FERONIA INC.
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE THREE MONTHS AND YEAR ENDED DECEMBER 31, 2019

May 22, 2020

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, 2019 and 2018 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 U.S. dollars ($) unless otherwise stated.

The Company now reports EBITDA (earnings before deducting interest, taxes, depreciation and amortization and impairment losses) 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 76.16% of PHC's shares, with the remaining 23.84% 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.

In September 2019, Feronia closed its London office and its key operational management are now based in the DRC.

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.

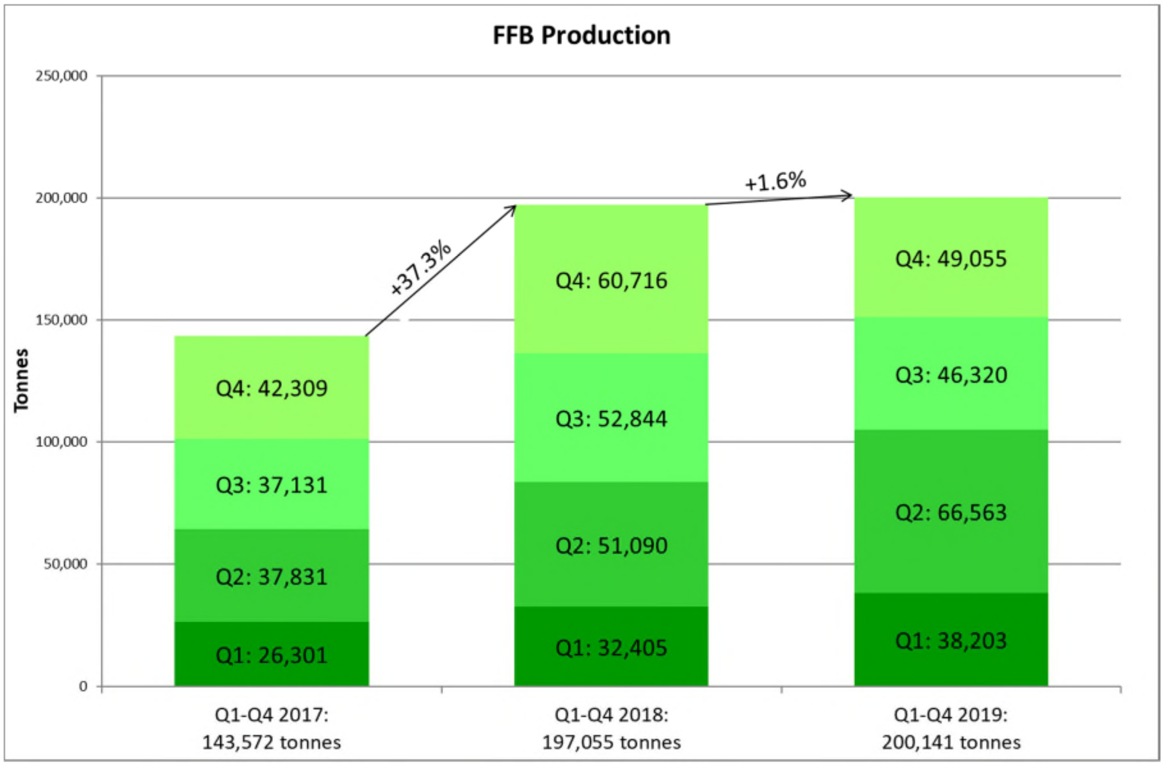
OPERATIONS - BUSINESS PERFORMANCE

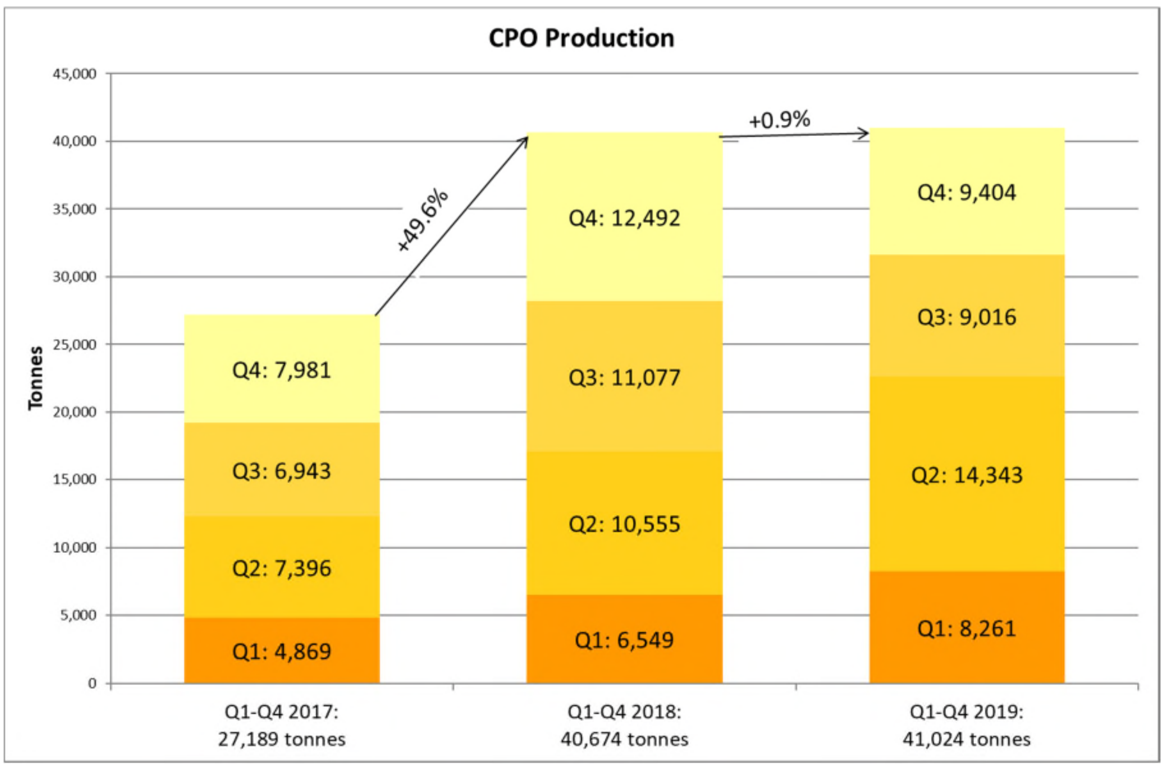
Q4 2019 and the year ended December 31, 2019 performance and recent developments

For the three months ended December 31, 2019 ("Q4 2019"), the Company processed 49,055 tonnes of fresh fruit bunches ("FFB") and produced 9,404 tonnes of CPO, representing decreases in production as compared to the three months ended December 31, 2018 ("Q4 2018") of 19.2% and 24.7%, respectively.

For the year ended December 31, 2019 ("FY2019"), the Company processed 200,141 tonnes of FFB and produced 41,024 tonnes of CPO, representing increases in production as compared to the year ended December 31, 2018 ("FY2018") of 1.6% and 0.9%, respectively.

The following charts show key data relating to PHC's operations for FY 2019:


FFB Production
Tonnes
250,000
200,000
150,000
100,000
50,000
0
+37.3%
+1.6%
Q4: 42,309
Q3: 37,131
Q2: 37,831
Q1: 26,301
Q4: 60,716
Q3: 52,844
Q2: 51,090
Q1: 32,405
Q4: 49,055
Q3: 46,320
Q2: 66,563
Q1: 38,203
Q1-Q4 2017: 143,572 tonnes
Q1-Q4 2018: 197,055 tonnes
Q1-Q4 2019: 200,141 tonnes


CPO Production
Tonnes
45,000
40,000
35,000
30,000
25,000
20,000
15,000
10,000
5,000
0
+49.6%
+0.9%
Q4: 7,981
Q3: 6,943
Q2: 7,396
Q1: 4,869
Q4: 12,492
Q3: 11,077
Q2: 10,555
Q1: 6,549
Q4: 9,404
Q3: 9,016
Q2: 14,343
Q1: 8,261
Q1-Q4 2017: 27,189 tonnes
Q1-Q4 2018: 40,674 tonnes
Q1-Q4 2019: 41,024 tonnes

The year-on-year decrease in FFB for Q4 2019, when compared to Q4 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 marginal increase in FFB production for FY 2019, when compared to FY 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, offset by capacity constraints at Lokutu and Boteka and low luminosity levels at Lokutu and Yaligimba impacting the ripening of fruit in the second half of the year.

The decrease in CPO production for Q4 2019 when compared to Q4 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 marginal increase in CPO production for FY 2019, when compared with FY2018, is the result of an increase in the amount of FFB processed during the first half of the year, largely offset by a decrease in the amount of FFB processed in the second half of the year due to capacity constraints at Lokutu and Boteka and low luminosity levels at Lokutu and Yaligimba impacting the ripening of fruit.

The OER for Q4 2019 was 19.2% (Q4 2018: 20.6%) and for FY 2019 was 20.5% (FY 2018: 20.6%).

Installation of the new fibre boiler and turbine at Boteka was completed in July 2018 and we have now completed 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 the second half of 2020, subject to any unforeseen delays resulting from the current Covid-19 global pandemic.

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

	Total as at December 31		
	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 Q4 2018 and Q4 2019 of 2,617 ha is the result of 3,763 ha of young oil palms coming into production in the three months ended March 31, 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 8,000 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") is a central pillar of Feronia's operations. The Company's 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 last three years ended December 31:

Years ended December 31,(1)	**2019 ($)**	**2018 ($)**	**2017 ($)**
Operating Results			
Revenue	29,654,359	29,121,951	21,109,178
Net loss from continuing operations attributable to owners of the parent	(69,218,026)	(4,484,276)	(12,663,178)
Loss from discontinued operation	-	-	(608,341)
Loss per share from continuing operations attributable to owners of the parent			
Basic and Diluted	(0.10)	(0.009)	(0.032)
Loss per share from discontinued operations			
Basic and Diluted	-	-	(0.002)
Financial Position			
Total assets	52,945,337	109,710,397	105,358,386
Total non-current financial liabilities	8,511,983	11,952,356	10,477,396
Cash dividends declared per share	Nil	Nil	Nil
Weighted average shares outstanding	686,613,212	480,636,416	374,769,136

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, 2019

Operating Profit (Loss)

Expressed in thousands of US dollars	Three months ended December 31			Year ended December 31		
	2019	2018	% Change	**2019**	2018	% Change
Revenue	**5,995**	9,252	(35%)	**29,654**	29,122	2%
Cost of sales	**(6,159)**	(5,720)	8%	**(21,130)**	(17,751)	19%
Gross income	**(164)**	3,532	(105%)	**8,524**	11,371	(25%)
Expenses						
Selling, general and administrative	**(3,889)**	(3,692)	5%	**(14,625)**	(13,164)	11%
Other income/(losses)	**(112)**	(1,257)	(91%)	**(653)**	(984)	(34%)
Gain/(loss) on biological assets	**(145)**	(295)	(51%)	**(13)**	(64)	(80%)
Impairment charge	**(80,564)**	**-**	(100%)	**(80,564)**	**-**	(100%)
Operating (loss)	**(84,875)**	(1,712)	4,856%	**(87,331)**	(2,841)	2,974%
EBITDA	**(2,844)**	(539)	428%	**(1,377)**	1,282	(207%)

The following table reconciles operating profit (loss) to EBITDA for the three months and year ended December 31, 2019 and 2018:

Expressed in thousands of US dollars	**Three months ended December 31,**		Year ended December 31,	
	2019	2018	**2019**	**2018**
Net (loss)	**(86,036)**	(528)	**(91,173)**	(6,296)
Income taxes	**(136)**	16	**153**	311
Depreciation, amortization and impairment	**82,031**	1,174	**85,954**	4,123
Finance costs and gain on derivatives	**1,297**	(1,201)	**3,689**	3,144
EBITDA	**(2,844)**	(539)	**(1,377)**	1,282

Revenues for Q4 2019 were $5,995,000, a decrease of $3,258,000 or 35% on revenues for Q4 2018 of $9,252,000. The decrease in revenue can largely be attributed to:

- CPO sales of $5,549,000, a decrease of $3,088,000 or 36% on CPO sales for Q4 2018 (Q4 2018: $8,637,000), made up of:
  - 9,106 tonnes of CPO sold in Q4 2019, being a 23% decrease on the volume sold in Q4 2018 (Q4 2018: 11,778 tonnes); and
  - a 22% decrease in the average CPO price achieved in the quarter of $609 per tonne compared to $784 per tonne in Q4 2018, largely due to CPO quality issues in Q4 2019resulting in lower sale prices.
- A 37% decrease in PKO sales in Q4 2019 to $235,000 (Q4 2018: $374,000).

Total revenues for FY 2019 were $29,654,000, an increase of $532,000 or 2% on revenues for FY 2018 of $29,122,000. The increase in revenue can largely be attributed to:

- CPO sales of $27,160,000, a decrease of $194,000 or 1% on CPO sales for FY 2018 (FY 2018: $27,354,000), made up of:
  - 40,819 tonnes of CPO sold in FY 2019, being a 14% increase on the volume sold in FY 2018 (FY 2018: 35,879 tonnes); partially offset by
  - a 14% decrease in the average CPO price achieved in the period of $665 per tonne compared to $777 per tonne in FY 2018.
- a 31% increase in PKO sales to $1,610,000 in FY 2019 (FY 2018: $1,232,000).

Cost of sales for Q4 2019 was $6,159,000 (Q4 2018: $5,720,000), an increase of $439,000 or8%. The decrease was largely due to:

- a 23% decrease in volumes of CPO sold; offset by
- an increase in the cost of production.

Cost of sales for FY 2019 was $21,130,000 (FY 2018: $17,751,000), an increase of $3,379,000 or 19%. The increase was largely due to:

- a 14% increase in volumes of CPO sold; and
- an increase in the cost of production.

Selling, general and administrative costs for Q4 2019 of $3,889,000 were $197,000, or 5% higher than in Q4 2018 (Q4 2018: $3,692,000). This was largely due to:

- a $296,000 increase in provisions for taxes.

Selling, general and administrative costs for FY 2019 of $14,625,000 were $1,462,000, or 11% higher than in FY 2018 (FY 2018: $13,164,000). This was largely due to:

- a $1,734,000 increase in provisions for taxes; and
- a $403,000 increase in consultancy fees; partly offset by
- a $710,000 reduction in share-based payments, largely due to units being forfeited.

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 Q4 2019, other losses was $112,000 (Q4 2018 other losses: $1,257,000). In FY 2019, other losses was $653,000 (FY 2018 other loses: $984,000).

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 Q4 2019 was $145,000 (Q4 2018 loss: $295,00) and for FY 2019 the loss was $13,000 (FY 2018 loss: $64,000). 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, 2019 and which would be harvestable in the first week of January 2020.

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.

Impairment of Assets

As at December 31, 2019 the market capitalisation of the Company was less than the net book value of the Company which meant under IAS 36 para 12(d) there was an indicator of impairment at the year end which necessitated an impairment test for the Company. This entailed determining the Recoverable Amount of the Cash Generating Units ("CGU") (i.e. the higher of the Fair Value less Costs of Disposal or Value in Use of the plantations) and comparing it to the carrying amount of the CGU. If the carrying amount of CGU is higher than the recoverable amount, there will be an impairment charge to be booked in the income statement of the Company and if carrying amount is higher than the recoverable amount, there is no need to book the impairment charge in the income statement.

As per IAS 36, the recoverable amount is the higher of an asset's fair value less costs of disposal and it value in use. As there is no active offer made by any of shareholders or third parties to buy the Company and there is no other company operating which can be comparable working in the same environment as Feronia, it is difficult to determine the fair value of the business. Hence the recoverable amount assessed using the "Value In Use" of the business. Value in use is the present value of the future cash flows expected to be derived from the CGU.

As at December 31, 2019 the carrying value of Company exceeds its estimated recoverable amount resulting in an impairment charge of $80,564,000 being recognised in the consolidated income statement in Q4 2019 and for FY2019. The recoverable amount of approximately $31,000,000 as at December 31, 2019 was calculated based on the future cash flows utilising the latest information available from budgets and management's estimates and assumptions. A long-term sales price of palm oil of $700 per tonne was used.

These projected cash flows were prepared in current dollars and discounted using a real discount rate of 12% representing the weighted average real cost of capital.

Operating loss for Q4 2019 was $84,875,000, an increase of $83,163,000 or 4,858% on the operating loss for Q4 2018 of $1,712,000.

Operating loss for FY 2019 was $87,331,000, an increase of $84,490,000 or 2,974% on the operating loss for FY 2018 of $2,841,000.

The Company has replanted 17,518 ha of new oil palms since 2010 of which 17,438 ha, or 99%, were producing in Q4 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 December 31**			**Year ended December 31**		
	2019	**2018**	**% Change**	**2019**	**2018**	**% Change**
Finance Costs	**(1,297)**	(1,695)	(23%)	**(5,689)**	(6,656)	(15%)
Finance Income/(Cost)	**-**	2,896	(100%)	**2,000**	3,512	(43%)

Finance costs relate to the interest on debentures and the DFI Debt Facility. The decrease in costs in FY 2019 compared to FY 2018 is due to more borrowing costs relating to capital projects being capitalised in FY 2019 than in FY 2018. As at December 31, 2019, $242,000 of debenture interest and $3,950,000 of repayment under the DFI Debt Facility were overdue for payment.

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 December 31**			**Year ended December 31**		
	2019	**2018**	**% change**	**2019**	**2018**	**% change**
Net loss	**(86,036)**	(528)	16,195%	**(91,173)**	(6,296)	1,348%

Net losses for Q4 2019 were $86,036,000, an increase of $85,509,000 or 16,195% compared to the loss in Q4 2018 of $528,000. This is the result of an increase in operating losses of $83,163,000 and a decrease in gain on derivatives of $2,896,000, partially offset by a decrease in finance costs of $398,000 and a decrease in income tax expense of $152,000.

Net losses for FY 2019 were $91,173,000, an increase of $84,877,000 or 1,348% compared to net losses in FY 2018 of $6,296,000. This is largely the result of an increase in operating losses of $84,490,000 and a decrease in gain on derivatives of $1,512,000, partially offset by a decrease in finance costs of $967,000 and a decrease in income tax expense of $158,000.

Net Income (Loss) Attributable to Owners of the Parent

The net loss attributable to the Company for Q4 2019 was $65,916,000 (Q4 2018 Income: $170,000) which is equivalent to $0.096 per share (Q4 2018 income per share: $0.001).

The net loss attributable to the Company for FY 2019 was $69,218,000 (FY 2018: $4,484,000) which is equivalent to $0.101 per share (FY 2018 loss per share: $0.009).

Net Loss Attributable to Non-controlling Interests

The net loss attributable to non-controlling interests for Q4 2019 was $20,121,000 (Q4 2018: $698,000) which represent the share of losses attributable to the 23.84% and 20% holdings in PHC and Feronia's former arable business, respectively.

The net loss attributable to non-controlling interests for FY 2019 was $21,955,000 (FY 2018: $1,812,000) which represent the share of losses attributable to the 23.84% and 20% holdings in PHC and Feronia's former arable business, respectively.

COMPARISON OF FINANCIAL CONDITION

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

(Expressed in thousands of US dollars)	**December 31 2019**	**December 31 2018**	% Change
Total current assets	**17,915**	**14,982**	20%
Total current liabilities	**85,313**	**65,918**	29%
Net current liabilities	**(67,398)**	**(50,936)**	32%
Total shareholder's equity	**(40,879)**	**31,840**	(228%)

The changes in financial condition largely reflect funds received pursuant to the Bridge Loan Facilities (as defined below), the Private Placement (as defined below) and Impairment of Assets (as discussed above).

SUMMARY OF QUARTERLY RESULTS

The following table provides summary financial data for the Company's last eight quarters ended December 31, 2019 as previously reported:

(Expressed in thousands of US dollars, except per share amounts)	**Dec 31 2019**	**Sep 30 2019**	**Jun 30 2019**	**Mar 31 2019**
Revenues	5,995	7,714	8,613	7,333
Net income (loss) attributable to owners of the parent	(65,916)	(1,961)	(777)	(564)
Net income (loss) per share attributable to owners of the parent – Basic	(0.096)	(0.002)	(0.001)	(0.001)
Net income (loss) per share attributable to owners of the parent – Diluted	(0.096)	(0.002)	(0.001)	(0.001)

	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	170	(1,747)	(2,329)	897
Net income (loss) per share attributable to owners of the parent – Basic	0.001	(0.004)	(0.005)	0.002
Net income (loss) per share attributable to owners of the parent – Diluted	0.001	(0.004)	(0.005)	0.002

Note:

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

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, 2019 was $3,380,000 compared to $2,139,000 as at December 31, 2018. The increase in the cash balance of $1,241,000 was a result of net cash inflows from financing activities of $34,753,000 , offset by foreign exchange loss on currency translations of $144,000, an increase in working capital of $1,756,000, a net cash loss from operations (excluding non-cash items) of $6,418,000, and capital expenditures of $25,194,000.

The net cash inflows from financing activities relate to $19,140,000 received pursuant to the Private Placement of common shares, which closed on May 31, 2019 (described below under "Liquidity and Capital Resources") and $16,000,000 received pursuant to Bridge Loan Facilities the Company entered into on October 28 and November 28, 2019 (described below under "Liquidity and Capital Resources").

The increase in working capital during FY 2019 of $1,756,000 (increase in FY 2018: $355,000) represents an increase in accounts receivable of $172,000, an increase in inventory of $605,000, an increase in prepayments of $927,000 and an increase in accounts payable and accrued liabilities of $52,000.

Investing activities in FY 2019 resulted in cash outflows of $25,194,000 (FY 2018: $20,034,000).

LIQUIDITY AND CAPITAL RESOURCES

The Company recorded net cash outflows in operations and investing activities for Q4 2019 and FY 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 "DFI Lenders"). 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 was 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 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 outstanding 12% convertible unsecured subordinated debentures (the "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 included reducing the conversion price of the 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. The Company did not make its scheduled semi-annual interest payment of CDN$321,780 due on December 31, 2019 on the Debentures and, therefore, are currently in breach of debt agreements. With the aim of improving its financial resources, management is in on-going discussions with its lenders and major shareholders and is reviewing various short- and long-term financial alternatives.

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 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 refinanced its existing convertible loan agreement with CDC Group plc ("CDC") by entering into a new convertible loan facility (the "New Convertible Loan") for the total amount outstanding under the previous loan of $5,141,182 (including principal and interest). The proceeds from the New Convertible Loan were used to repay all obligations of the Company under the 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 Convertible Loan is an unsecured non-revolving term loan which bears interest at a rate of 12% per annum and is convertible into common shares of the Company at a conversion price of CDN$0.275 per common 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. The Company's operating subsidiary PHC did not make its scheduled semi-annual principal and interest payment of $4,200,000 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 DFI 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 annual financial statements for the year ended December 31, 2019.

On December 20, 2018, March 14, 2019 and May 21, 2019, the Company entered into unsecured subordinated short-term loan facilities for up to $3,000,000, $8,000,000 and $1,500,000, respectively (the "Initial Bridge Loan Facilities"). As at March 31, 2019, an aggregate of $9,500,000 had been advanced to the Company under the Initial Bridge 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 Initial Bridge Loan Facilities to $11,000,000. KN Agri subsequently assigned its interest in the Initial Bridge Loan Facilities to KKM. The Initial Bridge Loan Facilities bore interest at a rate of 12% per annum and matured on May 31, 2019.

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 Initial Bridge 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 in the second half of 2020.

On October 28, 2019 and November 28, 2019 the Company entered into new unsecured subordinated short term loan facilities with CDC for up to $5,000,000 and $11,000,000 respectively (the "New Bridge Loan Facilities"). The New Bridge Loan Facilities bear interest at a rate of 4% per annum with an amended maturity date of June 30, 2020, subject to acceleration in certain circumstances. As at December 31, 2019, an aggregate of $16,000,000 had been advanced to the Company under the New Bridge Loan Facilities by CDC. On March 20, 2020, Feronia Maia entered into an unsecured subordinated short term loan facility with CDC for up to $4,500,000 (together with the Initial Bridge Loan Facilities and the New Bridge Loan Facilities, collectively the "Bridge Loan Facilities"), which bears interest at a rate of 4% per annum with a maturity date of June 30, 2020, subject to acceleration in certain circumstances.

As of the date of this MD&A, an aggregate of $20,500,000 has been advanced to the Company and remains outstanding under the Bridge Loan Facilities. 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.

There remains significant risk in the future cash flows, given the breaches of debt agreements noted above, and 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 cash flows.

As such KN Agri has agreed to provide the Group with an unsecured subordinated short-term loan facility for up to $15,000,000 of which $5,000,000 was advanced on May 21, 2020. In addition, Feronia Maia has entered into a non-binding term sheet with Straight KKM 2 Limited, an affiliate of KN Agri, to provide up to an additional $13,000,000 in debt financing, subject to various conditions precedent and execution of definitive loan documentation. If provided, such funds would be available in 2020 and 2021. As these additional financings will not meet the aggregate debt repayment requirements of the Group noted above, with the aim of remedying the Group's financial resources, management is reviewing various financial and restructuring alternatives which include taking the Company private or the ultimate dissolution of the Company.

These conditions indicate material uncertainty that 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.

RELATED PARTY TRANSACTIONS

During Q4 2019, the Company paid $88,750 in board fees to non-executive directors of the Company (Q4 2018: $108,125). During FY 2019, the Company paid $402,699 in board fees to non-executive directors of the Company (FY 2018: $392,917).

During Q4 2019, compensation paid or payable to key management for employee services totalled $306,841 (Q4 2018: $299,335). During FY 2019, compensation paid or payable to key management for employee services totalled $905,883 (FY 2018: $719,593). Key management includes the Executive Chairman, Chief Executive Officer, the Chief Financial Officer, the Chief Operating Officer, and the directors of the Company.

During the year ended December 31, 2019, the Company entered into the Initial Bridge Loan Facilities with CDC and KKM, completed the Private Placement with CDC, KKM and GOHL, and entered into the New Bridge Loan Facilities with CDC (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.

RELATED PARTY DISCLOSURES

The Company carried out the following transactions with related parties during the years ended December 31, 2019 and 2018:

Purchase of services:	**December 31, 2019**	**December 31, 2018**
Board fees	402,699	392,917
	402,699	**392,917**

The compensation paid or payable to key management for employee services is as follows:

Key management compensation

	December 31, 2019	**December 31, 2018**
Salaries and short-term employee benefits	905,883	719,593

Key management includes the Executive Chairman, Chief Executive Officer, the Chief Financial Officer, the Chief Operating Officer and the directors of the Company.

Change in fair value of share-based payments	**December 31, 2019**	**December 31, 2018**
Change in fair value of share-based payments	(328,628)	381,092

Payables to related parties

	December 31, 2019	**December 31, 2018**
Board of directors' fees	247,520	236,386

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

OUTLOOK

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.

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 DRC.

As such, we are extremely pleased that KN Agri has agreed to provide the Group with an unsecured subordinated short term loan facility for up to $15,000,000 of which $5,000,000 was advanced on May 21, 2020, and is negotiating additional financing for up to $13,000,000 which is expected to be committed in 2020 and 2021 subject to agreement on final terms. Nonetheless, as this financing will not meet the debt repayment requirements of the Group and with the aim of remedying the Group's financial resources, management is in detailed and ongoing discussions with its principal shareholders and lenders and is reviewing various financial and restructuring alternatives which include taking the Company private or the ultimate dissolution 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 829,778,671 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 the Debentures;
(ii) 30,346,921 common shares issuable upon conversion of the New Convertible Loan (using the Bank of Canada's daily exchange rate as at May 21, 2020);
(iii) 531,761 common shares issuable on the exercise of options; and
(iv) 18,514,714 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 Convertible Loan, an aggregate of 898,673,885 common shares will be issued and outstanding on a fully diluted basis.

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 landowners, 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.

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.

SUBSEQUENT EVENTS – COVID-19

Subsequent to year end, in March 2020 the World Health Organization characterized the outbreak of the novel strain of coronavirus, specifically identified as "COVID-19", as a global pandemic.

This has resulted in governments worldwide, including the Government of the Democratic Republic of the Congo, enacting emergency measures to combat the spread of the virus, which include the implementation of travel bans, self-imposed quarantine periods and social distancing in some areas.

At the current time, the remoteness of the Company's operations mean it is largely unaffected by either the pandemic or the measures in place to combat it. Nonetheless, the Company has put in place a number of its own measures to help protect its staff, their families and the communities around its operations, in the event that Covid-19 does spread and it continues to monitor the situation carefully.

As yet, the Company has not experienced any adverse impact on demand for, or the pricing of, its palm oil products, which are sold entirely in the DRC. However, as it is not possible to reliably estimate the length and severity of the global pandemic or the measures in place to combat it, there is significant uncertainty as to the impact this outbreak may have on the Company's supply chain, the ability for key management to travel both domestically and internationally, future demand and pricing for the Company's products and the potential impact on the financial results and condition of the Company for future periods.

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 discontinued the arable farming operations in 2017.

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 DFI Lenders realizing on their security, or diminished availability of refinancing alternatives or an increase to the associated costs thereof.

The Company’s operating subsidiary PHC did not make its scheduled semi-annual principal and interest payment of $4,200,000 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.

The Company did not make the scheduled semi-annual interest payment of CDN$321,780 due on December 31, 2019 on the Debentures. With the aim of improving its financial resources, management is in on-going discussions with its lenders and major shareholders and is reviewing various short and long term financial alternatives.

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, coronavirus (COVID-19), 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, 2019.

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, 2019 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.