FERONIA INC.
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE THREE MONTHS AND YEAR ENDED DECEMBER 31, 2018

April 30, 2019

This Management's Discussion and Analysis ("MD&A") *should be read in conjunction with the audited consolidated financial statements and accompanying notes for the years ended December 31, 2018 and 2017 of Feronia Inc. ("Feronia" or the "Company").*

The audited consolidated financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB"). Throughout this MD&A, unless otherwise specified, "Feronia", the "Company", "we", "us" or "our" refer to Feronia Inc. and its subsidiaries. All amounts are expressed in US dollars ($) unless otherwise stated.

Additional information relating to the Company may be found at www.sedar.com.

BUSINESS OVERVIEW

Feronia is an agribusiness operating in the Democratic Republic of the Congo (the "DRC").

At the heart of Feronia lies a long established palm oil business, Plantations et Huileries du Congo S.A ("PHC"), a company incorporated under the laws of the DRC, which has three remotely located plantations: Lokutu, Yaligimba and Boteka. Feronia acquired its interest in PHC from Unilever in 2009 and owns 83.37% of PHC's shares, with the remaining 16.63% owned by the DRC government through its Ministry of Portfolio.

Since acquiring PHC, Feronia has been focussed on rebuilding the business and creating a profitable and financially sustainable business which will provide a secure future for the thousands of people it directly and indirectly employs. This process has included the rehabilitation of palm oil mills at the Lokutu and Boteka plantations, the construction of a new palm oil mill at the Yaligimba plantation, the installation of new fibre boilers at all three mills and extensive replanting.

Feronia's plantations produce crude palm oil ("CPO") and palm kernel oil ("PKO"). CPO is part of the staple and traditional diet of the Congolese and, with Feronia's products being sold locally in the DRC, the Company is well placed to help decrease reliance on imports and increase food security and quality in the DRC.

Feronia prides itself on being the guardian of its palm oil business which was established more than 100 years ago, as well as its employees, communities, and environment. It has made a long term commitment to improve the living and working environment of its employees and their communities and is committed to sustainable agriculture, environmental protection and community inclusion. Feronia has in place a Sustainability

Strategy which is focused on implementing environmental and social best practice and improving social infrastructure.

Feronia is implementing IFC/World Bank standards for environmental and social sustainability. Feronia's oil palm replanting programme is brownfield in nature – replacing old palms with new – and has no reliance on deforestation.

Feronia previously had an arable farming operation which grew and processed rice. The Company has discontinued the arable farming operations and is in the process of disposing of the related assets.

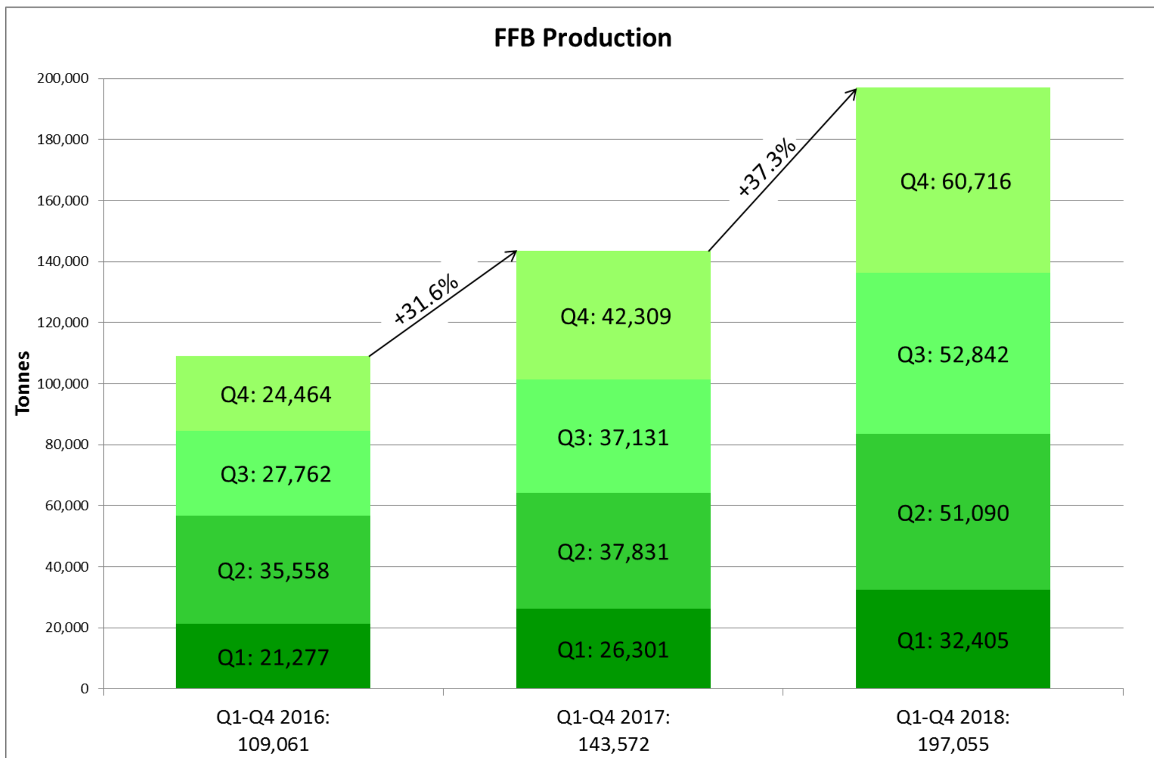
OPERATIONS - BUSINESS PERFORMANCE

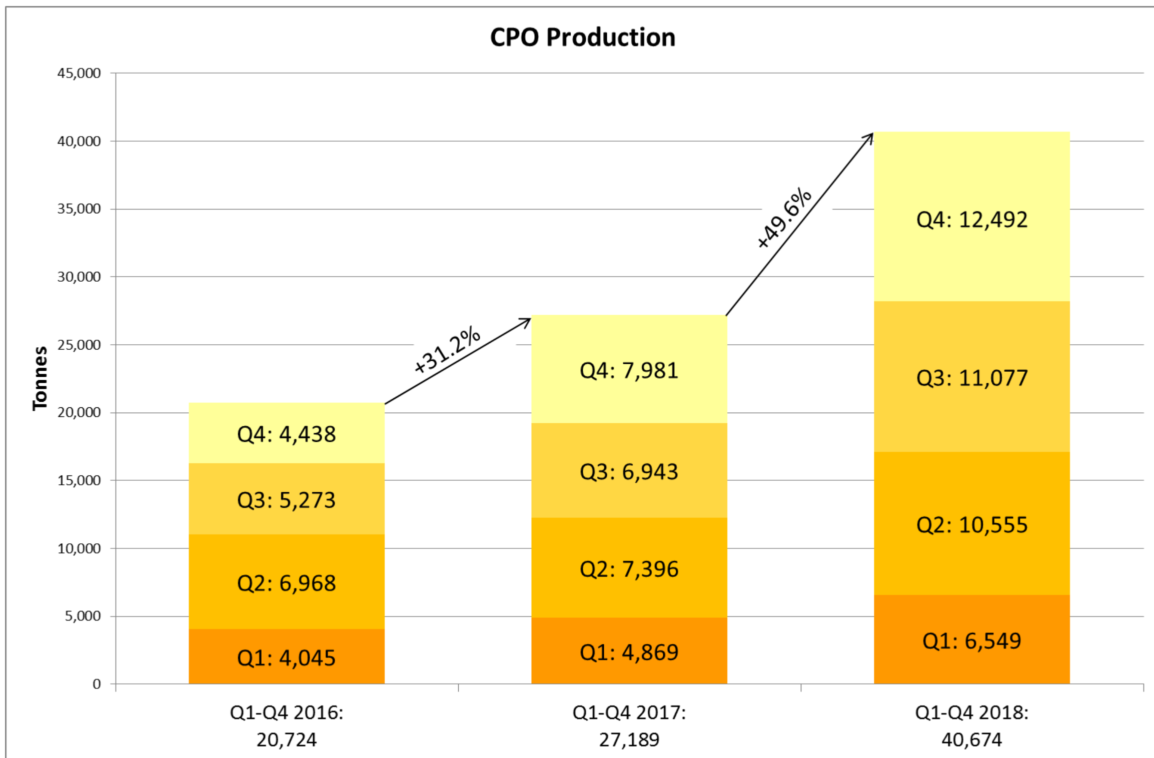
Oil Palm Plantations: Q4 2018 and the year ended December 31, 2018 performance and recent developments

For the three months ended December 31, 2018 ("Q4 2018"), the Company achieved a year-on-year increase in fresh fruit bunch ("FFB") production of 43.5% and a 49.6% increase in CPO production, when compared to the three months ended December 31, 2017 ("Q4 2017").

For the year ended December 31, 2018 ("FY2018") the Company achieved a year-on-year increase in FFB production of 37.3% and a 49.6% increase in CPO production, compared to the year ended December 31, 2017 ("FY2017").

The following charts and tables show key data relating to PHC's operations for Q4 2018 and FY2018:





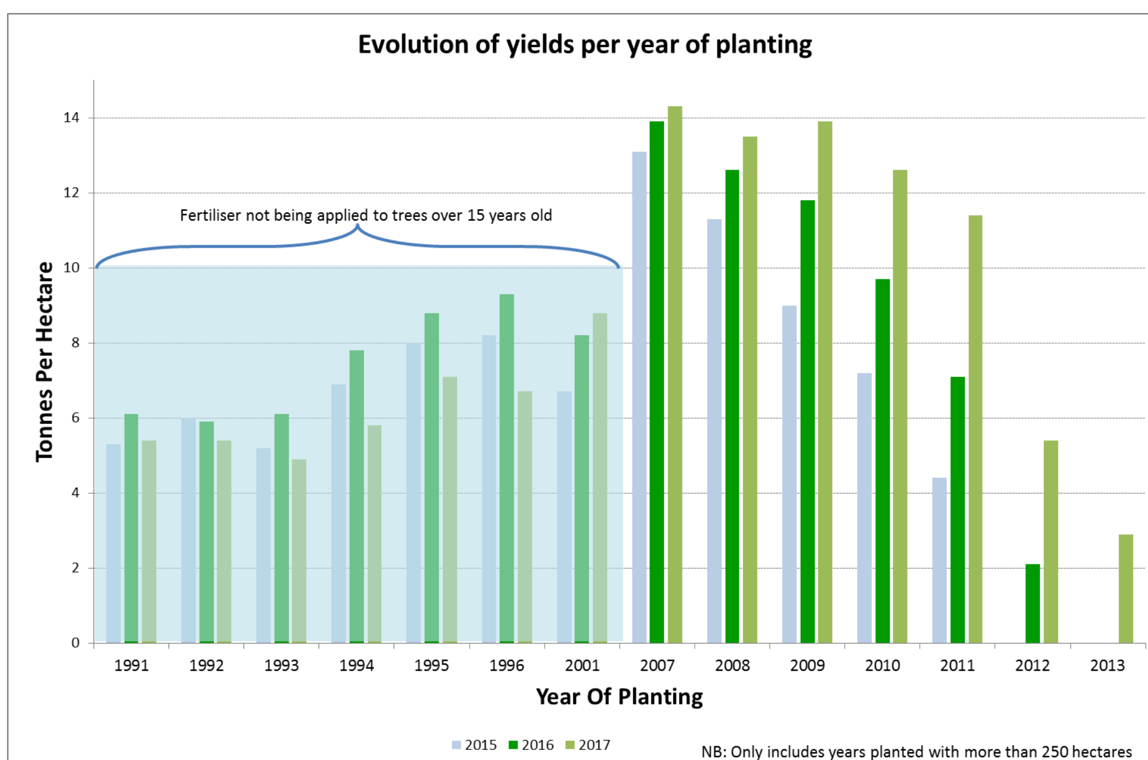
The year-on-year increase in FFB production for both Q4 2018 and FY2018 is largely the result of the maturing of oil palms planted by the Company since 2010, with yields increasing as a consequence, along with improved plantation management. The increase in CPO production for both Q4 2018 and FY2018 is the result of an increase in the amount of FFB processed during the quarter and improved oil extraction rate ("OER") being achieved following the commissioning of new fibre boilers at Lokutu and Yaligimba in 2017 and at Boteka in July 2018. The OER for Q4 2018 was 20.6% (Q4 2017: 18.9%) and for FY2018 was 20.6% (FY2017: 18.9%).

Installation of the new fibre boiler and turbine at Boteka was completed in July 2018 and we are currently completing the capacity expansion plan at that site. At Lokutu, technical issues with the boiler and turbine have largely been addressed and the Company is progressing with the construction of a second palm oil mill at its Lokutu plantation which is being built on the site of a long closed palm oil mill at Lukomete and is expected to be fully operational in early 2020. Subject to ongoing improvements in operational practices being implemented, the Company expects to achieve an OER similar to those achieved through best practices in Africa in the medium term.

The following table shows PHC's plantation profile as at December 31, 2018:

	Total as at December 31		
	2016	2017	**2018**
Plantations (Hectares)			
Immature			
Year 0	-	-	**13**
Year 1	3,032	-	**-**
Year 2	3,739	3,763	**-**
Year 3	2,875	3,739	**3,763**
	9,646	7,502	**3,776**
Producing			
New mature (4-5 years)	6,034	6,799	**6,614**
Young mature (6-9 years)	3,941	5,293	**7,774**
Mature (10-19 years)	604	1,362	**2,805**
Old (20-25 years)	3,692	3,227	**2,546**
	14,271	16,681	**19,739**
Total Planted	23,917	24,183	**23,515**

The net year-on-year increase in producing hectares between Q4 2017 and Q4 2018 of 3,058 ha is the result of 3,739 ha of young oil palms coming into production in Q1 2018 and 681 ha of old oil palms being removed from production.



With production largely driven by the yields achieved by our producing hectares, regular fertilizer application facilitated by the DFI Debt Facility (as defined below) has generated year-on-year yield increases, especially among young mature oil palms, as illustrated in the chart above. With the full effect of fertilizer not typically materializing for up to 36 months after application, and with yields expected to increase as young mature oil palms grow and move into their prime mature production stage at between 10 and 19 years old, we expect production levels and FFB yield per hectare to continue to increase on a year-on-year basis over the coming years.

As yield per hectare figures are calculated using the volume of FFB processed and are not an indication of the volume of FFB produced by oil palms, any inability to harvest or processing restrictions will have an adverse impact on reported average FFB calculations.

Average yields per hectare are also further skewed by:

1. 14,388 ha of oil palms, representing 72.9% of producing hectares, being low yielding, new mature and young mature oil palms in the age range 4 – 9 years old; and

2. nutrient deficiencies at Boteka where fertilizer and ground limestone have been applied to correct the deficiencies and, combined with a normal course of fertilizer and soil maintenance regime, are anticipated to result in yield improvements in the medium term.

As young oil palms mature over the short term, average yields per hectare are expected to increase accordingly and move towards those achieved elsewhere in Africa.

Sustainability

Feronia is the largest agro-industrial employer in the DRC with more than 10,000 permanent and temporary employees, all in regions of the country with few other significant source of formal employment, and 41 employees in Kinshasa. When the families of these workers are taken into account, Feronia directly supports the livelihoods of an estimated 50,000-70,000 people.

Environmental, Social and Governance ("ESG") are a central pillar of Feronia's operations. Its ESG activities are subject to considerable and regular internal and external review, audit and scrutiny and are undertaken in accordance with globally recognised social and environmental performance standards. Feronia has a stated commitment to transparency and engagement and is ready and willing to engage with any party seeking to learn more about it and the value it adds to the DRC economy directly through the employment it provides, the taxes that it pays, and the investment it is making in infrastructure in the regions where it operates.

More information on Feronia's approach to sustainability can be found on the Company's website at www.feronia.com/sustainability.

SELECTED ANNUAL INFORMATION

The following selected financial information has been derived from the audited consolidated financial statements for the years ended December 31, 2018, 2017 and 2016:

Years ended December 31,[1]	2018 ($)	2017 ($)	2016 ($)
Operating Results			
Revenue	29,121,951	21,109,178	17,217,210
Net loss from continuing operations attributable to owners of the parent	(4,484,276)	(12,663,178)	(9,304,265)
Loss from discontinued operation	-	(608,341)	(1,963,036)
Loss per share from continuing operations attributable to owners of the parent			
Basic and Diluted	(0.009)	(0.032)	(0.035)
Loss per share from discontinued operations			
Basic and Diluted	-	(0.002)	(0.010)
Financial Position			
Total assets	109,710,397	105,358,386	74,689,811
Total non-current financial liabilities	11,952,356	10,477,396	8,805,268
Cash dividends declared per share	Nil	Nil	Nil
Weighted average shares outstanding	480,636,416	374,769,136	265,404,380

Note:
(1) Information for all periods is presented in accordance with IFRS and in US dollars

FINANCIAL PERFORMANCE – Three months and year ended December 31, 2018

Operating Profit (Loss)

Expressed in thousands of US dollars	Three months ended December 31, 2018	2017	% Change	Year ended December 31, 2018	2017	% Change
Revenue	**9,252**	6,746	37%	**29,122**	21,109	38%
Cost of sales	**(5,687)**	(7,289)	(22%)	**(17,751)**	(17,891)	(1%)
Gross profit (loss)	**3,565**	(543)		**11,371**	3,218	
Expenses						
Selling, general and administrative	**(3,692)**	(3,514)	5%	**(13,164)**	(11,629)	13%
Other income (losses)	**(1,257)**	(779)	61%	**(984)**	93	(1157%)
Gain (loss) on biological assets	**(295)**	319	(192%)	**(64)**	319	(120%)
Operating Profit (Loss)	**(1,680)**	(4,517)	(63%)	**(2,841)**	(7,998)	(64%)

Total revenues for Q4 2018 were $9,252,000 an increase of $2,506,000 or 37% on revenues for Q4 2017 of $6,746,000. The increase in revenue can largely be attributed to:

- CPO sales of $8,157,000 (Q4 2017: $6,071,000), made up of:
  - 12,206 tonnes of CPO sold in Q4 2018, being a 54% increase on the volume sold in Q4 2017 (Q4 2017: 7,937 tonnes); partially offset by
  - a 13% decrease in the average CPO price achieved in the quarter of $668 per tonne compared to $765 per tonne in Q4 2017

- a 18% decrease in PKO sales to $374,000 in Q4 2018 (Q4 2017: $456,000) representing 4% of total revenue for the quarter.

Total revenues for FY2018 were $29,122,000 an increase of $8,013,000 or 38% on revenues for FY2017 of $21,109,000. The increase in revenue can largely be attributed to:

- CPO sales of $27,354,000 (FY2017: $19,069,000), made up of:
  - 36,299 tonnes of CPO sold in FY2018, being a 48% increase on the volume sold in FY2017 (FY2017: 24,609 tonnes); partially offset by
  - a 10% decrease in the average CPO price achieved in the period of $701 per tonne compared to $775 per tonne in FY2017
- a 15% decrease in PKO sales to $1,232,000 in FY2018 (FY2017: $1,450,000) representing 4% of total revenue for the period.

Cost of sales for Q4 2018 were $5,687,000 (Q4 2017: $7,289,000), a decrease of $1,602,000 or 22%. The decrease was largely due to:

- a 52% increase in volumes of CPO sold; offset by
- a 13% reduction in the cost of production per tonne of CPO due to economies of scale now being achieved and cost savings resulting from investment in new boilers and turbines; and
- a higher allocation of costs now being capitalised as "Bearer Assets" (Q4 2018: $1,354,000, Q4 2017: $670,000).

Cost of sales for FY2018 were $17,751,000 which were broadly in line with the prior year (FY2017: $17,891,000). This was largely due to:

- a 4% reduction in the cost of production per tonne of CPO due to economies of scale starting to be achieved with production levels up 48% and cost savings resulting from investment in new boilers and turbines;
- $1,100,000 of provision included in 2017; and
- a higher allocation of costs now being capitalised as "Bearer Assets" (2018: $5,418,000, 2017: $2,736,000); offset by
- an increase in amortisation charge of $1,575,000 as a result of our investment programme at the plantation sites.

Selling, general and administrative costs for Q4 2018 of $3,692,000 were $179,000, or 5% higher than in Q4 2017 (Q4 2017: $3,514,000). This was largely due to:

- a $940,000 increase in DRC taxes and governmental fees resulting from new taxes and fees introduced in 2018, and an increase in provisions for various taxes; offset by
- a $617,000 reduction in professional fees; and
- a $208,000 reduction in share based payment charge.

Selling, general and administrative costs for FY2018 of $13,164,000 were $1,535,000, or 13% higher than in FY2017 (FY2017: $11,629,000). This was largely due to:

- a $896,000 increase in provisions for DRC taxes and governmental fees resulting from new taxes and fees introduced in 2018;
- a $601,000 increase in Kinshasa Office and associated costs;
- a $674,000 increase in salaries and employee incentive liabilities; partially offset by
- a $705,000 reduction in charge for share based payment;

- a $612,000 reduction in consultancy fees; and
- of the $521,000 increase in other costs, the largest single element relates to $149,000 spent on community water boreholes.

Other income/(expense) are largely a result of foreign exchange gains and losses which arose from movements in exchange rates between the US dollar, Congolese Franc and British Pound in the quarter. In Q4 2018, other expenses were $1,257,000 (Q4 2017 other expenses: $779,000). In FY2018, other expenses were $984,000 (FY2017 other income: $93,000).

Gain/(loss) on Biological Assets and Planting Costs

The quantity of the fruit on the oil palms is estimated to equate to one week's harvest based on the production of the preceding three months. This is then converted to CPO using the current OER and the value is then calculated by multiplying the quantity of CPO by the average selling price less costs of production.

Loss on biological assets for Q4 2018 was $295,000 (Q4 2017 gain: $319,000) and a loss for FY2018 of $64,000 (FY2017 gain: $319,000). This relates to the change in the value of the CPO contained in the estimated ripe FFB on the oil palms as at December 31, 2018 and which would be harvestable in the first week of January 2019.

While the young age profile of oil palms across the plantations means that yields are currently low, with economies of scale now starting to be achieved, the cost of production has begun to reduce and is lower than the achieved selling price for CPO. As a result, the first time a value was attributable to the fruit on the oil palms was at December 31, 2017.

Operating loss for Q4 2018 was $1,680,000 a decrease of $2,837,000 on the operating loss for Q4 2017 of $4,517,000. The operating loss for FY2018 was $2,841,000, a decrease of $5,157,000 on the operating loss for FY2017 of $7,998,000.

Since 2010, the Company has replanted 17,451 ha of new trees of which 13,675 ha, or 78%, were producing in Q4 2018. These trees are currently low yielding, young mature trees in the age range of 4 – 8 years. This impacts all key operating metrics including cost of goods sold. The portfolio of immature and young palms is the Company's core asset. Young plants have a negative contribution to operating results and are a key factor in the current low margins. These losses, which are in line with Company expectations, are expected to reverse as the trees mature and their yields increase and as more hectares come into production.

Over time the Company's cost of production on a per tonne basis is expected to decline substantially. Achieving this remains a key objective of the Company.

Finance Costs and Gain/(Loss) on Derivatives

(Expressed in thousands of US dollars)	**Three months ended December 31**			**Year ended December 31**		
	2018	**2017**	**% Change**	**2018**	**2017**	**% Change**
Finance Costs	(1,368)	350	(491%)	(6,656)	(2,230)	198%
Gain/(Loss) on Derivatives	2,896	(3,369)	(186%)	3,512	(3,369)	(204%)

Finance costs relate to the interest on the 2012 Debentures, DFI Debt Facility and New ESG Loan (as defined below). The increase in costs in Q4 2018 and FY2018 compared to the same periods in the prior year is due to the increase in funds drawn down on the DFI Debt Facility.

Gains or losses on derivatives are a result of the revaluation of derivatives embedded in convertible debentures.

Net Loss

(Expressed in thousands of US dollars)	**Three months ended December 31**			**Year ended December 31**		
	2018	**2017**	**% change**	**2018**	**2017**	**% change**
Net loss	**(168)**	(8,205)	(98%)	**(6,296)**	(14,570)	(57%)

Net loss for Q4 2018 was $168,000, a decrease of $8,037,000 compared to the loss in Q4 2017 of $8,205,000. This is the result of a decrease in operating losses of $2,837,000, a decrease in losses from discontinued operations of $403,000, a decrease in income tax expenses of $250,000 and an increase in gains on derivatives of $6,265,000, partially offset by an increase in finance costs of $1,718,000.

Net loss for FY2018 was $6,296,000, a decrease of $8,274,000 compared to the loss in FY2017 of $14,570,000. This is largely the result of a decrease in operating losses of $5,157,000, a decrease in losses from discontinued operations of $608,000, a decrease in income tax expenses of $53,000 and an increase in gains on derivatives of $6,881,000, partially offset by an increase in finance costs of $4,426,000.

Net Profit (Loss) Attributable to Owners of the Parent

The net profit attributable to the Company for Q4 2018 was $471,000 (Q4 2017 loss: $7,064,000) which is equivalent to $0.03 per share (Q4 2017 loss per share: $0.01).

The net loss attributable to the Company for FY2018 was $4,484,000 (FY2017: $12,663,000) which is equivalent to $0.009 per share (FY2017 loss per share: $0.032).

Net Loss Attributable to Non-controlling Interests

The net loss attributable to non-controlling interests for Q4 2018 was $638,000 (Q4 2017 net loss: $1,141,000) which represent the share of losses attributable to the 16.63% and 20% holdings in PHC and in 2017 Feronia's arable business respectively.

The net loss attributable to non-controlling interests for FY2018 was $1,812,000 (FY2017: $1,907,000) which represent the share of losses attributable to the 16.63% and 20% holdings in PHC and in 2017 Feronia's arable business respectively.

COMPARISON OF FINANCIAL CONDITION

The following table provides a comparison of the Company's financial condition as at December 31, 2018 compared to December 31, 2017:

(Expressed in thousands of US dollars)	**December 31 2018**	December 31 2017	% Change
Total current assets	**14,982**	26,176	(43%)
Total current liabilities	**65,918**	65,061	1%
Net current liabilities	**(50,936)**	(38,885)	31%
Total shareholder's equity	**31,840**	29,820	7%

SUMMARY OF QUARTERLY RESULTS

The following table provides summary financial data for the Company's last eight quarters ended December 31, 2018 as previously reported:

(Expressed in thousands of US dollars, except per share amounts)	**Dec 31 2018**	**Sep 30 2018**	**Jun 30 2018**	**Mar 31 2018**
Revenues	9,252	6,881	7,565	5,424
Net income (loss) attributable to owners of the parent	471	(4,447)	(3,558)	(338)
Net income (loss) per share attributable to owners of the parent – Basic	(0.00)	(0.01)	(0.01)	(0.00)
Net income (loss) per share attributable to owners of the parent – Diluted	(0.00)	(0.01)	(0.01)	(0.00)

	Dec 31 2017	**Sep 30 2017**	**Jun 30 2017**	**Mar 31 2017**
Revenues	7,834	5,694	5,433	2,147
Net income (loss) attributable to owners of the parent	(7,686)	(1,734)	(643)	(4,899)
Net income (loss) per share attributable to owners of the parent – Basic	(0.01)	(0.01)	(0.00)	(0.01)
Net income (loss) per share attributable to owners of the parent – Diluted	(0.01)	(0.01)	(0.00)	(0.01)

Note:

(1) Information in the above table is presented in accordance with IFRS.

The following table provides summary financial data for the Company's last eight quarters ended December 31, 2018 restated to reflect a change in accounting policy for the treatment of "Bearer Assets" as per note 4 of the Financial Statements:

(Expressed in thousands of US dollars, except per share amounts)	**Dec-31 2018**	**Sep-30 2018**	**Jun-30 2018**	**Mar-31 2018**
Revenues	9,252	6,881	7,565	5,424
Net income (loss) attributable to owners of the parent	471	(3,318)	(2,429)	791
Net income (loss) per share attributable to owners of the parent – Basic	0.00	0.01	0.01	0.00
Net income (loss) per share attributable to owners of the parent – Diluted	0.00	0.01	0.01	0.00

	Dec-31 2017	**Sep-30 2017**	**Jun-30 2017**	**Mar-31 2017**
Revenues	7,834	5,694	5,433	2,147
Net income (loss) attributable to owners of the parent	(7,111)	(1,159)	(68)	(4,324)
Net income (loss) per share attributable to owners of the parent – Basic	0.02	0.00	0.00	0.01
Net income (loss) per share attributable to owners of the parent – Diluted	0.02	0.00	0.00	0.01

The variations in the Company's quarterly results were driven largely by fluctuations in sales volumes and the price of CPO, which impacts revenue and net losses. There is also seasonality in fruit production, with peak crop production typically occurring in the second quarter of the year.

CASHFLOWS AND LIQUIDITY

The cash balance net of overdraft facility as at December 31, 2018 was $2,139,000 compared to $17,141,000 as at December 31, 2017. The decrease in the cash balance of $15,003,000 was a result of net cash inflows from financing activities of $10,968,000, offset by an increase in working capital of $355,000, a net cash loss from operations (excluding non-cash items) of $5,430,000, a foreign exchange loss on currency transactions of $152,000 and capital expenditures of $20,034,000.

The net cash inflows from financing activities relate to $8,500,000 received pursuant to a subscription agreement with Straight KKM 2 Limited for the private placement (the "Private Placement") of common shares in the capital of the Company ("Common Shares") at a price of CDN$0.18 per Common Share for proceeds of $17,500,000 (see below under "Liquidity and Capital Resources") and $2,468,000 of overdraft facilities.

The increase in working capital during FY 2018 of $355,000 (decrease in FY 2017: $67,000) represents an increase in inventory of $4,200,000, a decrease in accounts receivables of $1,041,000, an increase in prepayments of $715,000 and an increase in accounts payable of $3,518,000.

Capital expenditures in FY 2018 resulted in cash outflows of $20,034,000 (FY 2017: $18,304,000).

LIQUIDITY AND CAPITAL RESOURCES

The Company recorded net cash outflows in operations and investing activities for Q4 2018.

On December 21, 2015, PHC entered into a secured term facility (the "DFI Debt Facility") for up to $49,000,000 with a syndicate of European Development Finance Institutions. The amount advanced under the DFI Debt Facility is to be repaid semi-annually over a six year period commencing September 2019. The DFI Debt Facility is subject to covenants, pledges and charges typical of a loan facility of this nature and is secured by way of a first ranking security against the assets of PHC and by way of a pledge of the shares of PHC by a Belgian subsidiary of Feronia.

The purpose of the DFI Debt Facility is to finance investment into equipment, replanting, fertilizer and ESG expenditures required as part of the rehabilitation of PHC's three palm oil plantations in the DRC.

On April 13, 2016, all conditions precedent were satisfied to facilitate a first drawdown of $15,000,000 from the DFI Debt Facility. On February 11, 2017, all conditions precedent were satisfied to facilitate the second drawdown of $10,000,000 from the DFI Debt Facility. On June 9, 2017, all conditions precedent were satisfied to facilitate the third drawdown of $10,000,000 from the DFI Debt Facility. On September 25, 2017, all conditions precedent were satisfied to facilitate the fourth and final drawdown of $14,000,000 from the DFI Debt Facility.

On July 19, 2017, the Company obtained the consent by extraordinary resolution of the holders of its debentures (the "2012 Debentures") to certain amendments to the trust indenture entered into between the Company and TSX Trust dated July 24, 2012, as amended and supplemented from time to time. The amendments include reducing the conversion price of the 2012 Debentures from CDN$1.75 per share to CDN$0.275 per share and extending the maturity date from July 24, 2017 to July 24, 2022.

On September 25, 2017, the Company entered into a subscription agreement with Straight KKM 2 Limited pursuant to which the Company agreed to complete the Private Placement. The Company closed the first $9,000,000 tranche of the Private Placement on October 16, 2017 and the second $8,500,000 tranche on January 19, 2018. Based on a fixed exchange rate of CDN$1.253 per $1.00 as set out in the applicable subscription agreement, the Company has issued a total of 121,819,444 Common Shares to Straight KKM 2 Limited. A $4,000,000 bridge loan advanced to the Company by the majority shareholder of Straight KKM 2 Limited was applied towards the subscription amount for the first tranche.

On June 21, 2018, the Company entered into a loan facility (the "New ESG Loan") with CDC Group plc ("CDC") in the principal amount of $5,141,182. The proceeds from the New ESG Loan were used to repay all obligations of the Company under an existing loan which was first provided to the Company in November 2013 by CDC, as lender, to support the implementation of an environmental and social action plan designed to strengthen the Company's environmental and social standards and to enhance community facilities.

The New ESG Loan is an unsecured non-revolving term loan at an annual interest rate of 12% maturing July 24, 2022 and is convertible into Common Shares at a conversion price of CDN$0.275 per Common Share.

At December 31, 2018, the Company classified the DFI Debt Facility of $47,600,000 (December 31, 2017: $47,500,000) as a current liability, as a result of the breach of the equity solvency ratio which was largely due to the decrease in value of Congolese Franc towards the end of 2016. The underlying performance of the business has not been adversely affected by the devaluation as the Company sells its products in US dollars and the performance of the underlying assets are not impacted. The Company is in the process of revaluing the assets in PHC for reporting under local OHADA regulations. Subject to the completion and final audit of this valuation, the expectation is that it will cure the current covenant breach under the DFI Debt Facility and the Company will no longer be in breach. There has been no notification from the lenders that they intend to accelerate the loan.

On December 20, 2018 and March 14, 2019, the Company entered into unsecured subordinated short term loan facilities for up to $3,000,000 and $8,000,000, respectively. The facilities, which have been provided by CDC Group plc, the UK Government's development finance institution, KN Agri LLC, the agricultural and food investment vehicle owned by funds that are managed by Kuramo Capital Management, LLC and Nile Capital Management, LLC, and Golden Oil Holdings Limited, a wholly owned subsidiary of the African Agriculture Fund, L.L.C bear interest at a rate of 12% per annum and mature on May 31, 2019, subject to acceleration in certain circumstances. Funds advanced under the facilities are being used for working capital and other general corporate purposes whilst the Company seeks to strengthen its financial position. At the date of this MD&A, an aggregate of $9,500,000 had been advanced to the Company under the facilities.

It is management's view that funds drawn down to date from its various debt facilities will not be sufficient to see the Group through to profitability. With the aim of improving the Group's financial resources, management is having on-going discussions with its major shareholders and debt providers and is reviewing various financial alternatives.

These conditions indicate material uncertainty that may cast significant doubt as to the ability of the Group to meet its obligations as they come due and, accordingly, the ultimate appropriateness of the use of accounting principles applicable to a going concern.

As at the date of this MD&A, the Company has 483,716,469 Common Shares issued and outstanding. Assuming the exercise or conversion of all of the outstanding debentures, options, deferred share units and principal amount and interest under the New ESG Loan Facility, an aggregate of 546,464,610 Common Shares will be issued and outstanding on a fully diluted basis.

OUTLOOK

With production largely driven by the yields achieved by our producing hectares, regular fertilizer application facilitated through the DFI Debt Facility is already generating year-on-year yield increases, especially among young mature oil palms in the 4 – 9 year age range which have been planted since 2010. With the full effect of fertilizer not typically materializing for up to 36 months after application, and with yields expected to increase as young mature oil palms grow and move into their prime mature production stage at

between 10 and 19 years old, we expect production levels to continue to increase on a year-on-year basis over the coming years.

Securing the DFI Debt Facility and satisfying the conditions to draw down the full facility were important developments for the Company. The DFI Debt Facility is in place to finance investment into equipment, replanting, fertilizer and ESG expenditures and, as such, is enabling the Company to drive value creation through the yield gains achieved through the application of fertilizer and an increase in capacity and efficiency in its production process through on-going improvements and investments, such as its new fibre boilers.

As at December 31, 2018 and the date of this MD&A, the Company is in breach of the DFI Debt Facility's equity solvency ratio, largely due to the decrease in value of Congolese Franc towards the end of 2016. The Company is in the process of revaluing the assets in PHC for reporting under local OHADA regulations. Subject to the completion and final audit of this valuation, the expectation is that it will cure the current covenant breach under the DFI Debt Facility and the Company will no longer be in breach. The Company has not received written notice from the lenders that they will accelerate repayment of the DFI Debt Facility at this time and there is no assurance that the Company will be in compliance with covenants in the future due to unforeseen events of circumstances.

With the aim of improving the Company's financial resources, management is having on-going discussions with its major shareholders and debt providers and is reviewing various financial alternatives.

The Company's key objectives for 2019 are:

- to continue improving operational performance and realize efficiencies through the continued implementation of best practices, application of fertilizer and appropriate capital investments; and
- to complete the construction of a second palm oil mill at its Lokutu plantation.

KEY FACTORS AFFECTING THE COMPANY'S BUSINESS

The results of operations of the Company are, and will continue to be, affected by the cyclical nature of agricultural commodity markets. Prices and demand for agricultural commodities have been, and in the future are expected to be, subject to cyclical fluctuations.

The pricing of agricultural commodities is set by global markets which are affected by supply, demand and prevailing global stock levels. The increasing use of vegetable oils for biofuels is also developing a linkage between the price of agricultural products and the price of petroleum. These markets are, in turn, subject to fluctuations due to, among other factors:

- changes in domestic and international economic conditions;
- changes in market prices of commodities;
- interest rates;
- government regulations and policies;
- population growth and changing demographics; and
- seasonal weather cycles (e.g. dry or hot summers, wet or cold winters).

The profitability of the business depends upon the productivity of the oil palm plantations and the ability to realize expected yields while managing costs. Oil palm plantation yields depend on a number of factors, many of which are beyond the Company's control. These include weather conditions, damage by disease, pests and other natural disasters, climate and soil conditions. The Company's ability to improve and maintain the yields will depend on these factors, among others, as well as the ability to improve the agronomy. If the Company cannot achieve yields at expected levels, the business, financial condition and results of operations could be materially and adversely affected. See also "Risks and Uncertainties" below for a discussion of the factors which could impact the Company's operations.

The local DRC palm oil market consists of a small number of refining factories located in Kinshasa.

The Company relies on relationships with national and local governments in the DRC, local land owners, key customers, suppliers and third party service providers for the plantation, farming and trading activities. Feronia relies to a significant extent on third party service providers for day-to-day transport on the Congo River to and from the Company's oil palm plantations.

The Company is heavily dependent on the expertise of senior management in the agricultural sector, research and development in oil palm plantation, agricultural products manufacturing production processes, and the relationships cultivated by them with major customers and others.

The Company is subject to regulations under a variety of national and local laws and regulations in the DRC. Violations of DRC laws or regulations could result in civil and criminal penalties.

As previously reported, on December 24, 2011, the government of the DRC promulgated a new law, "Loi Portant Principes Fondamentaux Relatifs A L'Agriculture" (the "Agriculture Law"), for the stated purposes of developing and modernizing the country's agricultural sector. The Agriculture Law has garnered some controversy with respect to various provisions, including a provision which purports to limit the rights of foreign corporations to farmland in the DRC. Certain agribusinesses in the DRC have raised concerns that this provision may impede existing and new foreign investment in the agricultural sector. In particular, Article 16 of the Agriculture Law appears to impose a requirement that a holder of farmland in the DRC be either a DRC citizen or, in the case of a corporation, that such corporation be incorporated in the DRC and be majority owned by the DRC government and/or by DRC citizens. Currently, Feronia's primary operating subsidiaries, PHC and Feronia Arable are owned 16.63% by the DRC government and 20 % by a private DRC corporation, respectively.

The Company has been involved in discussions with various levels of government in the DRC with respect to the proper interpretation of the Agriculture Law and its application to the Company's concessions in the DRC. If the Agriculture Law is interpreted by the DRC government to apply to the existing concession rights held by the Company and the Agriculture Law is not amended, it could have a material and substantial adverse effect on the value of the Company's business and its share price. In such case, Feronia may be

required to sell or otherwise dispose of a sufficient interest in its operating subsidiaries so as to ensure that it meets the local ownership requirements contained in this law. There is no assurance that such a sale or disposition would be completed at fair market value or otherwise on acceptable terms to Feronia. See also below under “Forward Looking Statements” and “Risks and Uncertainties” for further information regarding the Agriculture Law. The Agriculture Law came into force on June 24, 2012 and, according to its terms, holders of concessions to agricultural lands had until June 24, 2013 to comply with its provisions.

RELATED PARTY DISCLOSURES

The following transactions were carried out with related parties.

Purchase of services:	**December 31, 2018**	**December 31, 2017**
Board fees *(1)*	392,917	310,000
	392,917	**310,000**

(1) Board fees paid to non-executive directors

Key management compensation

Key management includes the Chief Executive Officer, the Chief Financial Officer, the Chief Operating Officer and the directors of the Company. The compensation paid or payable to key management for employee services is as follows:

	December 31, 2018	**December 31, 2017**
Salaries and short-term employee benefits	719,593	1,433,931

Change in fair value of share-based payments	**December 31, 2018**	**December 31, 2017**
Change in fair value of share-based payments	381,092	1,126,433

Payables to related parties

	December 31, 2018	**December 31, 2017**
Board of Directors fees	236,386	77,500
Key management compensation	-	-
	236,386	77,500

The payables to related parties relate to normal course of business expenses incurred on behalf of the Company.

SUMMARY OF OUTSTANDING SHARE DATA

As at the date of this MD&A, the authorized share capital of the Company consists of an unlimited number of Common Shares, of which 483,716,469 Common Shares are issued and outstanding. In addition, the following number of Common Shares may be issuable:

(i) 19,501,818 Common Shares issuable upon conversion of CDN$5,363,000 principal amount of the 2012 Debentures;
(ii) 27,732,562 Common Shares issuable upon conversion of advances and accrued interest under the New ESG Loan totalling CDN$7,458,627.85, using the Bank of Canada's daily exchange rate on December 31, 2018 and assuming a conversion price of CDN$0.275 per share;
(iii) 531,761 Common Shares issuable on exercise of options; and
(iv) 14,982,000 Common Shares issuable on redemption of deferred share units.

Assuming the exercise or conversion of all of the outstanding debentures, options, deferred share units and principal amount and interest under the New ESG Loan, an aggregate of 546,464,610 Common Shares will be issued and outstanding on a fully diluted basis.

RISKS AND UNCERTAINTIES

The Company is subject to various business, financial and operational risks that could materially adversely affect the Company's future business, operations and financial condition and could cause such future business, operations and financial condition to differ materially from the forward-looking statements and information contained in this MD&A.

Risks Related to the Business

Foreign operations are subject to various political, economic and other risks and uncertainties

All of the Company's operations are currently conducted in the DRC and, as a result, the operations are vulnerable to various levels of political, economic and other risks and uncertainties associated with operating in a developing economy in Africa. Such risks and uncertainties include, but are not limited to: high rates of inflation; currency exchange rates; labour unrest; deprivation of contract rights or the taking of property by nationalization or expropriation without fair compensation; renegotiation, nullification, termination or rescission of existing concessions, licenses, permits and contracts; changes in taxation policies; restrictions on foreign exchange; changing political conditions; and currency controls.

Any changes in investment policies or changes in political attitude in the DRC may adversely affect the Company's operations. Operations may also be affected by government regulations relating to, but not limited to, restrictions on production, price controls, import and export controls, currency remittance, income taxes, foreign investment, environmental legislation and land use. The Company is currently defending certain lawsuits where the actual outcome may vary from the amount recognized in the financial statements.

The occurrence of any of these risks and uncertainties may have an adverse effect on the Company's operations.

The Company's concessions may be terminated in certain circumstances.

The plantations on which the Company operates are not owned by the Company but rather owned by the DRC government. The Company has concessions on such plantations and arable farmland pursuant to revolving 25-year leases which provide the Company with the right to occupy and develop the land. The concessions held by the Company may be terminated under certain circumstances, including if development obligations are not met by the Company or if certain fees are not paid. There is also no certainty that the leases will be renewed by the DRC government at the end of their respective terms. The termination or non-renewal of any one or more of the Company's concessions could have a material adverse effect on the Company's financial condition or results of operations.

As discussed above under "Key Factors Affecting the Company's Business", the Agriculture Law has garnered some controversy with respect to various provisions, including a provision which purports to limit the rights of foreign corporations to farmland in the DRC. Certain agribusinesses in the DRC have raised concerns that this provision of the Agriculture Law may impede existing and new foreign investment in the agricultural sector. Feronia will continue to seek clarification on the implications of this legislation from local counsel and government in the DRC. If the Agriculture Law is interpreted by the DRC government to apply to the existing concession rights held by the Company, it could deprive the Company of its ability to conduct its operations in the DRC as currently conducted, hinder the Company's anticipated growth objectives in the DRC and affect the ability to attract capital if required. As a result, such occurrences could have a material and substantial adverse effect on the value of its business and its share price.

Political instability may adversely affect the business of the Company

The operations of the Company in the DRC may be subject to the effects of political changes, civil conflict and war, changes in governmental policy, the uncertainty of the DRC legal system, lack of law enforcement and labour unrest. The DRC is an impoverished country with physical and institutional infrastructure which is in a debilitated condition. The eastern regions of the DRC (particularly in the Kivu region) have undergone civil unrest and instability that may have an impact on political, social or economic conditions in the DRC generally and there is a potential for this civil unrest to escalate. Any such changes are beyond the control of the Company and may adversely affect its business. The plantations operated by the Company are a minimum distance of 1,000 km away from the Kivu region.

Given the frequency of cabinet reshuffling in the DRC, the Company may also encounter difficulties maintaining consistent relationships with applicable ministries. Furthermore, in the event of a change in government, the current trend towards privatization may revert back to state-owned operations and consequential rescinding of agreements.

Political bureaucracy may impede the progress of the business

The lengthy political process of local, regional and national bureaucracy in the DRC may hinder the Company's goal of rapidly expanding its business. For example, local level

political bureaucracy may impede the progress of entering into land leasing agreements with local landowners. In addition, non-governmental organization ("NGO") pressure and influence over government decisions and initiatives may have a detrimental impact on the operations of the Company.

A lack of infrastructure in the DRC may adversely affect the business of the Company

Certain areas of the DRC and across Africa lack basic infrastructure, including transport and communications. As a consequence, the Company will need to invest in building and maintaining its own network of roads and satellite-based communications systems, which may require significant financing and obtaining any necessary governmental approvals, neither of which can be assured. The inability to build such roads and establish appropriate communications systems may have an adverse effect on the operations of the Company and prevent the Company from achieving its stated business objectives.

The Company is going through a period of major transition

The expansion of the Company's operations may place a significant strain on its managerial, operational and financial resources. The ability to manage future growth will depend on the Company's ability to continue to implement and improve operational, financial and management information systems on a timely basis and to train, motivate and manage an enlarged workforce and its ability to integrate its existing workforce with that of any business that the Company may acquire.

The Company will also need to strengthen its internal controls as it continues to expand its business. Should it fail to take the above-noted measures, the Company may not be able to implement its strategies or to manage its growth effectively, and the business, financial condition and results of operations could be materially and adversely affected.

The Company has discontinued the arable farming operations and is reviewing its options with regards its future.

The Company has a lack of profitability; access to capital may be limited

PHC has generated operating losses for the past several years. The Company has not earned any profits to date and has reported negative operating cash flow in its most recently completed financial year. There is no assurance that the Company will earn any profits in the future or generate positive cash flow, or that profitability, if achieved, will be sustained. If the Company is not able to achieve profitability or generate positive cash flow, it will require additional capital in the future and no assurance can be given that such capital will be available at all or available on terms acceptable to the Company. Furthermore, if the Agriculture Law is interpreted by the DRC government to apply to the existing concession rights held by the Company, it could affect the ability of the Company to attract capital if required.

Failure to obtain such capital could affect the Company's plans for growth, or result in it being unable to satisfy its obligations as they become due, either of which could have a material adverse effect on the Company's business and financial condition. If the Company is unable to obtain additional financing as needed, it may be required to reduce the scope of its operations or anticipated expansion, and pursue only those development

plans that can be funded through cash flows generated from its existing operations. If the Company is unable to achieve profitability and have sustainable positive cash flows, prospective investors could experience a decrease in the value of their investment.

Borrowing Risks and Loan Default

The DFI Debt Facility imposes covenants and obligations on the part of the Company. In particular, the DFI Debt Facility contains certain covenants and representations and warranties, the breach of which could result in a default and the acceleration of maturity of the DFI Debt Facility, the lenders realizing on their security, or diminished availability of refinancing alternatives or an increase to the associated costs thereof. As at December 31, 2018 and the date of this MD&A the Company was in breach of the DFI Debt Facility's equity solvency ratio. The Company is in the process of revaluing the assets in PHC for reporting under local OHADA regulations. Subject to the completion and final audit of this valuation, the expectation is that it will cure the current covenant breach under the DFI Facility and the Company will no longer be in breach. The Company has not received written notice from the lenders that they will accelerate repayment of the DFI Debt Facility at this time and there is no assurance that the Company will be in compliance with covenants in the future due to unforeseen events of circumstances.

Fluctuations in currency exchange rates may adversely affect the financial condition of the Company

The Company's operating expenses are incurred in US dollars, Congolese francs, GBP and Euros. From time to time, the Company may borrow funds and incur capital expenditures that are denominated in foreign currency. In addition, any revenue generated from operations may be in currencies other than US dollars. Accordingly, foreign currency fluctuations may adversely affect the Company's financial position and results of operations.

Competition from other businesses may adversely affect the business of the Company

The Company will face competition from well-established and politically-aligned merchants and importers, who may oppose the import-substitution business model of the Company. In addition, the Company expects to face competition from other international businesses with political connections. With respect to the palm oil business specifically, the Company will be competing with Malaysian, Indonesian and Chinese companies in terms of imports and the development of new plantations within the DRC and Republic of the Congo. Some of these competitors have greater financial resources than the Company and, accordingly, may be in a better position to compete for future business opportunities. There can be no assurance that the Company will be able to compete effectively with these companies.

If the Company loses any of its key personnel, the operations and business may suffer

The Company will be heavily dependent upon its management team in relation to their expertise in the agricultural industry and the relationships cultivated by them with major customers and others. The departure, or otherwise loss of service, of any of the Company's senior management may materially and adversely affect its business, financial condition and results of operations.

The Company relies heavily on local labour in the DRC

The Company's heavy reliance on local labour in the PHC operations will provide the trade unions with strong bargaining positions. While the Company has good relations with its employees, these relations could be impacted by any changes in the scheme of labour relations. Adverse changes in such legislation may have a material adverse effect on the Company's business, results of operations and financial condition. Any prolonged labour disruption could also have an adverse effect on the Company's ability to achieve its objectives.

Reliance on two major customers makes the Company vulnerable

Reliance by the Company on two primary refining customers makes it vulnerable to aggressive price negotiations and potential altercations regarding contractual obligations. Although the Company has a good business relationship with its customers, there is no guarantee that the Company will be able to continue these relationships or enter into written agreements with them on terms acceptable to the Company or at all. The loss of these customers could have a detrimental impact on the Company's business, financial condition and results of operations.

The Company relies on the importation of machinery and other key items

The Company relies on the importation of machinery and other key items which are required for production, without the ability to substitute such imported items, if required, with locally-produced goods. As a result, in the event that the machinery or other key items cannot be imported into the DRC or be imported on a timely basis, there may be a detrimental impact on the business and operations of the Company.

If the Company is unable to protect its business relationships, the operations and business may suffer

The Company relies significantly on good relationships with regulatory or other governmental departments and NGOs. There can be no assurance that any existing relationships will continue to be maintained or new ones will be successfully formed and the Company may be adversely affected by changes to such relationships or difficulties in forming new ones.

The operations of the Company may be subject to environmental risks and hazards

The operations of the Company may be subject to certain environmental risks and hazards. For example, there may be a risk of chemical spills which are harmful to the workforce and the environment. In addition, there may be a risk of injury or damage from the mishandling of hazardous inputs. There is no assurance that future changes in environmental regulation, if any, will not adversely affect the Company's operations.

The Company may not be able to meets its expectations for the yields of the plantations

The success of the Company's business depends on the productivity of its plantations and its ability to realize yields at estimated levels. Yields depend on a number of factors, many of which may be beyond the control of the Company, including weather, climate and soil

conditions, as well as damage by disease, pests and other natural disasters. The ability of the Company to maintain its yields will depend on these factors, and in particular the weather, climate and soil conditions for additional plantations that the Company may obtain in the future. If the Company cannot achieve yields at expected levels, the business, financial condition and results of operations may be materially and adversely affected. See also below under "Risks Relating to the Industry" regarding risks applicable to the agricultural industry in general.

Any outbreak of severe communicable diseases may materially affect the Company's operations and business

An outbreak of a communicable disease such as ebola virus disease, influenza A, severe acute respiratory syndrome or avian flu, may potentially result in a quarantine of infected employees and related persons, and if uncontrolled, may affect the operations and business of the Company. In addition, HIV/AIDS, malaria and other diseases are a major healthcare challenge in the DRC. There can be no assurance that the Company will not lose workforce hours or incur increased medical costs, which may have an adverse effect on the operations of the Company.

Risks Relating to the Industry

Agricultural production by its nature contains elements of risks and uncertainties

As an agriculture company, adverse weather conditions represent a significant operating and financial risk to the Company, affecting the quality and quantity of production and the levels of farm inputs. See above under "Key Factors Affecting the Company's Business" for additional details regarding the significance of weather conditions to the Company.

Agricultural production is also subject to other significant operational risks and uncertainties which may adversely affect the business and operations of the Company, including but not limited to the following: (i) any future climate change with a potential shift in weather patterns leading to droughts and associated crop losses; (ii) potential insect, fungal and weed infestations resulting in crop failure and reduced yields; and (iii) wild and domestic animal conflicts and crop-raiding.

The Company may also encounter difficulties with the importation of agro-inputs and securing a supply of spares and maintenance items. In the event of a delay in the delivery from suppliers of agro-inputs and machinery, the Company may be unable to achieve its production targets.

A shift in commodity trends and demands will result in an associated change in prices

The price for products being produced by the Company will depend on available markets at acceptable prices and distribution costs. Any substantial decline in the price of the products being produced by the Company, or any increase in the agricultural production costs, processing, transportation or distribution costs may have an adverse effect on the business of the Company.

PHC is vulnerable to fluctuations in the world market

Fluctuations in the world market for vegetable oils is driven either by consumer demand or changes in biofuel directives from foreign central governments. Any decline in consumer demand or negative change in biofuel directives may have a material adverse effect on the operations of PHC.

Additional Risk Factors

Dividends

To date, the Company has not paid any dividends on its outstanding shares. The Company does not currently intend to pay any cash dividends on its Common Shares in the foreseeable future and therefore its shareholders may not be able to receive a return on their shares unless they sell them. The Company's current policy is to retain earnings to reinvest in the Company. Therefore, the Company does not anticipate paying cash dividends in the foreseeable future. The Company's dividend policy will be reviewed from time to time by the board of directors of the Company in the context of its earnings, financial condition and other relevant factors. Until the Company pays dividends, which it may never do, its shareholders will not be able to receive a return on its Common Shares unless they sell them.

MANAGEMENT'S REPORT ON INTERNAL CONTROLS

Disclosure controls and procedures

Disclosure controls and procedures ("DCP") have been designed to provide reasonable assurance that all material information related to the Company is identified and communicated on a timely basis. Management of the Company, under supervision of the Chief Executive Officer and the Chief Financial Officer, is responsible for the design and operation of disclosure controls and procedures and has evaluated the effectiveness of the Company's DCP and has concluded that they were effective as at December 31, 2018.

Internal control over financial reporting

The Company's internal control over financial reporting ("ICFR") is designed to provide reasonable assurance regarding the reliability of financial reporting and preparation of financial statements for external purposes in accordance with IFRS. However, due to inherent limitations, internal control over financial reporting may not prevent or detect all misstatements and fraud.

Control Framework

Management has used the Internal Control – Integrated Framework (2013 Framework) issued by the Committee of Sponsoring Organizations of the Treadway Commission ('COSO') in order to assess the effectiveness of the Company's internal control over financial reporting.

CHANGES IN INTERNAL CONTROL OVER FINANCIAL REPORTING

There have been no changes in the Company's internal control over financial reporting during the year ended December 31, 2018 that have materially affected, or are reasonably likely to materially affect, its internal control over financial reporting.

FORWARD-LOOKING STATEMENTS

Certain statements contained in this MD&A constitute "forward-looking statements". All statements other than statements of historical fact contained in this MD&A, including, without limitation, those regarding the Company's future financial position and results of operations, strategy, plans, objectives, goals and targets, future developments in the markets where the Company participates or is seeking to participate and any statements preceded by, followed by or that include the words "believe", "expect", "aim", "intend", "plan", "continue", "will", "may", "would", "anticipate", "estimate", "forecast", "predict", "project", "seek", "should" or similar expressions or the negative thereof, are forward-looking statements. These statements are not historical facts but instead represent only the Company's expectations, estimates and projections regarding future events. These statements are not guarantees of future performance and involve assumptions, risks and uncertainties that are difficult to predict. Therefore, actual results may differ materially from what is expressed, implied or forecasted in such forward-looking statements.

Additional factors that could cause actual results, performance or achievements to differ materially include, but are not limited to, the risk factors discussed herein under the section heading "Risks and Uncertainties". Management provides forward-looking statements because it believes they provide useful information to readers when

considering their investment objectives and cautions readers that the information may not be appropriate for other purposes. Consequently, all of the forward-looking statements made in this MD&A are qualified by these cautionary statements and other cautionary statements or factors contained herein, and there can be no assurance that the actual results or developments will be realized or, even if substantially realized, that they will have the expected consequences to, or effects on, the Company. These forward-looking statements are made as of the date of this MD&A and the Company assumes no obligation to update or revise them to reflect subsequent information, events or circumstances or otherwise, except as required by law.

The forward-looking statements in this MD&A are based on numerous assumptions regarding the Company's present and future business strategies and the environment in which the Company will operate in the future, including assumptions regarding expected crop yields, commodity prices, business and operating strategies, and the Company's ability to operate its production facilities and plantations on a profitable basis.

Some of the risks which could affect future results and would cause results to differ materially from those expressed in the forward-looking statements contained herein include: risks related to foreign operations (including various political, economic and other risks and uncertainties), the interpretation and implementation of the Agriculture Law, termination or non-renewal of concession rights or expropriation of property rights, political instability and bureaucracy, limited operating history, lack of profitability, lack of national infrastructure in the DRC, high inflation rates, limited availability of debt financing in the DRC, fluctuations in currency exchange rates, competition from other businesses, reliance on various factors (including local labour, importation of machinery and other key items and business relationships), the Company's reliance on two major customers, lower productivity at the Company's plantations, risks related to the agricultural industry (including adverse weather conditions, shifting weather patterns, and crop failure due to infestations), a shift in commodity trends and demands, vulnerability to fluctuations in the world market, the lack of availability of qualified management personnel and stock market volatility.