



**FERONIA INC.
INTERIM MANAGEMENT'S DISCUSSION AND ANALYSIS
QUARTERLY HIGHLIGHTS
FOR THE THREE AND NINE MONTHS ENDED SEPTEMBER 30, 2019**

November 29, 2019

This Management's Discussion and Analysis ("MD&A") has been prepared in compliance with section 2.2.1 of Form 51-102F1, in accordance with National Instrument 51-102 – Continuous Disclosure Obligations. This MD&A should be read in conjunction with the unaudited consolidated interim financial statements and accompanying notes for the three and nine months ended September 30, 2019 of Feronia Inc. ("Feronia" or the "Company").

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 U.S. dollars (\$) unless otherwise stated and have been prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board.

The Company now reports EBITDA (earnings before deducting interest, taxes, depreciation and amortization) and EBITDA per share as, whilst both are non-GAAP measures, the Company believes that EBITDA is useful additional information to management, the Board and investors as it provides an indication of the operational results generated by its business activities prior to taking into consideration how those activities are financed and taxed and also prior to taking into consideration asset depreciation and amortization and it excludes items that could affect the comparability of our operational results and could potentially alter the trends analysis in business performance. Excluding these items does not necessarily imply they are nonrecurring, infrequent or unusual. EBITDA is also used by some investors and analysts for the purpose of valuing a company. Investors are cautioned that EBITDA should not be construed as an alternative to operating earnings or net earnings determined in accordance with IFRS as an indicator of the Company's financial performance or as a measure of the Company's liquidity and cash flows. EBITDA does not take into account the impact of working capital changes, capital expenditures, debt principal reductions and other sources and uses of cash, which are disclosed in the consolidated statements of cash flows.

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 in Lokutu, Yaligimba and Boteka. Feronia acquired its interest

in PHC from Unilever in 2009 and currently owns 76.2% of PHC's shares, with the remaining 23.8% 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.

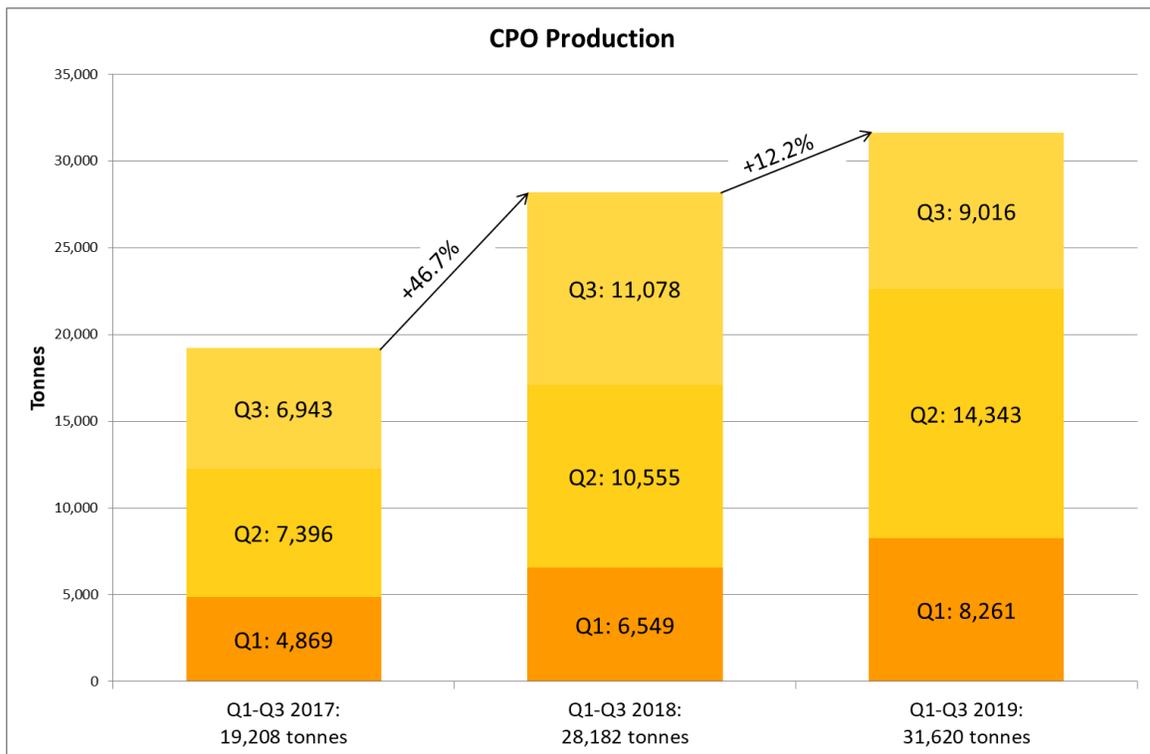
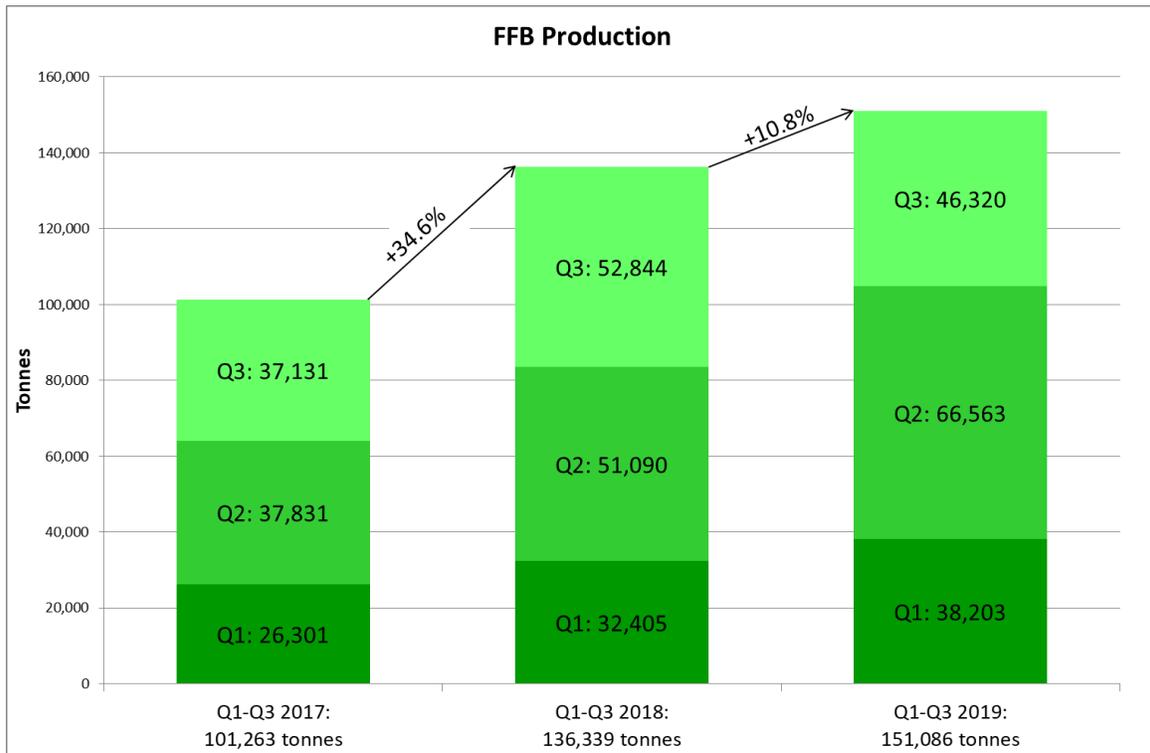
OPERATIONS - BUSINESS PERFORMANCE

Q3 and Q1-Q3 2019 Performance and Recent Developments

For the three months ended September 30, 2019 ("Q3 2019"), the Company processed 46,320 tonnes of fresh fruit bunches ("FFB") and produced 9,016 tonnes of CPO, representing decreases in production as compared to the three months ended September 30, 2018 ("Q3 2018") of 12.3% and 18.6%, respectively.

For the nine months ended September 30, 2019 ("Q1-Q3 2019"), the Company processed 151,086 tonnes of FFB and produced 31,620 tonnes of CPO, representing increases in production as compared to the nine months ended September 30, 2018 ("Q1-Q3 2018") of 10.8% and 12.2%, respectively.

The following charts show key data relating to PHC's operations for Q3 2019 and Q1-Q3 2019:



The year-on-year decrease in FFB for Q3 2019, when compared to Q3 2018 is largely the result of capacity constraints at Lokutu and Boteka and low luminosity levels at Lokutu and Yaligimba impacting the ripening of fruit.

The increase in FFB production for Q1-Q3 2019, when compared to Q1-Q3 2018 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 decrease in CPO production for Q3 2019 when compared to Q3 2018, is the result of a decrease in the amount of FFB processed in the quarter along with a reduced oil extraction rate ("OER").

The increase in CPO production for Q1-Q3 2019, when compared with Q1-Q3 2018, is the result of an increase in the amount of FFB processed during the nine months 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.

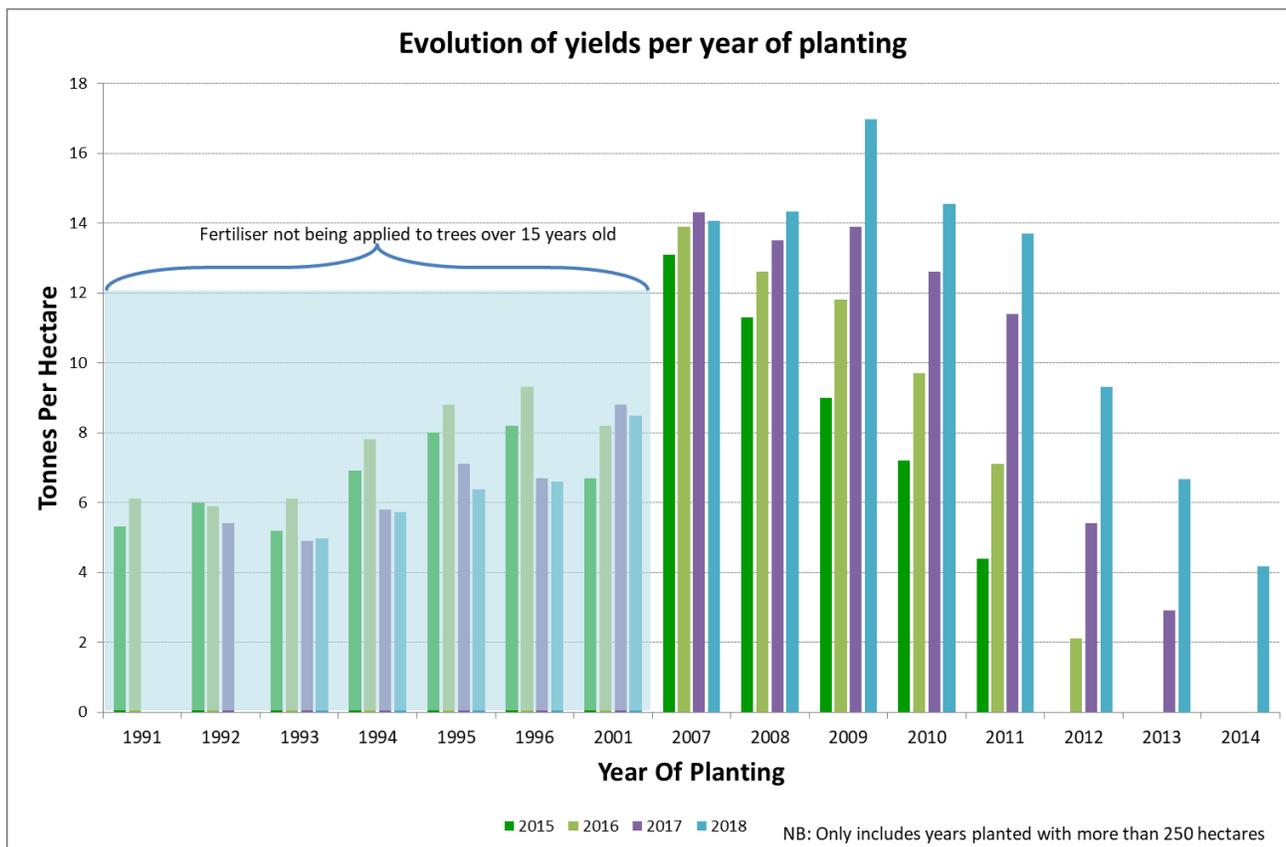
The OER for Q3 2019 was 19.5% (Q3 2018: 21.0%) and for Q1-Q3 2019 was 20.9% (Q1-Q3 2018: 20.6%).

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 by March 31, 2020.

The following table shows PHC's plantation profile as at September 30:

| | Total as at September 30 | | |
|-------------------------------|---------------------------------|---------------|---------------|
| | 2017 | 2018 | 2019 |
| Plantations (Hectares) | | | |
| Immature | | | |
| Year 0 | - | - | - |
| Year 1 | - | - | 80 |
| Year 2 | 3,763 | - | - |
| Year 3 | 3,739 | 3,763 | - |
| | 7,502 | 3,763 | 80 |
| Producing | | | |
| New mature (4-5 years) | 6,799 | 6,614 | 7,502 |
| Young mature (6-9 years) | 5,293 | 7,774 | 9,936 |
| Mature (10-19 years) | 1,362 | 2,805 | 3,488 |
| Old (20-25 years) | 3,227 | 2,546 | 1,430 |
| | 16,681 | 19,739 | 22,356 |
| Total Planted | 24,183 | 23,502 | 22,436 |

The net year-on-year increase in producing hectares between Q3 2018 and Q3 2019 of 2,617 ha is the result of 3,763 ha of young oil palms coming into production in Q1 2019 and 1,146 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 8 and 18 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 may have an adverse impact on reported average FFB calculations.

Average yields per hectare are also further skewed by:

1. 17,428 ha of oil palms, representing 78% of producing hectares, being low yielding, new mature and young mature oil palms in the age range of 4 to 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 on a full time equivalent basis, all in regions of the country with few other significant sources 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.

FINANCIAL PERFORMANCE – Three and nine months ended September 30, 2019

Operating Profit (Loss)

| Expressed in thousands of US dollars | Three months ended September 30 | | | Nine months ended September 30 | | |
|---|------------------------------------|---------|----------|-----------------------------------|----------|----------|
| | 2019 | 2018 | % Change | 2019 | 2018 | % Change |
| Revenue | 7,714 | 6,881 | 12% | 23,660 | 19,869 | 19% |
| Cost of sales | (4,421) | (3,356) | 32% | (14,971) | (12,031) | 24% |
| Gross income | 3,292 | 3,525 | (7%) | 8,689 | 7,839 | 11% |
| Expenses | | | | | | |
| Selling, general and administrative | (5,040) | (3,120) | 62% | (10,736) | (9,471) | 13% |
| Other income/(losses) | 164 | (88) | (287%) | (541) | 273 | (298%) |
| Gain/(loss) on biological assets | (48) | (107) | (55%) | 132 | 231 | (43%) |
| Operating (loss) | (1,632) | 210 | (876%) | (2,456) | (1,129) | 118% |
| EBITDA | (422) | 1,336 | (132%) | 1,467 | 1,821 | (19%) |

The following table reconciles operating profit (loss) to EBITDA for the three and nine months ended September 30, 2019 and 2018:

| Expressed in thousands of US dollars | Three months ended September 30, | | • | |
|---------------------------------------|-------------------------------------|----------------|----------------|----------------|
| | 2019 | 2018 | 2019 | 2018 |
| Net (loss) | (2,926) | (2,247) | (5,137) | (5,768) |
| Income taxes | 62 | 37 | 289 | 295 |
| Depreciation and amortization | 1,210 | 1,126 | 3,923 | 2,950 |
| Finance costs and gain on derivatives | 1,232 | 2,420 | 2,392 | 4,345 |
| EBITDA | (422) | 1,336 | 1,467 | 1,821 |

Revenues for Q3 2019 were \$7,714,000, an increase of \$833,000 or 12% on revenues for Q3 2018 of \$6,881,000. The increase in revenue can largely be attributed to:

- CPO sales of \$7,270,000, an increase of \$534,000 or 8% on CPO sales for Q3 2018 (Q3 2018: \$6,736,000), made up of:
 - 11,265 tonnes of CPO sold in Q3 2019, being a 29% increase on the volume sold in Q3 2018 (Q3 2018: 8,750 tonnes); partially offset by
 - an 18% decrease in the average CPO price achieved in the quarter of \$645 per tonne compared to \$784 per tonne in Q3 2018.
- A 290% increase in PKO sales in Q3 2019 to \$245,000 (Q3 2018: \$63,000).

Total revenues for Q1-Q3 2019 were \$23,660,000, an increase of \$3,791,000 or 19% on revenues for Q1-Q3 2018 of \$19,869,000. The increase in revenue can largely be attributed to:

- CPO sales of \$21,611,000, an increase of \$2,894,000 or 15% on CPO sales for Q1-Q3 2018 (Q1-Q3 2018: \$18,717,000), made up of:
 - 31,713 tonnes of CPO sold in Q1-Q3 2019, being a 32% increase on the volume sold in Q1-Q3 2018 (Q1-Q3 2018: 24,101 tonnes); partially offset by
 - a 12% decrease in the average CPO price achieved in the period of \$681 per tonne compared to \$777 per tonne in Q1-Q3 2018.
- a 60% increase in PKO sales to \$1,374,000 in Q1-Q3 2019 (Q1-Q3 2018: \$857,000).

Cost of sales for Q3 2019 was \$4,421,000 (Q3 2018: \$3,356,000), an increase of \$1,065,000 or 32%. The increase was largely due to:

- a 29% increase in volumes of CPO sold.

Cost of sales for Q1-Q3 2019 was \$14,971,000 (Q1-Q3 2018: \$12,031,000), an increase of \$2,940,000 or 24%. The increase was largely due to:

- a 32% increase in volumes of CPO sold.

Selling, general and administrative costs for Q3 2019 of \$5,040,000 were \$1,920,000, or 62% higher than in Q3 2018 (Q3 2018: \$3,120,000). This was largely due to:

- a \$1,550,000 provision for taxes, including withholding tax, VAT and income tax, for the 2013, 2014 and 2015 tax years, which has been reintroduced as a result of a local tax authority assessment; and
- \$384,000 for employee redundancy costs including following the closure of the Group's London office.

Selling, general and administrative costs for Q1-Q3 2019 of \$10,736,000 were \$1,265,000, or 13% higher than in Q1-Q3 2018 (Q1-Q3 2018: \$9,471,000). This was largely due to:

- \$1,550,000 provision for taxes, including withholding tax, VAT and income tax, for the 2013, 2014 and 2015 tax years, which has been reintroduced as a result of a local tax authority assessment.

Other income/(losses) are largely a result of foreign exchange gains and losses which arose from movements in exchange rates between the U.S. dollar, Congolese Franc and British Pound. In Q3 2019, other income was \$164,000 (Q3 2018 other losses: \$88,000). In Q1-Q3 2019, other losses was \$541,000 (Q1-Q3 2018 other income: \$273,000).

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 average harvest based on the actual harvest for the first week of the following month. 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 Q3 2019 was \$48,000 (Q3 2018 loss: \$107,00) and for Q1-Q3 2019 the gain was \$132,000 (Q1-Q3 2018 gain: \$231,000). This relates to the change in the value of the CPO contained in the estimated ripe FFB on the oil palms as at September 30, 2019 and which would be harvestable in the first week of October 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 Q3 2019 was \$1,632,000, a decrease of \$1,842,000 or 876% on the operating income for Q3 2018 of \$210,000.

Operating loss for Q1-Q3 2019 was \$2,456,000, an increase of \$1,327,000 or 118% on the operating loss for Q1-Q3 2018 of \$1,129,000.

The Company has replanted 17,518 ha of new oil palms since 2010 of which 17,438 ha, or 99%, were producing in Q3 2019. These oil palms are currently low yielding, new mature and young mature oil palms in the age range of 4 – 9 years.

Young oil palms have a negative contribution to operating results, impact all key operating metrics, including cost of goods sold, and are a key factor in the current low margins. However, the portfolio of immature and young palms replanted since 2010 is the Company's core asset and the losses, which are in line with Company expectations, are expected to reverse as the oil palms mature and their yields increase.

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 Income and Costs

(Expressed in thousands of US dollars)

| | Three months ended September 30 | | | Nine months ended September 30 | | |
|-----------------------|------------------------------------|---------|-------------|-----------------------------------|---------|----------|
| | 2019 | 2018 | % Change | 2019 | 2018 | % Change |
| Finance Costs | (1,232) | (1,700) | (28%) | (4,392) | (4,961) | (12%) |
| Finance Income/(Cost) | 0 | (720) | (100%) | 2,000 | 616 | 225% |

Finance costs relate to the interest on debentures and the DFI Debt Facility. The decrease in costs in Q3 2019 compared to the same period in the prior year is due to more borrowing costs relating to capital projects being capitalised in Q3 2019 compared to Q3 2018.

Finance income/(cost) relate to gains and losses on the revaluation of derivatives embedded in convertible debentures.

Net Income/(Loss)

(Expressed in thousands of US dollars)

| | Three months ended September 30 | | | Nine months ended September 30 | | |
|----------|------------------------------------|---------|----------|-----------------------------------|---------|----------|
| | 2019 | 2018 | % change | 2019 | 2018 | % change |
| Net loss | (2,926) | (2,247) | 30% | (5,137) | (5,768) | (11%) |

Net losses for Q3 2019 were \$2,926,000, an increase of \$679,000 or 30% compared to the loss in Q3 2018 of \$2,247,000. This is the result of an increase in operating losses of \$1,842,000 and an increase in income tax expense of \$25,000, partially offset by a decrease in finance costs of \$468,000, a decrease in losses on derivatives of \$720,000.

Net losses for Q1-Q3 2019 were \$5,137,000, a decrease of \$632,000 or 11% compared to net losses in Q1-Q3 2018 of \$5,768,000. This is largely the result of an increase in operating losses of \$1,327,000, offset by a decrease in finance costs of \$569,000, an increase in gains on derivatives of \$1,384,000 and a decrease in income tax expenses of \$5,000.

Net Income (Loss) Attributable to Owners of the Parent

The net loss attributable to the Company for Q3 2019 was \$1,961,000 (Q3 2018 loss: \$1,747,000) which is equivalent to \$0.002 per share (Q3 2018 loss per share: \$0.004).

The net loss attributable to the Company for Q1-Q3 2019 was \$3,302,000 (Q1-Q3 2018: \$4,655,000) which is equivalent to \$0.005 per share (Q1-Q3 2018 loss per share: \$0.01).

Net Loss Attributable to Non-controlling Interests

The net loss attributable to non-controlling interests for Q3 2019 was \$965,000 (Q3 2018: \$501,000) which represent the share of losses attributable to the 23.8% and 20% holdings in PHC and Feronia's arable business respectively.

The net loss attributable to non-controlling interests for Q1-Q3 2019 was \$1,834,000 (Q1-Q3 2018: \$1,114,000) which represent the share of losses attributable to the 23.8% and 20% holdings in PHC and Feronia's arable business respectively.

COMPARISON OF FINANCIAL CONDITION

The following table provides a comparison of the Company's financial condition as at September 30, 2019 compared to December 31, 2018:

(Expressed in thousands of US dollars)

| | September 30 2019 | December 31 2018 | % Change |
|---------------------------|----------------------|---------------------|----------|
| Total current assets | 14,147 | 14,982 | (6%) |
| Total current liabilities | 70,481 | 65,918 | 7% |
| Net current liabilities | (56,334) | (50,936) | 11% |

| | | | |
|----------------------------|---------------|---------------|-----|
| Total shareholder's equity | 45,982 | 31,840 | 44% |
|----------------------------|---------------|---------------|-----|

The changes in financial condition largely reflect funds received pursuant to the Short Term Loan Facilities (as defined below) and Private Placement (as defined below).

CASHFLOWS AND LIQUIDITY

The cash balance net of overdraft facility as at September 30, 2019 was \$986,000 compared to \$2,139,000 as at December 31, 2018. The decrease in the cash balance of \$1,153,000 was a result of net cash inflows from financing activities of \$20,233,000 and a decrease in working capital of \$2,494,000, offset by foreign exchange losses on currency translations of \$273,000, a net cash loss from operations (excluding non-cash items) of \$3,313,000, and capital expenditures of \$20,812,000.

The net cash inflows from financing activities relate to a \$1,093,000 overdraft facility and \$19,140,000 received pursuant to the Private Placement, which closed on May 31, 2019 (described below under "Liquidity and Capital Resources").

The decrease in working capital during Q1-Q3 2019 of \$2,494,000 (increase in Q1-Q3 2018: \$5,150,000) represents an increase in accounts receivable of \$5,000, an increase in inventory of \$808,000, an increase in accounts payable and accrued liabilities of \$2,679,000 and a decrease in prepayments of \$628,000.

Investing activities in Q1-Q3 2019 resulted in cash outflows of \$20,812,000 (Q1-Q3 2018: \$8,098,000).

LIQUIDITY AND CAPITAL RESOURCES

The Company recorded net cash outflows in operations and investing activities for Q3 2019.

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. The entirety of the \$49,000,000 DFI Debt Facility was drawn down in 2016 and 2017.

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 ("KKM") pursuant to which the Company agreed to complete a private placement of common shares of the Company. 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 issued a total of 121,819,444 common shares of the Company to KKM. A \$4,000,000 bridge loan advanced to the Company by the majority shareholder of KKM 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"), the UK Government's development finance institution, 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 of the Company at a conversion price of CDN\$0.275 per share.

At December 31, 2018 and March 31, 2019, 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 a covenant breach under the DFI Debt Facility relating to the equity solvency ratio which was largely due to the decrease in value of Congolese Franc towards the end of 2016. The Company has undertaken a revaluation of the assets in PHC for reporting under local OHADA regulations and, as a result, the Company was no longer in breach of the DFI Debt Facility covenant. As a result, as at June 30, 2019, the DFI Debt Facility was reclassified as a long term liability. On September 17, 2019 the Company announced that its operating subsidiary, Plantations et Huileries du Congo, did not make its scheduled semi-annual principal and interest payment of US\$4.2 million due September 14, 2019 under the DFI Debt Facility. Although the Company is currently in breach of the DFI Debt Facility agreement, it has not received written notice from the lenders advising that they will accelerate repayment of the DFI Debt Facility. The DFI Debt Facility has been reclassified as a current liability in the Company's Financial Statements.

On December 20, 2018, March 14, 2019 and May 21, 2019, the Company entered into unsecured subordinated short term loan facilities (the "Short Term Loan Facilities") for up to \$3,000,000, \$8,000,000 and \$1,500,000, respectively. As at March 31, 2019, an aggregate of \$9,500,000 had been advanced to the Company under the Short Term Loan Facilities by CDC and KN Agri LLC ("KN Agri"), the agricultural and food investment vehicle owned by funds that are managed by Kuramo Capital Management, LLC and Nile Capital Management, LLC. On May 21, 2019, CDC advanced a further \$1,500,000 to the Company bringing the total advanced under the Short Term Loan Facilities to \$11,000,000. KN Agri subsequently assigned its interest in the Short Term Loan Facilities to KKM. The Short Term Loan Facilities bore interest at a rate of 12% per annum and matured on May 31, 2019, subject to acceleration in certain circumstances.

On May 31, 2019, the Company completed a private placement (the "Private Placement") for \$19,311,507 of common shares of the Company issued to existing shareholders CDC, KKM and Golden Oil Holdings Limited ("GOHL") at an issuance price of CAD\$0.075 per share.

Based on a fixed exchange rate of CAD\$1.344:\$1.00 as set out in the applicable subscription agreements, the Company issued an aggregate of 346,062,202 common shares pursuant to the Private Placement, including 202,702,203 common shares issued in settlement of the Short Term Loan Facilities provided by KKM and CDC in the aggregate amount of approximately \$11,311,507 million. The balance of the cash proceeds from the Private Placement are being used for working capital purposes and to complete the construction of a new palm oil mill at Lokumete, which is expected to be completed at a remaining cost of approximately \$11 million by early 2020.

On October 28, 2019, the Company entered into a new unsecured subordinated short term loan facility for \$5 million (the "October Short Term Loan Facility") with CDC. The October Short Term Loan Facility bears interest at a rate of 4% per annum with an initial maturity date of November 29, 2019, subject to acceleration in certain circumstances.

On November 28, 2019, the Company entered into an additional short term loan facility for \$11 million (the "November Short Term Loan Facility") with CDC. The November Short Term Loan Facility bears interest at a rate of 4% per annum and matures on March 31, 2020, subject to acceleration in certain circumstances. In connection with entering into the November Short Term Loan Facility, the October Short Term Loan Facility was amended to mature on March 31, 2020, subject to acceleration in certain circumstances.

As of the date of this MD&A, an aggregate of \$11 million has been advanced to the Company under the October Short Term Loan Facility and the November Short Term Loan Facility by CDC. Funds advanced under the facilities will be used for working capital and other general corporate purposes whilst the Company seeks to strengthen its financial position.

It is management's view that current resources including funds drawn down to date from its various debt facilities and proceeds from its equity financings will not be sufficient to see the Group through to meet its ongoing operations. With the aim of remedying the Group's financial resources, management is reviewing various financial alternatives and is in ongoing discussions with its DFI Lenders and principal shareholders.

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.

OUTSTANDING SHARE DATA

As at September 30, 2019 and the date of this MD&A, the Company has 829,778,671 common shares issued and outstanding on a non-diluted basis.

As at September 30, 2019 and the date of this MD&A, the Company has issued and outstanding options exercisable into an aggregate of 531,761 common shares and deferred share units exercisable into an aggregate of 18,514,714 common shares.

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 895,900,397 common shares of the Company would be issued and outstanding on a fully diluted basis.

RELATED PARTY TRANSACTIONS

During the three months ended September 30, 2019, the Company paid \$89,375 in board fees to non-executive directors of the Company. During the nine months ended September 30, 2019, the Company paid \$313,949 in board fees to non-executive directors of the Company.

During the three months ended September 30, 2019, compensation paid or payable to key management for employee services totalled \$134,287. During the nine months ended September 30, 2019, compensation paid or payable to key management for employee services totalled \$599,042. Key management includes the Chief Executive Officer, the Chief Financial Officer, the Chief Operating Officer and the directors of the Company.

During the three and nine months ended September 30, 2019, the Company entered into the Short Term Loan Facilities with CDC and KKM, the October Short Term Loan Facility with CDC, the November Short Term Loan Facility with CDC and completed the Private Placement with CDC, KKM and GOHL (described above under "Liquidity and Capital Resources"). As at the date of this MD&A, each of CDC, KKM and GOHL beneficially own, or control or direct, directly or indirectly, voting securities of the Company carrying 10% or more of the voting rights attached to the common shares.

OUTLOOK

Despite showing strong year-on-year revenue and volume growth for the first nine months of the year, depressed market prices, extremely challenging operating conditions and delays in the execution of capital projects mean that a great deal of work is required to ensure the financial viability of the business.

In the longer term, it is vital that we reduce the cost of production and the completion of capital projects, such as the construction of the Lokumete mill, are essential to achieve this.

However, in the shorter term, significant additional funding is required to secure the Company's survival and ongoing development as a key employer and provider of palm oil in the Democratic Republic of the Congo.

As a result, the Company is exploring a number of strategic and financial options and is in detailed and ongoing discussions with its principal shareholders and lenders regarding future funding of the Company.

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. For a more comprehensive discussion of the risks faced by the Company, please refer to the Company's annual management's discussion and analysis for the year ended December 31, 2018, available at www.sedar.com

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.