

**Pangea Natural Foods Inc.**

CONDENSED INTERIM FINANCIAL STATEMENTS

For the three months ended January 31, 2024, and 2023

(Expressed in Canadian dollars)

(Unaudited)

**Pangea Natural Foods Inc.**

Condensed Interim Statements of Financial Position

As at January 31, 2024 and October 31, 2023

(Unaudited - Expressed in Canadian dollars)

	Notes	January 31, 2024	October 31, 2023
<b>ASSETS</b>			
Current assets			
Cash		\$ 69,549	\$ 51,644
Accounts receivable and other receivables	4,11	47,765	48,473
Prepaid expenses		11,588	16,555
Inventory	5,11	60,284	59,772
		<b>189,186</b>	176,444
Equipment and right-of-use asset	6,11	14,300	15,275
Intangible assets	7,11	-	-
Total assets		\$ 203,486	\$ 191,719
<b>LIABILITIES</b>			
Current liabilities			
Accounts payable and accrued liabilities	8,11	\$ 306,722	\$ 329,998
		<b>306,722</b>	329,998
<b>SHAREHOLDERS' (DEFICIENCY) EQUITY</b>			
Share capital	9	2,039,120	1,802,680
Share subscriptions	9	3,300	95,500
Share-based payments reserve	9	1,025,171	924,862
Deficit		(3,170,827)	(2,961,321)
Total shareholders' deficiency		(103,236)	(138,279)
Total liabilities and shareholders' equity		\$ 203,486	\$ 191,719

Nature of operations and going concern (Note 1)

Subsequent events (Note 17)

Approved and authorized for issue by the Board of Directors on April 02, 2024:

“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, 2024 and 2023

(Unaudited - Expressed in Canadian dollars)

	Notes	Three months ended January 31, 2024	Three months ended January 31, 2023
Revenue	10,11	\$ 8,019	\$ 138,684
Cost of sales	5	(6,924)	(132,839)
<b>Gross profit</b>		<b>1,095</b>	<b>5,845</b>
<b>Expenses</b>			
Advertising and promotion		31,036	223,089
Depreciation	6	207	3,536
Office and administration		9,385	14,793
Professional fees	11	79,114	86,030
Rent		10,500	10,500
Salaries and wages	11	46,807	33,236
Share-based payments	9	34,499	-
Total operating expenses		211,548	371,184
<b>Loss before other items</b>		<b>(210,453)</b>	<b>(365,339)</b>
<b>Other items</b>			
Foreign exchange gain		2,035	3,062
Impairment of inventory	5	(1,088)	-
<b>Net loss and comprehensive loss for the period</b>		<b>\$ (209,506)</b>	<b>\$ (362,277)</b>
Weighted average number of shares - Basic and diluted		38,478,571	28,182,827
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 Shareholders' Deficiency

For the three months ended January 31, 2024 and 2023

(Unaudited - Expressed in Canadian dollars)

	<u>Share capital</u>					
	Number of common shares	Share capital	Share-based payments reserve	Obligation to issue shares	Deficit	Total shareholders' deficiency
Balance, October 31, 2022	27,635,001	801,197	718,571	-	(1,301,035)	218,733
Shares issued for exercised warrants	700,000	112,000	(42,000)	-	-	70,000
Net loss and comprehensive loss for the period	-	-	-	-	(362,777)	(362,777)
<b>Balance, January 31, 2023</b>	<b>28,335,001</b>	<b>\$ 913,197</b>	<b>\$ 676,571</b>	<b>\$ -</b>	<b>(1,663,312)</b>	<b>\$ (73,544)</b>
Balance, October 31, 2023	36,948,334	1,802,680	924,862	95,500	(2,961,321)	(138,279)
Units issued from private placement	2,036,998	236,440	69,110	(95,500)	-	210,050
Obligation to issue shares	-	-	(3,300)	3,300	-	-
Share-based payments – RSU	-	-	34,499	-	-	34,499
Net loss and comprehensive loss for the period	-	-	-	-	(209,506)	(209,509)
<b>Balance, January 31, 2024</b>	<b>38,985,332</b>	<b>\$ 2,039,120</b>	<b>\$ 1,025,171</b>	<b>\$ 3,300</b>	<b>(3,170,827)</b>	<b>\$ (103,236)</b>

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, 2024 and 2023  
(Expressed in Canadian dollars)

		<b>Three months ended January 31, 2024 (Unaudited)</b>	Three months ended January 31, 2023 (Audited)
	<b>Notes</b>		
<b>Operating activities</b>			
Net loss for the period		\$ (209,506)	\$ (362,277)
Items not affecting cash:			
Depreciation	6	975	4,304
Impairment of inventory	5	1,088	4,812
Share-based payments	9	34,499	-
Non-cash working capital items:			
Accounts receivable and other receivables		708	(19,562)
Prepaid expenses		4,967	163,156
Inventory		(1,600)	(35,029)
Accounts payable and accrued liabilities		(23,276)	195,097
Net cash used in operating activities		(192,145)	(49,499)
<b>Financing activities</b>			
Proceeds from issuance of units	9	210,050	-
Proceeds from exercised warrants	9	-	70,000
Net cash provided by financing activities		210,050	70,000
Change in cash		17,905	20,501
Cash, beginning of period		51,644	75,951
<b>Cash, end of period</b>		<b>\$ 69,549</b>	<b>\$ 96,452</b>
<b>Supplemental cash flow information:</b>			
Finder's warrants issued	\$	-	\$ -
Fair value of RSUs exercised	\$	-	\$ -
Interest received	\$	-	\$ -
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, 2024 and 2023  
(Unaudited - Expressed in Canadian dollars)

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### **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 10<sup>th</sup> 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 \$209,506 for the three months ended January 31, 2024 (January 31, 2023 – \$362,277), and as of that date the Company’s accumulated deficit was \$3,170,827 (October 31, 2023 – \$2,961,321). 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 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, 2023, 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, 2023.

#### **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, 2024 and 2023  
(Unaudited - Expressed in Canadian dollars)

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### 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, 2023. 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, 2023.

### 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, 2023.

### 4. ACCOUNTS RECEIVABLE AND OTHER RECEIVABLES

	January 31, 2024		October 31, 2023	
Accounts receivable (Note 11)	\$	71,582	\$	71,864
Expected credit loss (Note 13)		(31,695)		(31,694)
Sales tax recoverable		7,878		8,303
	\$	47,765	\$	48,473

### 5. INVENTORY

	January 31, 2024		October 31, 2023	
Finished goods	\$	3,150	\$	2,638
Packaging materials		57,134		57,134
	\$	60,284	\$	59,772

During the three months ended January 31, 2024, the Company expensed \$6,924 (January 31, 2023 – \$128,027) of inventory in cost of sales and recorded \$Nil (January 31, 2023 - \$4,812) of inventory wastage as cost of sales within profit or loss.

During the three months ended January 31, 2024, the Company recognized an impairment loss in profit and loss of \$1,088 (January 31, 2023 – \$Nil) due to expiry of products.

## Pangea Natural Foods Inc.

Notes to the Condensed Interim Financial Statements  
For the three months ended January 31, 2024 and 2023  
(Unaudited - Expressed in Canadian dollars)

### 6. EQUIPMENT AND RIGHT-OF-USE ASSET

	Computer equipment	Production equipment	Right-of-use asset	Total
<b>Cost</b>				
Balance, October 31, 2022 and 2023	\$ 2,481	\$ 21,500	\$ 43,392	\$ 67,373
Additions	-	-	-	-
<b>Balance, January 31, 2024</b>	<b>\$ 2,481</b>	<b>\$ 21,500</b>	<b>\$ 43,392</b>	<b>\$ 67,373</b>
<b>Accumulated depreciation</b>				
Balance, October 31, 2022	\$ 1,223	\$ 3,585	\$ 40,063	\$ 44,871
Depreciation	827	3,071	3,329	7,227
Balance, October 31, 2023	2,050	6,656	43,392	52,098
Depreciation	207	768	-	975
<b>Balance, January 31, 2024</b>	<b>\$ 2,257</b>	<b>\$ 7,424</b>	<b>\$ 43,392</b>	<b>\$ 53,073</b>
<b>Carrying amounts</b>				
At October 31, 2023	\$ 431	\$ 14,844	\$ -	\$ 15,275
<b>At January 31, 2024</b>	<b>\$ 224</b>	<b>\$ 14,076</b>	<b>\$ -</b>	<b>\$ 14,300</b>

During the three months ended January 31, 2024, \$768 (January 31, 2023 - \$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.

During the year ended October 31, 2023, 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 and nugget formula were higher than its recoverable amount and recognized an impairment loss of \$8,200 during the year ended October 31, 2023.

	Patty formula	Nugget formula	Total
<b>Cost</b>			
Balance, October 31, 2022	1,000	7,200	8,200
Impairment	(1,000)	(7,200)	(8,200)
<b>Balance, October 31, 2023, and January 31, 2024</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>
<b>Carrying amounts</b>			
<b>At October 31, 2023, and January 31, 2024</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>



## Pangea Natural Foods Inc.

Notes to the Condensed Interim Financial Statements  
For the three months ended January 31, 2024 and 2023  
(Unaudited - Expressed in Canadian dollars)

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### 8. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

	January 31, 2024	October 31, 2023
Trade payables (Note 11)	\$ 211,887	\$ 235,339
Accrued liabilities (Note 11)	73,006	80,654
Payroll payable	21,829	14,005
	\$ 306,722	\$ 329,998

### 9. 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, 2024, there were 38,985,332 common shares issued and outstanding.

*For the three months ended January 31, 2024*

On November 7, 2023, the Company closed the first tranche of the non-brokered private placement. The Company issued 1,636,998 units at a price of \$0.15 per unit for gross proceeds of \$245,550. Each unit consists of one common share and one half of one share purchase warrant. Each warrant entitles the warrant holder to acquire one additional common share of the Company at an exercise price of \$0.25 for a period of 24 months from the date of closing. The warrants were valued using the residual value method and assigned a value of \$49,110.

On January 26, 2024, the Company closed the second tranche of the non-brokered private placement. The Company issued 400,000 units at a price of \$0.15 per unit for gross proceeds of \$60,000. Each unit consists of one common share and one half of one share purchase warrant. Each warrant entitles the warrant holder to acquire one additional common share of the Company at an exercise price of \$0.25 for a period of 24 months from the date of closing. The warrants were valued using the residual value method and assigned a value of \$20,000.

*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.

#### *Escrowed common shares*

As at January 31, 2024, the Company had 10,320,001 common shares held in escrow (October 31, 2023 – 13,860,001). 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.

## Pangea Natural Foods Inc.

Notes to the Condensed Interim Financial Statements  
For the three months ended January 31, 2024 and 2023  
(Unaudited - Expressed in Canadian dollars)

### 9. SHARE CAPITAL (continued)

#### Warrants

Continuity of the Company's warrants is as follows:

	Numbers of warrants	Weighted average exercise price
Outstanding, October 31, 2022	8,417,500	\$ 0.14
Issued	3,953,000	0.20
Exercised*	(1,230,000)	0.10
Expired	(7,112,500)	0.15
Outstanding, October 31, 2023	4,028,000	0.20
Issued	1,018,500	0.24
Expired	(75,000)	0.20
<b>Outstanding, January 31, 2024</b>	<b>4,971,500</b>	<b>\$ 0.21</b>

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

As at January 31, 2024, the following warrants were outstanding:

Grant date	Warrants outstanding	Exercise price	Expiry date	Remaining contractual life (years)
February 13, 2023	3,825,000*	\$0.20	February 13, 2025	1.04
February 13, 2023	128,000**	\$0.20	February 13, 2025	1.04
November 7, 2023	818,500	\$0.25	November 7, 2025	1.77
January 26, 2024	200,000	\$0.25	January 26, 2025	1.99
	4,971,500	\$0.21		1.14

\*Warrants expired subsequent to January 31, 2024

\*\*Finder's warrants expired subsequent to January 31, 2024

The Company uses the Black-Scholes option pricing model to estimate the fair value of the finder's warrants granted. The following assumptions were used:

	2023
Stock Price	\$0.18
Exercise price	\$0.20
Dividend yield	Nil
Forfeiture rate	Nil
Annualized volatility	105%
Risk-free interest rate	4.07%
Expected life	2 years

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

## Pangea Natural Foods Inc.

Notes to the Condensed Interim Financial Statements  
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### 9. SHARE CAPITAL (continued)

#### *Options*

On February 13, 2023, the Company's Board of Directors approved the adoption of a new rolling 15% omnibus share incentive plan (the "Plan") to supersede the Company's existing rolling 10% incentive stock option plan. The Plan provides for the award of additional share-based payments in addition to incentive stock options, including restricted share units, performance share units and deferred share units to directors, officers, employees and consultants of the Company.

The aggregate number of shares reserved for issuance pursuant to awards granted under this Plan shall not exceed 15% of the Company's total issued and outstanding common shares. If any outstanding award expires or otherwise terminates for any reason without having been exercised or settled in cash, the number of shares in respect of such expired or terminated award shall again be available for issuance under the Plan.

The grant date and the expiry date of an option shall be the dates fixed by the Board at the time the options are 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 certificate issued in respect of the option and shall not be less than the greater of the closing market price prevailing on the date prior to the date of grant and the date of grant of such option.

Continuity of the Company's options is as follows:

	<b>Number of options</b>	<b>Weighted average exercise price</b>
Outstanding, October 31, 2022	2,300,000	\$ 0.10
Granted	1,047,750	0.18
Forfeited	(850,000)	0.12
<b>Outstanding, October 31, 2023, and January 31, 2024</b>	<b>2,497,750</b>	<b>\$ 0.13</b>

As at January 31, 2024, the following options were outstanding:

<b>Options outstanding</b>	<b>Options exercisable</b>	<b>Exercise price</b>	<b>Expiry date</b>	<b>Remaining contractual life (years)</b>
1,650,000	1,650,000	\$0.10	February 14, 2027	3.04
847,750	847,750	\$0.18	February 13, 2026	2.04
<b>2,497,750</b>	<b>2,497,750</b>	<b>\$0.13</b>		<b>2.70</b>

## Pangea Natural Foods Inc.

Notes to the Condensed Interim Financial Statements  
For the three months ended January 31, 2024 and 2023  
(Unaudited - Expressed in Canadian dollars)

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### 9. SHARE CAPITAL (continued)

The Company uses the Black-Scholes option pricing model to estimate the fair value of the options granted. The following assumptions were used:

	<b>2023</b>
Stock Price	\$0.18
Exercise price	\$0.18
Dividend yield	Nil
Forfeiture rate	Nil
Annualized volatility	117%
Risk-free interest rate	3.75%
Expected life	3 years

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

#### **Restricted Share Units (“RSUs”)**

On February 13, 2023, pursuant to the Company’s Plan, the Company granted 2,050,000 RSUs to consultants of the Company. 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.

On September 22, 2023, the Company granted 264,000 RSUs to a consultant of the Company. The granted RSUs will vest over 6 months from the date of grant, with a sixth vesting every month.

The fair value of the RSUs is determined by the quoted market price of the Company’s common shares at date of grant. Share-based payment is recognized in profit or loss over the vesting period.

At the discretion of the Board of Directors, RSUs may be settled in equity, cash or a combination of both. The fair value of RSUs, which are settled in equity, is recognized as a share-based payment with a corresponding increase in share-based payments reserve, over the vesting period. The fair value of RSUs, when settled in cash, is recognized as a share-based payment with a corresponding increase in liabilities, over the vesting period.

During the three months ended January 31, 2024, the Company recognized share-based payments of \$55,868 (January 31, 2023 – \$Nil) relating to the vesting of the RSUs. During the three months ended January 31, 2024, 264,000 previously granted RSUs were cancelled, and \$21,369 in share-based payments were reversed.

On December 8, 2023, 180,000 RSUs were granted to a consultant of the Company. The granted RSUs will vest over 6 months from the grant date, with a sixth vesting every month.

On January 16, 2024, 180,000 RSUs were granted to a consultant of the Company. The granted RSUs will vest over 6 months from the grant date, with a sixth vesting every month.

As at January 31, 2024, the Company had 1,426,667 RSUs outstanding (October 31, 2023 – 1,330,667) of which 30,000 were vested.

## Pangea Natural Foods Inc.

Notes to the Condensed Interim Financial Statements  
For the three months ended January 31, 2024 and 2023  
(Unaudited - Expressed in Canadian dollars)

### 9. SHARE CAPITAL (continued)

#### *Restricted Share Units (“RSUs”)*

Continuity of the Company’s RSUs is as follows:

	<b>Number of Restricted Share Units</b>
Balance, October 31, 2022	-
Granted	2,314,000
Exercised	(433,333)
Forfeited	(550,000)
Balance, October 31, 2023	1,330,667
Granted	360,000
Cancelled	(264,000)
Balance, January 31, 2024	1,426,667

### 10. 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.

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

### 11. 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:

	<b>Three months ended January 31, 2024</b>	Three months ended January 31, 2023
Professional fees	\$ 30,279	\$ 25,463
Salaries and wages	33,600	32,215
	<b>\$ 63,879</b>	<b>\$ 57,678</b>

## **Pangea Natural Foods Inc.**

Notes to the Condensed Interim Financial Statements  
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### **11. RELATED PARTY TRANSACTIONS (continued)**

As at January 31, 2024, included in accounts payable and accrued liabilities was \$25,084 (October 31, 2023 – \$20,464) owed to the CEO of the Company, \$47,297 (October 31, 2023 - \$50,563) owed to a management entity for the provision of CFO services, \$3,311 (October 31, 2023 – \$3,311) owed to a company owned by a director of the Company, and \$53,093 (October 31, 2023 - \$45,866) owed to companies that the CEO of the Company has significant influence over.

As at January 31, 2024, included in accounts receivable was \$433 (October 31, 2023 - \$433) owed by a company that the CEO of the Company has significant influence over.

#### *Other transactions*

During the three months ended January 31, 2024, the Company incurred \$Nil (January 31, 2023 - \$425) for purchases of inventory and completed sales of raw materials to a company owned by a director of the Company in the amount of \$Nil (January 31, 2023 – \$68,605).

During the three months ended January 31, 2024, the Company incurred \$6,027 (January 31, 2023 - \$29,250) for purchases of inventory, and \$Nil (January 31, 2023 - \$10,500) for rent to companies that the CEO of the Company has significant influence over.

### **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 shareholders' 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, 2024, 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, 2024, there were no externally imposed restrictions on the capital, or management thereof, of the Company.

### **13. FINANCIAL RISK MANAGEMENT**

#### *Fair values*

The Company's financial instruments consist of cash, accounts receivable, and accounts payable and accrued liabilities. Cash is carried at fair value through profit or loss, while accounts receivable and accounts payable and accrued liabilities are carried at amortized cost. The fair values of accounts receivable, 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

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(Unaudited - Expressed in Canadian dollars)

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### **13. FINANCIAL RISK MANAGEMENT (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, 2024 and October 31, 2023, 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, 2024.

#### *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, 2024.

#### *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, 2024.

## Pangea Natural Foods Inc.

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### 13. FINANCIAL RISK MANAGEMENT (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, 2024.

#### *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 accounts receivable 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. 50% of the accounts receivable balance at January 31, 2024 relates to two customers (October 31, 2023 – 87%). The Company has determined that a provision of \$31,695 (October 31, 2023 - \$31,695) for expected credit losses is required as the amount is considered not collectible.

#### *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, 2024 and October 31, 2023.

		Less than 1		
<b>January 31, 2024</b>	On-demand	year	1-3 years	Total
Accounts payable and accrued liabilities	\$306,722	\$ -	\$ -	\$306,722

  

		Less than 1		
October 31, 2023	On-demand	year	1-3 years	Total
Accounts payable and accrued liabilities	\$329,998	\$ -	\$ -	\$329,998



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### 14. ECONOMIC DEPENDENCE

During the three months ended January 31, 2024, One key customer (January 31, 2023 – two) contributed more than 10% to the Company's revenue for a total of \$7,344 or 92% (January 31, 2023 – \$122,898 or 89%).

	Three months ended January 31, 2024	Three months ended January 31, 2023
Customer A	\$ -	\$ 54,293
Customer B	-	68,605
Customer C	<b>7,344</b>	-
	<b>\$ 7,344</b>	<b>\$ 122,898</b>

### 15. 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.

### 16. PROPOSED TRANSACTION

On April 21, 2023, the Company entered into a share exchange agreement with Glory Organic Juice Company Inc., Glory Juice Co. Vancouver Ltd. (collectively, "Glory Juice") and the shareholders of Glory Juice ("Vendors"). Pursuant to the agreement, the Company will acquire all the issued and outstanding shares of Glory Juice and upon completion of the acquisition, each of the Glory Juice entities will become wholly-owned subsidiaries of the Company. In consideration for the purchased shares:

- The Company will issue an aggregate of 6,000,000 common shares of the Company to the Vendors. The shares will be subject to contractual resale restrictions, pursuant to which 10% of the shares will be released on the closing date of the acquisition and 15% of the shares will be released every 6 months thereafter.
- The Company will cause Glory Juice to repay outstanding loans owing to certain shareholders of Glory Juice in the aggregate amount of approximately \$1,800,000, through the issuance of secured promissory notes by Glory Juice. The promissory notes will be repayable in equal quarterly instalments over a 56-month period, with first instalment payable on the closing date. The promissory notes will rank senior, secured by all the assets and property of Glory Juice, subject to certain specific permitted encumbrances, pursuant to a general security agreement and guaranteed by the Company.

The acquisition is subject to customary closing conditions as set out in the agreement, including obtaining the applicable third party, corporate and regulatory approvals.

As of the date of these financial statements, the proposed transaction has not closed and is still in discussion.

### 17. SUBSEQUENT EVENTS

- i) On March 5, 2023, the CFO of the Company resigned.