Professional fees | 12 | 86,030 | 100,638 |
| Rent | 12 | 10,500 | 16,695 |
| Salaries and wages | 12 | 33,236 | 46,809 |
| Total operating expenses | | 371,184 | (169,548) |
| Net loss before other items | | (365,339) | (170,616) |
| Other items | | | |
| Foreign exchange gain | | 3,062 | - |
| Net loss and comprehensive loss for the period | | \$ (362,277) | \$ (170,616) |
| Weighted average number of shares - Basic and diluted | | | |
| | | 28,182,827 | 27,308,914 |
| Loss per share – Basic and diluted | | \$ (0.01) | \$ (0.01) |

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

Pangea Natural Foods Inc.

Condensed Interim Statements of Changes in Equity
For the three months ended January 31, 2023 and 2022
(Unaudited - Expressed in Canadian dollars)

| | <u>Share capital</u> | | | | | |
|--|-------------------------------|-------------------|--|-----------------------|-----------|--|
| | Number of common shares | Share capital | Share- based payments reserve | Deficit | | Total shareholders' (deficiency) equity |
| Balance, October 31, 2021 | 27,185,001 | \$ 747,070 | \$ 651,250 | \$ (173,193) | \$ | 1,225,127 |
| Units issued from private placement | 150,000 | 7,500 | 7,500 | - | | 15,000 |
| Net loss and comprehensive loss for the period | - | - | - | (170,616) | | (170,616) |
| Balance, January 31, 2022 | 27,335,001 | \$ 754,570 | \$ 658,750 | \$ (343,809) | \$ | 1,069,511 |
| Balance, October 31, 2022 | 27,635,001 | \$ 801,197 | \$ 718,571 | \$ (1,308,003) | \$ | 211,765 |
| Shares issued for exercised warrants | 700,000 | 112,000 | (42,000) | - | | 70,000 |
| Net loss and comprehensive loss for the period | - | - | - | (362,277) | | (362,277) |
| Balance, January 31, 2023 | 28,335,001 | \$ 913,197 | \$ 676,571 | \$ (1,670,280) | \$ | (80,512) |

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

Pangea Natural Foods Inc.

Condensed Interim Statements of Cash Flows
For the three months ended January 31, 2023 and 2022
(Unaudited - Expressed in Canadian dollars)

| | Three months ended January 31, 2023 | Three months ended January 31, 2022 |
|--|--|--|
| Operating activities | | |
| Net loss for the period | \$ (362,277) | \$ (170,616) |
| Items not affecting cash: | | |
| Depreciation | 4,304 | 975 |
| Inventory write-off | 4,812 | - |
| Non-cash working capital items: | | |
| Accounts receivable and other receivables | (19,562) | 52,330 |
| Prepaid expenses | 163,156 | (2,291) |
| Inventory | (35,029) | (10,994) |
| Accounts payable and accrued liabilities | 195,097 | 18,211 |
| Net cash used in operating activities | (49,499) | (112,385) |
| Financing activities | | |
| Proceeds from issuance of units | - | 15,000 |
| Proceeds from exercised warrants | 70,000 | - |
| Net cash provided by financing activities | 70,000 | 15,000 |
| Change in cash | 20,501 | (97,385) |
| Cash, beginning of period | 75,951 | 807,574 |
| Cash, end of period | \$ 96,452 | \$ 710,189 |
| Supplemental cash flow information: | | |
| Income taxes paid | \$ - | \$ - |
| Interest paid | \$ - | \$ - |

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 months ended January 31, 2023 and 2022
(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. On July 4, 2022, the Company listed its common shares on the Canadian Securities Exchange under the trading symbol “PNGA”.

The Company manufactures and distributes high quality food products that are nutritious and free of GMO ingredients, fillers, antibiotics, hormones, and bioengineered ingredients.

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 \$362,277 for the three months ended January 31, 2023 (January 31, 2022 – \$170,616), and as of that date the Company’s accumulated deficit was \$1,670,280 (October 31, 2022 – \$1,308,003). 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 events and conditions indicate a material uncertainty which may cast significant doubt about the Company’s ability to continue as a going concern. These condensed interim 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.

2. BASIS OF PRESENTATION

a) Statement of compliance

These condensed interim financial statements have been prepared in accordance with International Accounting Standards (“IAS”) 34 - *Interim Financial Reporting*, as issued by the International Accounting Standards Board (“IASB”).

They have been prepared in accordance with the same accounting policies and methods of application as the audited financial statements for the year ended October 31, 2022, 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 year ended October 31, 2022.

b) Basis of measurement

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

Pangea Natural Foods Inc.

Notes to the Condensed Interim Financial Statements
For the three months ended January 31, 2023 and 2022
(Unaudited - Expressed in Canadian dollars)

2. BASIS OF PRESENTATION (continued)

c) Significant accounting policies

These condensed interim financial statements should be read in conjunction with the Company's audited financial statements for the year ended October 31, 2022. 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 year ended October 31, 2022.

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 year ended October 31, 2022.

4. ACCOUNTS RECEIVABLE AND OTHER RECEIVABLES

| | January 31, 2023 | | October 31, 2022 | |
|-----------------------------|------------------|---------|------------------|---------|
| Trade receivables (Note 12) | \$ | 227,257 | \$ | 209,828 |
| Sales tax recoverable | | 41,055 | | 38,922 |
| | \$ | 268,312 | \$ | 248,750 |

5. INVENTORY

| | January 31, 2023 | | October 31, 2022 | |
|---------------------|------------------|---------|------------------|--------|
| Raw materials | \$ | 14,336 | \$ | 4,188 |
| Finished goods | | 6,717 | | - |
| Packaging materials | | 97,519 | | 84,167 |
| | \$ | 118,572 | \$ | 88,355 |

During the three months ended January 31, 2023, the Company expensed \$128,027 (January 31, 2022 – \$11,298) of inventory in cost of sales and recorded \$4,812 (January 31, 2022 - \$Nil) of inventory wastage as cost of sales within profit or loss.

Pangea Natural Foods Inc.

Notes to the Condensed Interim Financial Statements
For the three months ended January 31, 2023 and 2022
(Unaudited - Expressed in Canadian dollars)

6. EQUIPMENT AND RIGHT-OF-USE ASSET

| | Computer equipment | Production equipment | Right-of-use asset | Total |
|----------------------------------|--------------------|----------------------|--------------------|------------------|
| Cost | | | | |
| Balance, October 31, 2021 | \$ 2,481 | \$ 21,500 | \$ - | \$ 23,981 |
| Additions | - | - | 43,394 | 43,394 |
| Balance, October 31, 2022 | 2,481 | 21,500 | 43,394 | 67,375 |
| Additions | - | - | - | - |
| Balance, January 31, 2023 | \$ 2,481 | \$ 21,500 | \$ 43,394 | \$ 67,375 |
| Accumulated depreciation | | | | |
| Balance, October 31, 2021 | \$ 397 | \$ 512 | \$ - | \$ 909 |
| Depreciation | 826 | 3,073 | 40,064 | 43,963 |
| Balance, October 31, 2022 | 1,223 | 3,585 | 40,064 | 44,872 |
| Depreciation | 207 | 767 | 3,330 | 4,304 |
| Balance, January 31, 2023 | \$ 1,430 | \$ 4,352 | \$ 43,394 | \$ 49,176 |
| Carrying amounts | | | | |
| At October 31, 2022 | \$ 1,258 | \$ 17,915 | \$ 3,330 | \$ 22,503 |
| At January 31, 2023 | \$ 1,051 | \$ 17,148 | \$ - | \$ 18,199 |

During the three months ended January 31, 2023, \$768 (January 31, 2022 - \$768) of depreciation was allocated to inventory as overhead.

7. INTANGIBLE ASSETS

During the year ended October 31, 2022, the Company acquired the formula which forms the basis for their plant-based nuggets.

| | Patty formula | Nugget formula | Total |
|---|-----------------|-----------------|-----------------|
| Cost | | | |
| Balance, October 31, 2021 | \$ 37,000 | \$ - | \$ 37,000 |
| Additions | - | 7,200 | 7,200 |
| Impairment | (36,000) | - | (36,000) |
| Balance, January 31, 2023 and October 31, 2022 | \$ 1,000 | \$ 7,200 | \$ 8,200 |
| Carrying amounts | | | |
| At October 31, 2022 | \$ 1,000 | \$ 7,200 | \$ 8,200 |
| At January 31, 2023 | \$ 1,000 | \$ 7,200 | \$ 8,200 |

As at October 31, 2022, the Company completed its annual impairment testing of the patty formula and nugget formula. As a result of the impairment tests, the Company determined that the carrying value of the patty formula was higher than its recoverable amount and recognized an impairment loss of \$36,000 during the year ended October 31, 2022.

Pangea Natural Foods Inc.

Notes to the Condensed Interim Financial Statements
For the three months ended January 31, 2023 and 2022
(Unaudited - Expressed in Canadian dollars)

8. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

| | January 31, 2023 | | October 31, 2022 |
|-------------------------------|---------------------|----|---------------------|
| Trade payables (Note 12) | \$ 472,627 | \$ | 253,484 |
| Accrued liabilities (Note 12) | 118,917 | | 145,228 |
| Payroll payable | 12,127 | | 9,862 |
| | \$ 603,671 | \$ | 408,574 |

9. LEASE LIABILITY

The Company had a lease for premises for an office space. The lease expired on November 30, 2022 and was not renewed. The following table presents the lease liability of the Company.

| Lease Liability | | Total |
|---|-----------|----------|
| Balance, October 31, 2021 | \$ | - |
| Additions | | 43,394 |
| Interest expense | | 2,926 |
| Lease payments | | (49,320) |
| Balance, January 31, 2023 and October 31, 2022 | \$ | - |

10. SHARE CAPITAL

Authorized capital

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

Issued and outstanding capital

As at January 31, 2023, there were 28,335,001 common shares issued and outstanding.

For the three months ended January 31, 2023

On November 21, 2022, the Company issued 700,000 common shares pursuant to the exercise of warrants at a price of \$0.10 per common share for gross proceeds of \$70,000. In connection with the issuance, \$42,000 was transferred from share-based payments reserve to share capital.

For the three months ended January 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 value method.

Pangea Natural Foods Inc.

Notes to the Condensed Interim Financial Statements
For the three months ended January 31, 2023 and 2022
(Unaudited - Expressed in Canadian dollars)

10. SHARE CAPITAL (continued)

Escrowed common shares

As at January 31, 2023, the Company had 16,900,001 common shares held in escrow (October 31, 2022 – 20,440,001). The common shares are being released from escrow 10% on the listing date of July 4, 2022 and 15% every six months after the listing date. All securities will be release from escrow by thirty-six months after the listing date.

Warrants

Continuity of the Company's warrants is as follows:

| | Numbers of warrants | Weighted average exercise price |
|--------------------------------------|----------------------------|--|
| Outstanding, October 31, 2021 | 8,592,500 | \$ 0.14 |
| Issued | 75,000 | 0.20 |
| Exercised* | (250,000) | 0.10 |
| Outstanding, October 31, 2022 | 8,417,500 | 0.14 |
| Exercised** | (700,000) | 0.10 |
| Outstanding, January 31, 2023 | 7,717,500 | \$ 0.14 |

*The weighted average market price of the Company's common shares on the dates of exercise was \$0.15.

**The closing market price of the Company's common shares on the date of exercise was \$0.12.

As at January 31, 2023, the following warrants were outstanding:

| Grant date | Warrants outstanding | Exercise price | Expiry date | Remaining contractual life (years) |
|--------------------|-----------------------------|-----------------------|--------------------|---|
| September 28, 2021 | 4,250,000 | \$0.10 | September 28, 2023 | 0.66 |
| October 27, 2021 | 3,392,500 | \$0.20 | October 27, 2023 | 0.74 |
| November 17, 2021 | 75,000 | \$0.20 | November 17, 2023 | 0.79 |
| | 7,717,500 | \$0.14 | | 0.69 |

Pangea Natural Foods Inc.

Notes to the Condensed Interim Financial Statements
For the three months ended January 31, 2023 and 2022
(Unaudited - Expressed in Canadian dollars)

10. SHARE CAPITAL (continued)

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.

Continuity of the Company’s options is as follows:

| | Number of options | Weighted average exercise price |
|--|-------------------|---------------------------------|
| Outstanding, October 31, 2021 | - | \$ - |
| Issued | 2,350,000 | 0.10 |
| Exercised | (50,000) | 0.10 |
| Outstanding, January 31, 2023 and October 31, 2022 | 2,300,000 | \$ 0.10 |

The closing market price of the Company’s common shares on July 13, 2022, the date of exercise, was \$0.25.

As at January 31, 2023, 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 | 4.04 |

Subsequent to the period ended January 31, 2023, 650,000 options were forfeited.

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.

Pangea Natural Foods Inc.

Notes to the Condensed Interim Financial Statements
For the three months ended January 31, 2023 and 2022
(Unaudited - Expressed in Canadian dollars)

10. SHARE CAPITAL (continued)

Options (continued)

The following weighted average assumptions were used:

| | |
|-------------------------|----------------|
| Stock Price | \$0.05 |
| Exercise price | \$0.10 |
| Dividend yield | Nil |
| Forfeiture rate | Nil |
| Annualized volatility | 100% |
| Risk-free interest rate | 1.78% |
| Expected life | 5 years |

Annualized volatility was derived from a sample of similar publicly traded companies.

11. REVENUE

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

During the three months ended January 31, 2023, the Company completed sales of raw materials to a company owned by a director of the Company in the amount of \$68,605 (January 31, 2022 – \$Nil) (Note 12).

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

12. RELATED PARTY TRANSACTIONS

Related parties consist of the directors, officers and companies owned or controlled in whole or in part by them. Related parties and related party transactions impacting the financial statements not disclosed elsewhere in these financial statements are summarized below.

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 January 31, 2023 | | Three months ended January 31, 2022 |
|--------------------|--|-----------|--|
| Professional fees | \$ 25,463 | \$ | 12,443 |
| Salaries and wages | 32,215 | | 30,462 |
| | \$ 57,678 | \$ | 42,905 |

Pangea Natural Foods Inc.

Notes to the Condensed Interim Financial Statements
For the three months ended January 31, 2023 and 2022
(Unaudited - Expressed in Canadian dollars)

12. RELATED PARTY TRANSACTIONS (continued)

As at January 31, 2023, included in accounts payable and accrued liabilities was \$29,637 (October 31, 2022 – \$20,049) owed to the CEO of the Company, \$40,049 (October 31, 2022 - \$20,190) owed to a management entity for the provision of CFO services, \$10,311 (October 31, 2022 – \$7,844) owed to a company owned by a director of the Company, and \$64,868 (October 31, 2022 - \$50,702) owed to a company that the CEO of the Company has significant influence over.

As at January 31, 2023, \$94,703 (October 31, 2022 – \$94,703) included in accounts receivable and other receivables was owed by a company owned by a director of the Company.

Other transactions

During the three months ended January 31, 2023, the Company incurred \$425 (January 31, 2022 - \$Nil) for purchases of inventory and completed sales of raw materials to a company owned by a director of the Company in the amount of \$68,605 (January 31, 2022 – \$Nil).

During the three months ended January 31, 2023, the Company incurred \$29,250 (January 31, 2022 - \$3,204) for purchases of inventory, \$Nil (January 31, 2022 - \$6,413) for labour included in inventory, \$10,500 (January 31, 2022 - \$8,500) for rent of which \$Nil (January 31, 2022 - \$2,125) is included in inventory, and \$Nil (January 31, 2022 - \$1,950) in sales to a company that the CEO of the Company has significant influence over.

13. 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 shareholders' (deficiency) equity.

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 year. As at January 31, 2023, the Company expects its capital resources and projected future cash flows from operations to support its normal operating requirements on an ongoing basis. As at January 31, 2023, there were no externally imposed restrictions on the capital, or management thereof, of the Company.

14. FINANCIAL RISK MANAGEMENT

Fair values

The Company's financial instruments consist of cash, trade receivables, and accounts payable and accrued liabilities. Cash is carried at fair value through profit or loss, while accounts receivable and other receivables, and accounts payable and accrued liabilities are carried at amortized cost. The fair values of accounts receivable and other receivables, and accounts payable and accrued liabilities approximate their carrying values due to their short terms to maturity.

Pangea Natural Foods Inc.

Notes to the Condensed Interim Financial Statements
For the three months ended January 31, 2023 and 2022
(Unaudited - Expressed in Canadian dollars)

14. FINANCIAL RISK MANAGEMENT (continued)

Fair values (continued)

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).

As at January 31, 2023 and October 31, 2022, cash was measured at FVTPL in accordance with Level 1 of the fair value hierarchy. The Company had no transfers between levels of the fair value hierarchy during the three months ended January 31, 2023.

Financial risks

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 the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices. 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 of a financial instrument will fluctuate as a result of changes in foreign exchange rates. The Company's functional and presentation 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 not considered to be material. The Company has not had a material change in or management of this risk during the three months ended January 31, 2023.

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 not considered to be material. The Company has not had a material change in or management of this risk during the three months ended January 31, 2023.

Pangea Natural Foods Inc.

Notes to the Condensed Interim Financial Statements
For the three months ended January 31, 2023 and 2022
(Unaudited - Expressed in Canadian dollars)

14. FINANCIAL RISK MANAGEMENT (continued)

Market risk (continued)

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, whether those changes are caused by factors specific to the individual financial instrument or its issuer or by factors affecting all similar financial instruments traded in the market. The Company does not hold equity investments in other entities and therefore is not exposed other price risk. The Company's exposure to and management of this risk has not changed materially during the three months ended January 31, 2023.

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 trade 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. 65% of the trade receivable balance at January 31, 2023 relates to two customers (October 31, 2022 – 70%). The Company has determined that no provision for expected credit losses 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 trade receivables and cash 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 that are settled by delivering cash or another financial asset. The Company manages liquidity risk through the management of its capital structure. The Company addresses its liquidity by raising capital through the issuance of equity to supplement revenues from operations. 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 January 31, 2023 and October 31, 2022.

| | On- demand | Less than 1 year | 1-3 years | Total |
|--|---------------|---------------------|-----------|-----------|
| January 31, 2023 | | | | |
| Accounts payable and accrued liabilities | \$603,671 | - | - | \$603,671 |
| October 31, 2022 | | | | |
| Accounts payable and accrued liabilities | \$408,574 | - | - | \$408,574 |

Pangea Natural Foods Inc.

Notes to the Condensed Interim Financial Statements
For the three months ended January 31, 2023 and 2022
(Unaudited - Expressed in Canadian dollars)

15. 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 ended on February 16, 2023 with monthly lease payments of \$3,500. The lease was not renewed but was extended on a month-to-month basis.

As at January 31, 2023, the Company is committed to minimum lease payments as follows:

| Maturity analysis | | |
|--------------------------|----|-------|
| Less than one year | \$ | 3,500 |
| One to five years | | - |
| Total commitments | \$ | 3,500 |

16. ECONOMIC DEPENDENCE

During the three months ended January 31, 2023, two key customers (January 31, 2022 – two) contributed more than 10% to the Company's revenue for a total of \$122,898 or 89% (January 31, 2022 – \$3,508 or 34%).

| | Three months ended January 31, 2022 | Three months ended January 31, 2021 |
|------------|--|--|
| Customer A | \$ 54,293 | \$ 1,950 |
| Customer B | 68,605 | 1,558 |
| | \$ 122,898 | \$ 3,508 |

17. SEGMENTED INFORMATION

The Company currently has one reportable operating segment, being the manufacturing and distribution of food products in Canada. As the operations comprise a single reporting segment, amounts disclosed also represent segment amounts. All long-term assets of the Company are located in Canada.

Pangea Natural Foods Inc.

Notes to the Condensed Interim Financial Statements
For the three months ended January 31, 2023 and 2022
(Unaudited - Expressed in Canadian dollars)

18. SUBSEQUENT EVENTS

- i) On February 13, 2023, the Company completed a private placement, issuing 7,650,000 units at a price of \$0.10 per unit for gross proceeds of \$765,000. 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. In connection with the private placement, the Company issued 128,000 finder's warrants and paid a cash finder's fee of \$12,800. The finder's warrants have the same terms as those in the private placement unit.
- ii) On February 13, 2023, the Company's Board of Directors approved the adoption of a new rolling 15% omnibus share incentive plan (the "Omnibus Plan") to supersede the Company's existing rolling 10% incentive stock option plan. The Omnibus Plan provides for the award of additional share-based compensation in addition to incentive stock options, including restricted share units, performance share units and deferred share units.
- iii) On February 13, 2023, the Company granted 1,047,750 stock options to consultants of the Company. The options are exercisable at a price of \$0.18 per share, vesting immediately, and expire three years from the date of grant.
- iv) On February 13, 2023, the Company granted 2,050,000 restricted share units ("RSUs") to consultants of the Company. Each RSU entitles the holder to acquire one common share of the Company on vesting. 1,850,000 of the RSUs will vest over 18 months from the date of grant, with a third vesting every six months. The remaining 200,000 RSUs will vest on April 16, 2024.
- v) On February 17, 2023, the Company issued 30,000 common shares pursuant to the exercise of warrants at a price of \$0.20 per common share for gross proceeds of \$6,000. In connection with the issuance, \$3,000 was transferred from share-based payments reserve to share capital.