FERONIA INC.

(formerly known as G.T.M. Capital Corporation)

CONSOLIDATED FINANCIAL STATEMENTS

DECEMBER 31, 2010 and 2009

(Expressed in United States Dollars)

FERONIA INC.

(formerly known as G.T.M. Capital Corporation)

CONSOLIDATED FINANCIAL STATEMENTS

DECEMBER 31, 2010 and 2009

(Expressed in United States Dollars)

INDEX	**PAGE**
Independent Auditors' Report	1
Consolidated Balance Sheets	2
Consolidated Statements of Operations, Comprehensive Loss and Deficit	3
Consolidated Statements of Cash Flows	4
Notes to the Consolidated Financial Statements	5 - 27

INDEPENDENT AUDITORS' REPORT

To the Shareholders of
Feronia Inc.

We have audited the accompanying consolidated financial statements of Feronia Inc. and its subsidiaries, which comprise the consolidated balance sheets as at December 31, 2010 and 2009, and the consolidated statements of operations, comprehensive loss and deficit and consolidated statements of cash flows for the years then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Consolidated Financial Statements
Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with Canadian generally accepted accounting principles and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility
Our responsibility is to express an opinion on these consolidated financial statements based on our audits. We conducted our audits in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion
In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of Feronia Inc. and its subsidiaries as at December 31, 2010 and 2009, and their financial performance and cash flows for the years then ended in accordance with Canadian generally accepted accounting principles.

McGOVERN, HURLEY, CUNNINGHAM, LLP

McGovern, Hurley, Cunningham, LLP

Chartered Accountants
Licensed Public Accountants

TORONTO, Canada
April 29, 2011

CONSOLIDATED BALANCE SHEETS
(Expressed in United States Dollars)

	December 31, 2010 $	December 31, 2009 $
ASSETS		
CURRENT		
Cash	8,907,686	477,617
Accounts receivable (Note 4)	291,153	417,480
Prepaid expenses and deposits	990,337	280,788
Inventory (Note 5)	1,221,900	817,670
	11,411,076	1,993,555
NON CURRENT		
Property and equipment (Note 6)	11,075,220	6,223,702
	22,486,296	8,217,257
LIABILITIES		
CURRENT		
Accounts payable and accrued liabilities (Notes 7, 13 and 14)	3,414,815	2,926,725
Employee incentive liability (Note 9)	194,063	269,385
	3,608,878	3,196,110
NON CURRENT		
Employee incentive liability (Note 9)	6,142,038	7,488,115
Future tax liability (Note 10 (b))	837,835	837,835
	10,588,751	11,522,060
SHAREHOLDERS' EQUITY / (DEFICIENCY)		
Capital stock (Note 12 (b))	27,170,548	3,498,024
Contributed surplus (Note 12 (c))	1,211,673	4,590,277
Warrants (Note 12 (e))	3,056,649	-
Deficit	(19,541,325)	(11,393,104)
	11,897,545	(3,304,803)
	22,486,296	8,217,257

COMMITMENTS AND CONTINGENCIES (Note 14)
SUBSEQUENT EVENTS (Note 17)

APPROVED ON BEHALF OF THE BOARD BY:

"Ravi Sood", Director   "James Siggs", Director

See accompanying notes to the consolidated financial statements.

CONSOLIDATED STATEMENTS OF OPERATIONS, COMPREHENSIVE LOSS AND DEFICIT

(Expressed in United States Dollars)

	Year ended December 31, 2010 $	Year ended December 31, 2009 $
REVENUE	3,905,202	1,438,936
COST OF SALES	2,348,362	1,178,464
GROSS MARGIN	1,556,840	260,472
EXPENSES		
General and operating expenses (Note 13)	2,345,935	1,644,335
Stock-based compensation (Note 12 (c))	1,239,673	-
Salaries and wages	922,609	220,685
Professional fees	2,137,322	346,791
Foreign exchange loss (gain)	250,595	(794,106)
Interest and bank charges (Note 13)	92,861	15,146
Interest (received)	(23,961)	(305)
Other operating (income) expense	(511,747)	37,045
Loss on disposal of assets	32,105	-
Amortization	133,309	33,608
	6,618,701	1,503,199
Loss before the under-noted	5,061,861	1,242,727
Foreign exchange (gain) from currency translation	(43,583)	(935,022)
Costs for capital transactions (Note 1)	1,343,940	-
Excess of purchase price over fair value of assets acquired (Note 3)	-	10,569,288
Loss before income taxes	6,362,218	10,876,993
Income tax expense (recovery) (Note 10)	167,036	(4,712)
NET LOSS AND COMPREHENSIVE LOSS FOR THE YEAR	6,529,254	10,872,281
Deficit, beginning of year	11,393,104	520,823
Excess of the value of shares issued in exchange for land (Note 12(b)(ii))	1,618,967	-
Deficit, end of year	19,541,325	11,393,104
NET LOSS PER SHARE - basic	0.09	0.70
- diluted	0.09	0.70
WEIGHTED AVERAGE NUMBER OF SHARES	73,744,930	15,422,725

See accompanying notes to the consolidated financial statements.

CONSOLIDATED STATEMENTS OF CASH FLOWS
(Expressed in United States Dollars)

	Year ended December 31, 2010 $	Year ended December 31, 2009 $
CASH FLOWS USED IN OPERATING ACTIVITIES:		
Net loss for the year	(6,529,254)	(10,872,281)
Charges not involving cash:		
Write off excess of purchase price over fair value of assets acquired	-	10,569,288
Stock-based compensation	1,239,673	-
Value of shares issued for settlement of debt (Note 12 (b)(i))	49,000	-
Accrued interest (Note 8)	38,794	-
Unrealized gain on foreign exchange	(43,584)	(935,022)
Loss on disposal of assets	32,105	-
Amortization	133,309	33,608
`	(5,079,957)	(1,204,407)
Changes in non-cash working capital balances:		
Decrease / (increase) in accounts receivable	126,327	(333,477)
(Increase) in prepaid expenses and deposits	(709,549)	(75,726)
(Increase) / decrease in inventory	(404,230)	360,952
(Decrease) in employee incentive liability	(1,421,399)	(1,219,530)
Increase / (decrease) in accounts payable and accrued liabilities	(331,909)	(301,089)
Cash flows used in operating activities	(7,820,717)	(2,773,277)
CASH FLOWS FROM FINANCING ACTIVITIES:		
Proceeds from shareholders' advances (Note 8)	1,112,915	3,912,919
Proceeds from promissory notes (Notes 8 and 12(iv))	3,347,640	-
Repayment of shareholders' advances (Note 8)	(112,915)	(684,055)
Share issue costs (Note 12(b)(vi))	(1,387,330)	-
Exercise of options (Note 12(b)(ix))	13,500	-
Issuance of shares for cash (Notes 12(b) (i), (iii), (xii) and (xiii))	16,825,706	3,994,182
Cash flows from financing activities	19,799,516	7,223,046
CASH FLOWS FROM INVESTING ACTIVITIES:		
Acquisition of property and equipment	(4,822,314)	(1,480,198)
Proceeds on sales of excluded property	1,230,000	-
Acquisition of PHC, net of cash acquired (Note 3)	-	(3,783,818)
Cash flows used in investing activities	(3,592,314)	(5,264,016)
Effect of foreign exchange on cash balances	43,584	935,022
Increase in cash	8,430,069	120,775
Cash, beginning of year	477,617	356,842
Cash, end of year	8,907,686	477,617
Interest paid	54,006	-
Income taxes paid	234,160	33,712
Shares issued in exchange of non-controlling interest and assets (Note 12(b)(ii))	2,223,586	-
Shares issued in settlement of shareholders' advances (Notes 12(b)(iv) (v), (x), (xi) and (xiv))	4,272,481	4,094,019
Broker warrants issued (Note 12 (b)(vi)	444,300	-

See accompanying notes to the consolidated financial statements.

1. NATURE OF OPERATIONS

Feronia Inc. (the "Company") operates through its subsidiaries in the business of agriculture, producing rice, palm oil and palm kernel oil in the Democratic Republic of Congo.

Feronia CI Inc. ("Feronia CI") was incorporated as "Feronia Inc." under the laws of the Cayman Islands by Memorandum and Articles of Association dated July 30, 2008.

The subsidiaries of Feronia CI, being Feronia JCA Limited ("Feronia JCA"), and Feronia Incorporated Services Limited, were incorporated under the laws of the Cayman Islands by Memorandum and Articles of Association dated June 5, 2009 and under the laws of England and Wales by the Memorandum and Articles of Association dated March 29, 2010, respectively.

On September 3, 2009, the Cayman Island subsidiaries acquired 76.17% of the shares of Plantations Et Huileries Du Congo S.C.A.R.L. ("PHC"), a private company incorporated under the laws of the Democratic Republic of Congo (Note 3).

Feronia PEK sprl., a private company incorporated under the laws of the Democratic Republic of Congo on October 1, 2010, is 80% owned by Feronia JCA.

Collectively, the Company and its subsidiaries referred to above are known as "the Company".

On September 9, 2010, the Company (formerly known as G.T.M. Capital Corporation ("GTM")), classified as a Capital Pool Company as defined in Policy 2.4 of the TSX Venture Exchange, completed the acquisition of all of the issued and outstanding securities of Feronia CI by way of exchange offer and merger. The Company was incorporated in the state of Wyoming on August 29, 2005, continued to Delaware on May 8, 2007, under Alberta law on March 31, 2008, and under Ontario law on August 18, 2010.

Immediately prior to the closing of the exchange offer, the common shares of the Company (the "Common Shares") were consolidated by a ratio of 3.5:1. As consideration for the acquisition of all of the outstanding securities of Feronia CI, the Company issued one Common Share for each one common share of Feronia CI and one warrant to purchase Common Shares for each one warrant to purchase common shares of Feronia CI.

Pursuant to the merger, Feronia CI changed its name from Feronia Inc. to Feronia CI Inc. On September 7, 2010, the Company changed its legal name to Feronia Inc.

In accordance with CICA EIC-10 the substance of the transaction is a capital transaction and was accounted for as a reverse takeover ("RTO"), with Feronia CI identified as the acquirer. In accordance with reverse take-over accounting, the balance sheet is a continuance of Feronia CI. The comparative figures presented in these consolidated financial statements are those of Feronia CI.

Based on the September 9, 2010 balance sheet of the Company, the estimated fair market value of the net assets / liabilities that were combined with Feronia CI and its subsidiaries were nil.

Related transaction costs amounting to $1,343,940 have been expensed.

The assets of the Company that are located in the Democratic Republic of Congo are subject to the risk of foreign investment, including increases in taxes and royalties, renegotiation of contracts, currency exchange fluctuations, legislative changes, political uncertainty and currency exchange fluctuations and restrictions.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

(a) Basis of preparation:
The accounting policies of the Company are in accordance with Canadian Generally Accepted Accounting Principles ("GAAP") and have been applied consistently with those of the previous year, except as outlined below. Outlined below are those policies considered particularly significant:

(b) Going concern:
These consolidated financial statements have been prepared in accordance with Canadian GAAP applicable to a going concern, which assume that the Company will continue in operation for the foreseeable future and will be able to realize its assets and discharge its liabilities in the normal course of operations. If the going concern assumption were not appropriate for these consolidated financial statements then adjustments would be necessary to the carrying values of assets and liabilities, the reported revenues and expenses, and the balance sheet classifications used. Such adjustments may be material.

(c) Use of estimates:
The preparation of consolidated financial statements in conformity with Canadian GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the consolidated financial statements and reported amounts of revenues and expenses during the reporting period. Such estimates and assumptions affect the carrying value of assets. Significant estimates made by the Company include;

- Valuation of goodwill (see Note 2 (e))
- Valuation of employee incentive liability (see Note 2 (q))
- Valuation of inventory (see Note 2 (f))
- Valuation of assets under construction (see Note 2 (g))
- Contingencies (see Note 14)
- Income taxes (see Note 2 (k))
- Allowance for doubtful accounts (see Note 2 (m))
- Stock-based compensation (see Note 12 (c))
- Warrants (see Note 12 (e))

The Company regularly reviews its estimates and assumptions; however, actual results could differ from these estimates and these differences could be material.

(d) Basis of consolidation:
The consolidated financial statements include the accounts of the Company and its subsidiaries. All material intercompany balances and transactions have been eliminated.

(e) Business acquisitions and goodwill:
Business acquisitions are accounted for using the purchase method and accordingly, the results of operations of the acquired business are included in the consolidated statements of operations effective from their respective dates of acquisition. Goodwill is the residual amount that results when the purchase price of an acquired business exceeds the sum of the amounts allocated to the fair value of identifiable assets acquired, less liabilities assumed, based on their fair values. Goodwill recorded on acquisition is not amortized, but is instead tested for impairment annually or more frequently if events or changes in circumstances indicate that goodwill may be impaired by comparing the fair value of a particular reporting unit to its carrying value. Any impairment loss will be charged against current period operations and shown as a separate item in the consolidated statement of operations, comprehensive loss and deficit.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(f) Inventory:

Finished goods are stated at the lower of average production cost and net realizable value. Production costs include materials, direct and indirect costs, including amortization of property and equipment.

Raw materials and supplies are valued at the lower of average cost and replacement cost.

When the circumstance that caused inventories to be written down below cost no longer exist or when there is clear evidence of an increase in net realizable value because of changed economic circumstances, the amount of the write-down is reversed.

(g) Property and equipment:

Property and equipment are recorded at cost less accumulated amortization. Amortization is provided at rates and periods designed to amortize the costs of the assets over their estimated useful lives as follows:

- Buildings: straight line basis over 33 years
- Plantations: straight line basis over 23 years (change from prior years' estimate of 33 years)
- Materials, furniture and equipment: straight line basis over 3 to 10 years
- Motor vehicles: straight line basis over 4 years

Assets under construction represent property and equipment under construction and is stated at cost. Cost comprises directly attributable costs of acquisition or construction, net of any income received towards the construction in progress. Assets under construction are not depreciated. Completed items are transferred from assets under construction to proper categories of property and equipment when they are ready for their intended use.

The recoverability of long-term assets is assessed when an event occurs indicating impairment. Recoverability is based on factors such as future asset utilization and the future undiscounted cash flows expected to result from the use or sale of the related assets. An impairment loss is recognized in the period when it is determined that the carrying amount of the asset will not be recoverable. At that time the carrying amount is written down to fair value. Fair value is the higher of value in use and the amount that would be received for the asset if it were sold in an arm's length transaction.

(h) Stock-based compensation:

The Company records compensation cost based on the fair value method of accounting for stock-based compensation. The fair value of stock options is estimated using the Black-Scholes option pricing model. The fair value of the options is recognized over the vesting period as compensation expense and contributed surplus. When options are exercised, the proceeds received, together with any related amount in contributed surplus, will be credited to capital stock. The fair value of shares issued as compensation is based on the market price of the shares. In the absence of a market for such shares, the fair value is estimated based on the value of the shares in the most recent transaction in which a value of the shares can be determined.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(i) Loss per share:

Basic loss per share is calculated using the weighted average number of shares outstanding. Diluted loss per share is calculated using the treasury stock method. In order to determine diluted loss per share, the treasury stock method assumes that any proceeds from the exercise of dilutive stock options and warrants would be used to repurchase shares at the average market price during the period, with the incremental number of shares being included in the denominator of the diluted loss per share calculation. The diluted loss per share calculation excludes any potential conversion of options and warrants that would decrease loss per share. For the years ended December 31, 2010 and 2009, all outstanding options and warrants were considered anti-dilutive and were therefore excluded from the diluted loss per share.

(j) Foreign currency translation:

The functional and reporting currency of the Company is the United States dollar. Transactions in foreign currencies are translated into the currency of measurement at the exchange rates in effect on the transaction date. Monetary balance sheet items expressed in foreign currencies are translated into United States dollars at the exchange rates in effect at the balance sheet date. The resulting exchange gains and losses are recognized in operations.

The Company's integrated foreign subsidiaries are financially and operationally dependent on the Company. The temporal method is used to translate the accounts of integrated operations into United States dollars. Monetary assets and liabilities are translated at the exchange rates in effect at the balance sheet date. Non-monetary assets and liabilities are translated at historical rates. Revenues and expenses are translated at average rates for the period, except for amortization, which is translated on the same basis as the related asset. The resulting exchange gains or losses are recognized in operations.

(k) Income taxes:

The Company follows the asset and liability method of accounting for income taxes. Under this method, future income tax assets and liabilities are determined based on differences between the financial statement carrying values and the income tax bases of assets and liabilities, and are measured using the enacted and substantively enacted income tax rates and laws that are expected to be in effect when the temporary differences are expected to reverse. The effect on future income tax assets and liabilities of a change in income tax rates is recognized in operations in the period that includes the date of enactment or substantive enactment of the change. When the future realization of income tax assets does not meet the test of being more likely than not to occur, a valuation allowance in the amount of the potential future benefit is taken and no net asset is recognized.

(l) Revenue recognition:

Revenue is earned through the sale of products to customers. Revenue is recognized once an order is placed, an invoice is prepared, risks and rewards of ownership have been transferred to the customer and collection of amounts invoiced is reasonably assured.

Revenue recognized is based on the fair value of the consideration received or receivable.

Rental income from buildings owned by the Company is recognized on an accrual basis.

(m) Allowance for doubtful accounts:

In assessing the valuation of allowance for doubtful accounts, management reviews the collectability of accounts receivable on an individual customer basis to determine if events such as subsequent collections, discussion with management of the debtor companies, or other activities lead to the conclusion to either increase or decrease the calculated allowance. Any increase or decrease to the allowance is expensed to the consolidated statement of operations in general and operating expenses.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(n) Financial instruments:

Financial assets and liabilities, including derivative instruments, are initially recognized and subsequently measured based on their classification as "held-for-trading", "available-for-sale" financial assets, "held-to-maturity", "loans and receivables", or "other financial liabilities". Held-for-trading financial instruments are measured at their fair value with changes in fair value recognized in operations for the period. Available for-sale financial assets are measured at their fair value and changes in fair value are included in other comprehensive income until the asset is removed from the balance sheet or until impairment is assessed as other than temporary. Held-to-maturity investments, loans and receivables and other financial liabilities are measured at amortized cost using the effective interest rate method. Derivative instruments, including embedded derivatives, are measured at their fair value with changes in fair value recognized in net income for the period, unless the instrument is a cash flow hedge and hedge accounting is applied, in which case changes in fair value are recognized in other comprehensive income / (loss).

(o) Comprehensive income / (loss):

Comprehensive income / (loss) composed of net income / (loss) and other comprehensive income (loss), is defined as the change in shareholders' equity from transactions and other events from non-owner sources. Other comprehensive income / (loss) ("OCI") includes unrealized gains and losses on available-for-sale securities and changes in the fair market value of derivatives designated as cash flow hedges, all net of related income taxes. The components of comprehensive income / (loss) are disclosed in the statement of operations and comprehensive income (loss). Cumulative changes in other comprehensive income / (loss) are included in accumulated other comprehensive income / (loss) ("AOCI") which is presented as a new category in shareholders' equity. For the years ended December 31, 2010 and 2009 comprehensive loss equals net loss.

(p) Asset retirement obligations:

The fair value of asset retirement obligations are recorded as liabilities on a discounted basis when they are incurred. Amounts recorded for the related assets are increased by the amount of these obligations. Over time, the liabilities will be accreted for the change in their present value and the initial capitalized costs will be depleted and amortized over the useful lives of the related assets. The Company did not have any material asset retirement obligations as at December 31, 2010 and 2009.

(q) Employee incentive liability:

The Company has an employee incentive plan covering substantially all of its employees in the Democratic Republic of Congo whereby the Company will pay a terminal bonus to all employees on reaching the age of 65, on retirement or on death. The employee incentive plan is unfunded. Employee incentive obligations are determined using the projected benefit method prorated on services and management's best estimate of assumptions as future salary levels or cost escalation will affect the amount of employee future benefits. Net periodic benefit cost, which is included in cost of sales and general and operating expenses in the consolidated statements of operations, represents the cost of benefits earned by employees as services are rendered. The cost reflects management's best estimates of the plans' wage and salary escalation, mortality of members, terminations and the ages at which members will retire. Changes in these assumptions could impact future employee incentive expense and such changes could be material.

(r) Cash:

Cash includes cash on hand and balances with banks in the United Kingdom and the Democratic Republic of the Congo.

(s) Comparative figures:

Certain comparative figures have been reclassified to conform to the presentation adopted in the current year.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(t) Future accounting changes:

(i) International Financial Reporting Standards ("IFRS"):

In January 2006, the CICA's Accounting Standards Board ("AcSB") formally adopted the strategy of replacing Canadian GAAP with IFRS for Canadian enterprises with public accountability. On February 13, 2008 the AcSB confirmed that the use of IFRS will be required in 2011 for publicly accountable profit-oriented enterprises. For these entities, IFRS will be required for interim and annual financial statements relating to fiscal years beginning on or after January 1, 2011. The Company has created an implementation team, consisting of internal resources and external consultants and is currently assessing the impact of IFRS on its consolidated financial statements.

(ii) Business combinations, consolidated financial statements and non-controlling interests:

In January 2009, the CICA issued Section 1582, Business Combinations, Section 1601, Consolidated Financial Statements, and Section 1602, Non-controlling interests, which replace Section 1581, Business Combinations and Section 1600, Consolidated Financial Statements. Section 1582 establishes standards for the accounting for business combinations that is equivalent to the business combination accounting standard under International Financial Reporting Standards ("IFRS"). Section 1582 is applicable for business combinations with acquisition dates on or after January 1, 2011. Early adoption of this section is permitted. Section 1601 together with Section 1602 establishes standards for the preparation of consolidated financial statements. Section 1601 is applicable for the Company's interim and annual consolidated financial statements for fiscal years beginning on or after January 1, 2011. Early adoption of this section is permitted. If the Company chooses to early adopt any one of these sections, the other two sections must also be adopted at the same time. The Company is currently assessing the impact of these new accounting standards on its consolidated financial statements.

(iii) Multiple deliverable revenue arrangements:

In December 2009, the CICA issued EIC 175 – "Multiple Deliverable Revenue Arrangements" replacing EIC 142 – "Revenue Arrangements with Multiple Deliverables". This abstract was amended to: (1) provide updated guidance on whether multiple deliverables exist, how the deliverables in an arrangement should be separated, and the consideration allocated; (2) require, in situations where a vendor does not have vendor-specific objective evidence ("VSOE") or third-party evidence of selling price, that the entity allocate revenue in an arrangement using estimated selling prices of deliverables; (3) eliminate the use of the residual method and require an entity to allocate revenue using the relative selling price method; and (4) require expanded qualitative and quantitative disclosures regarding significant judgments made in applying this guidance. The accounting changes summarized in EIC 175 are effective for fiscal years beginning on or after January 1, 2011, with early adoption permitted. Adoption may either be on a prospective basis or by retrospective application. If the Abstract is adopted early, in a reporting period that is not the first reporting period in the entity's fiscal year, it must be applied retroactively from the beginning of the company's fiscal period of adoption. The Company expects to adopt EIC 175 effective January 1, 2011. The Company is currently assessing the impact of this new accounting standard on its consolidated financial statements.

3. ACQUISITIONS

Reverse takeover
On September 9, 2010, the Company completed the acquisition of all of the issued and outstanding securities of Feronia CI by way of exchange offer and merger.

As consideration for the acquisition of all of the outstanding securities of Feronia CI, the Company issued one Common Share for each one common share of Feronia CI and one warrant to purchase Common Shares for each one warrant to purchase common shares of Feronia CI.

In accordance with CICA EIC-10 the substance of the transaction is a capital transaction and was accounted for as a reverse takeover ("RTO"), with Feronia CI identified as the acquirer.

Refer to Note 1.

Acquisition of Plantations et Huileries Du Congo S.C.A.R.L.
The shareholders of the Company entered into an agreement of purchase and sale dated September 3, 2009, whereby the Company acquired 76.17% of the issued and outstanding shares of PHC for Euro 2,650,000 ($3,854,551) in cash. This acquisition closed September 3, 2009. This acquisition is accounted for using the purchase method of accounting, with the Company being identified as the acquirer and PHC as the acquiree. In accordance with the purchase method of accounting, the purchase cost was provisionally allocated to the underlying assets acquired based on their fair values at the date of acquisition. On the completion of the acquisition, the Company determined that the purchase price exceeded the fair value of net assets acquired by $10,569,288 and has recorded this amount as a charge on the statement of loss and comprehensive loss.

The allocation of the purchase cost to assets and liabilities acquired is as follows:

Net Assets Acquired	**$**
Cash	70,733
Inventory	1,178,622
Prepaid expenses	171,889
Accounts receivable	84,003
Property and equipment	4,775,488
Accounts payable and accrued liabilities	(3,173,835)
Future tax liability	(837,835)
Employee incentive liability	(8,983,802)
	(6,714,737)
Consideration Paid	
Cash	3,854,551
Excess of purchase price over fair value of net assets acquired	10,569,288

The management of Feronia Inc. conducted due diligence on PHC and its assets and concluded that PHC was of strategic value to the Company. The Board of Directors of Feronia Inc. approved the acquisition of 76.17% of the issued and outstanding shares of PHC for Euro 2,650,000 ($3,854,551) which occurred on September 3, 2009. The excess of purchase price over fair value of net assets acquired is primarily the result of the recognition of the employee incentive liability as discussed in Note 9.

4. ACCOUNTS RECEIVABLE

	December 31, 2010 $	December 31, 2009 $
Trade receivables	291,153	267,480
Amounts recoverable on legal disputes	-	150,000
	291,153	417,480

5. INVENTORY

	December 31, 2010 $	December 31, 2009 $
(a) Finished goods	1,203,049	731,873
Write-down to net realizable value	(430,762)	(157,153)
	772,287	574,720
(b) Materials and supplies	622,274	268,605
Write-down to net realizable value	(172,661)	(25,655)
	449,613	242,950
Total inventory	1,221,900	817,670

As at December 31, 2010, $912,912 (2009 - $715,744) of inventory was recorded at net realizable value and $308,988 (2009 - $101,926) at cost.

Included in cost of sales is $1,744,939 (2009 - $995,656) of inventory expensed during the year ended December 31, 2010 and $603,423 (2009 - $182,808) of inventory written down during the year.

6. PROPERTY AND EQUIPMENT

	December 31, 2010		
	Cost $	Accumulated Amortization $	Net $
Land	2,662,481	-	2,662,481
Buildings held for resale	190,415	-	190,415
Plantations	1,207,354	37,521	1,169,833
Buildings	219,704	5,054	214,650
Materials, furniture and equipment	485,610	83,392	402,218
Motor vehicles	224,562	40,950	183,612
Assets under construction	6,252,011	-	6,252,011
	11,242,137	166,917	11,075,220

	December 31, 2009		
	Cost $	Accumulated Amortization $	Net $
Land	2,094,589	-	2,094,589
Buildings held for resale	190,415	-	190,415
Plantations	661,931	7,721	654,210
Buildings	86,073	966	85,107
Materials, furniture and equipment	346,895	16,443	330,452
Motor vehicles	97,678	8,478	89,200
Assets under construction	2,779,729	-	2,779,729
	6,257,310	33,608	6,223,702

7. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

	December 31, 2010 $	December 31, 2009 $
Accounts payable	945,240	1,015,796
Salary payable	608,894	358,182
Tax payable	332,908	281,225
Accrued liabilities	1,527,773	1,271,522
	3,414,815	2,926,725

8. SHAREHOLDERS' ADVANCES

On January 26, 2010, a subsidiary of the Company received a loan of $1,000,000 bearing interest at 12% and due in 18 months from a fund managed by a director of the Company. The loan was secured with the assets of PHC. Upon borrowing the $1,000,000, the Company issued 2,000,000 warrants exercisable into common shares at $0.25 per share for a period of two years (Note 12(e)(i)). On May 25, 2010, the Company assumed the loan and the holder of the loan agreed that, in full satisfaction of the obligations owing under the loan, the $1,000,000 would convert into 2,500,000 Common Shares and warrants to purchase up to 1,250,000 Common Shares (see Note 12 (b)(v)). These conditions were met on September 8, 2010. Interest accrued in the period to May 25, 2010 was $38,794.

On May 18, 2010, the Company received $3,347,640 (CDN$3,400,000) in gross proceeds from the issuance of unsecured non-interest bearing convertible promissory notes due on October 29, 2010 to companies controlled by a director of the Company. On May 25, 2010, these non-interest bearing convertible promissory notes were converted into 8,500,000 subscription receipts at a price of $0.39 (CDN$0.40) per receipt and subsequently converted into 8,500,000 Common Shares and warrants to purchase up to 4,250,000 Common Shares (Note 12 (b) (iv)).

In March and April 2010, the Company received loans in the aggregate amount of $112,915 from a significant shareholder. The loans were unsecured, bearing interest at 12% and with no fixed terms of repayment. The Company repaid the loans in their entirety during the year ended December 31, 2010.

During the year ended December 31, 2009, the Company obtained a loan of $1,423,100 from a significant shareholder. The loan was unsecured, interest free and with no fixed terms of repayment. The loan was settled for 5,692,400 shares at a value of $0.25 per share (see Note 12 (b)(xi)).

During the year ended December 31, 2009 the Company obtained a loan of $2,355,074 from a significant shareholder. The loan was unsecured with interest at 12% per annum. During the year ended December 31, 2009 the Company incurred interest expense of $33,712 and repaid $717,767, resulting in a loan balance of $1,671,019 that was settled in exchange for shares (see Note 12 (b)(x)).

As at December 31, 2008 the Company obtained a loan of $865,155 from a significant shareholder. The loan was unsecured, interest free and with no fixed terms of repayment. During the year ended December 31, 2009, the Company obtained an additional loan of $134,745 from this shareholder. The loan was settled for 9,999,000 shares at a value of $0.10 per share (see Note 12 (b)(xiv)).

9. EMPLOYEE INCENTIVE LIABILITY

Through its acquisition of PHC (see Note 3), the Company assumed PHC's employee incentive plan. The liability associated with the plan is based on a function of compensation levels, benefit formulas and years of service. The measurement date used for the accounting valuation for the defined benefit plan was December 31, 2010 and 2009. Information about the employee incentive plan for the years ended December 31, 2010 and 2009 is as follows:

Benefit liability	December 31, 2010 $	December 31, 2009 $
Accrued benefit obligation, beginning of year	7,757,500	-
Benefit liability assumed on acquisition of PHC	-	8,983,802
Current service (recovery)	(1,012,180)	(265,609)
Benefit paid during the year	(181,165)	(132,082)
Effect of foreign exchange	(228,054)	(828,611)
Accrued benefit obligation, end of year	6,336,101	7,757,500

9. EMPLOYEE INCENTIVE LIABILITY (Continued)

As a consequence of management review and actuarial calculations for the year ended 31 December 2010 there arose a change in estimate which resulted in a recovery in reaching the fair value of the employee incentive scheme of $1,012,180.

	December 31, 2010 $	December 31, 2009 $
Current portion	194,063	269,385
Non-current portion	6,142,038	7,488,115
Accrued benefit obligation, end of year	6,336,101	7,757,500

The weighted average assumptions in measuring the accrued employee incentive liability for the years ended December 31, 2010 and 2009 are as follow:

	December 31, 2010 $	December 31, 2009 $
Projected benefit liability		
Current return on capital	16.3%	12.0%
Rate of compensation increase	15.0%	15.0%

The sensitivity analysis of weighted average assumptions in measuring the accrued employee incentive liability for the years ended December 31, 2010 and 2009 is as follow:

	December 31, 2010 $		December 31, 2009 $	
	+ 1%	-1%	+ 1%	-1%
Increase / (decrease) in the projected benefit liability				
Current return on capital	(612,534)	713,797	(779,383)	910,321
Rate of compensation increase	715,794	(623,997)	876,470	(776,706)

10. INCOME TAXES

(a) Provision for Income Taxes

Major items causing the Company's income tax rate to differ from the federal rate of 31% (2009-0%) were:

	December 31, 2010 $	December 31, 2009 $
Loss before income taxes	(6,362,218)	(10,876,993)
Expected income tax benefit recovery on statutory rate	(1,972,000)	-
Adjustments to expected income tax benefit:		
Stock-based compensation	114,000	-
Tax rates in foreign countries at lower tax rate	1,948,000	-
Tax assets acquired on RTO	(29,000)	-
Other	(3,964)	(4,712)
Change in statutory rate	16,000	-
Change in valuation allowance	94,000	-
Income tax expense (recovery)	167,036	(4,712)

The Company operates under the tax laws of the Cayman Islands and the Democratic Republic of Congo. Under Cayman Islands legislation, the Company is not subject to income tax. The subsidiary in the Democratic Republic of Congo is subject to a tax holiday until January 1, 2012. The Democratic Republic of Congo is subject to a tax rate of 40% once the tax holiday has ended. The subsidiary in the UK is subject to a tax rate of 21%.

(b) Future tax balances

The tax effects of temporary differences that give rise to future income tax assets and liabilities at December 31, 2010 are as follows:

	December 31, 2010 $	December 31, 2009 $
Future income tax assets (liabilities)		
Non-capital loss carry-forwards	94,000	-
Property and equipment	837,835	(837,835)
	(743,835)	(837,835)
Valuation allowance	(94,000)	-
Net future tax liability	(837,835)	(837,835)

(c) The Company has approximately $377,000 of non-capital losses in Canada as at December 31, 2010 which under certain circumstances can be used to reduce taxable income of future years. $261,000 of which expires in 2030 and the remaining $116,000 expires between 2025 and 2028.

11. NON-CONTROLLING INTEREST

Non-controlling interest includes a 23.83% interest in PHC that is owned by the Democratic Republic of Congo and a 20% interest in Feronia PEK Ltd. The balance of non-controlling interest is $nil since both PHC and Feronia PEK Ltd. had deficit positions of shareholders' equity as at December 31, 2010 and 2009.

During the year ended December 31, 2010, the 20% interest in Feronia JCA Ltd. held by a director of that company was transferred to Feronia CI, see Note 12 (b)(ii).

12. CAPITAL STOCK

The capital stock is as follows:

(a) Authorized
Unlimited number of common shares, with no par value.

(b) Issued

	Shares #	Amount $
Balance, December 31, 2008	1,000	100
Shares issued pursuant to a settlement of a loan (xiv)	9,999,000	999,900
Shares issued for cash (xii) (xiii)	17,698,750	4,176,015
Share issue costs	-	(181,833)
Shares issued upon settlement of loan (x)(xi)	7,531,490	3,094,119
Adjustment to reflect par value	-	(4,590,277)
Balance, December 31, 2009	35,230,240	3,498,024
Shares issued for cash and settlement of debt (i)	347,132	86,783
Adjustment to reflect par value	-	(52,070)
Shares issued pursuant to an exchange in a non-controlling interest in a subsidiary (ii)	8,894,344	2,223,586
Adjustment to reflect par value (ii)	-	(1,334,152)
Shares issued pursuant to a private placement (iii)	43,445,024	16,787,923
Adjustment to reflect par value (iii)	-	(10,358,906)
Warrants issued pursuant to a private placement (iii)	-	(2,084,515)
Shares issued pursuant to conversion of promissory notes (iv)	8,500,000	3,347,640
Adjustment to reflect par value (iv)	-	(2,089,806)
Warrants issued pursuant to a private placement (iv)	-	(407,834)
Shares issued for settlement of a loan (v)	2,500,000	1,038,794
Adjustment to reflect par value (v)		(668,794)
Warrants issued pursuant to a settlement of a loan (v)	-	(120,000)
Share issue costs - cash (vi)	-	(1,387,330)
Share issue costs - broker warrants (vi)	-	(444,300)
Reclassification of share value in excess of par (Note 12(c) (ii))	-	19,094,005
Conversion of GTM shares (vii)	374,000	-
Exercise of share options (ix)	135,000	41,500
Balance, December 31, 2010	99,425,740	27,170,548

12. CAPITAL STOCK (Continued)

(b) Issued (continued)

(i) On March 1, 2010, the Company issued 151,132 common shares at a subscription price of $0.25 per share for gross proceeds of $37,783. The Company also issued 196,000 common shares at a subscription price of $0.25 per share to officers of the Company in settlement of amounts owed for services rendered. The par value of $0.10 per share was recorded as share capital and the residual of $0.15 per share is included in contributed surplus. $34,713 is recorded as share capital and $52,070 was recorded in contributed surplus which was subsequently reallocated to common shares as per Note 12 (c)(ii).

(ii) On April 9, 2010, the Company issued 8,894,344 common shares at a price of $0.25 per share, based on the share price of the most recent financing, in exchange for a 20% non-controlling interest in a subsidiary of Feronia CI held by a company controlled by a director of Feronia CI and land valued at $604,619. The par value of $0.10 per share was recorded as share capital and the residual of $0.15 per share was included in contributed surplus. $889,434 is recorded as share capital and $1,334,152 was recorded in contributed surplus which was subsequently reallocated to common shares as per Note 12(c)(ii).

The excess of the fair value of the shares over the value of the land acquired of $1,618,967 has been included as an adjustment to deficit.

(iii) On May 25, 2010 and June 4, 2010, the Company closed a brokered private placement in two tranches whereby the Company issued 43,445,024 subscription receipts at an issuance price of $0.39 (CDN$0.40) per subscription receipt. Each subscription receipt consisted of one share of the Company at a par value of $0.10 per share and one half of a warrant, for gross proceeds of $16,787,923 (CDN$17,378,010). Each whole warrant entitles the holder to acquire one share at a price of $0.59 (CDN$0.60) for a period of three years. The warrants have been valued at $2,084,515 (see Note 12 (e)). $4,344,502 is recorded as share capital and $10,358,906 was recorded in contributed surplus which was subsequently reallocated to common shares as per Note 12 (c)(ii).

(iv) On May 25, 2010, the Company issued 8,500,000 subscription receipts at an issuance price of $0.39 (CDN$0.40) per subscription receipt. Each subscription receipt was converted into one common share of the Company at a par value of $0.10 per share and one half of a warrant. The subscription receipts were issued upon the conversion of $3,347,640 (CDN$3,400,000) in loans (see Note 8). The loans were non-interest bearing and unsecured. Each whole warrant entitles the holder to acquire one common share at a price of $0.59 (CDN$0.60) for a period of three years. The warrants have been valued at $407,834 (see Note 12 (e)). $850,000 is recorded as share capital and $2,089,806 was recorded in contributed surplus which was subsequently reallocated to common shares as per Note 12 (c)(ii).

(v) On May 25, 2010, the Company converted the principal of a loan of CDN$1,000,000 and accrued interest of CDN $38,794 (see Note 8) into 2,500,000 shares of the Company at a par value of $0.10 per share and warrants to purchase up to 1,250,000 common shares at a price of $0.59 (CDN$0.60) per share for a period of three years. The warrants have been valued at $120,000 (see Note 12 (e)). $250,000 was recorded as share capital and $668,794 was recorded in contributed surplus which was subsequently reallocated to common shares as per Note 12 (c)(ii).

12. CAPITAL STOCK (Continued)

(b) Issued (continued)

(vi) In relation to the transactions described at Note 12(b) (iii), Note 12(b) (iv) and Note 12(b) (v), commissions of $1,263,218, representing 6% of the aggregate gross proceeds from the private placements and loan conversions were paid to brokers. Additional cash costs of $124,112 were also incurred. In addition, broker warrants to purchase up to 3,266,701 common shares of the Company representing 6% of the number of shares issued in the private placements. Each broker warrant entitles the holder to acquire one common share at a price of $0.39 (CDN$0.40) per share for a period of three years. These broker warrants have been valued at $444,300 (see Note 12 (e)).

(vii) On September 8, 2010, 374,000 common shares of GTM were exchanged for 374,000 common shares of the Company for nil value.

(viii) As consideration for the acquisition of all of the outstanding securities of Feronia CI, GTM issued one Common Share for each one common share of Feronia CI and one warrant to purchase Common Shares for each one warrant to purchase common shares of Feronia CI (see Note 3).

(ix) During 2010, 135,000 share options were exercised. 135,000 common shares were issued at a subscription price of $0.10 per share for gross proceeds of $13,500 and a transfer from contributed surplus of $28,000.

(x) During 2009, the Company issued 1,839,090 shares in exchange for the settlement of debt with a related party. The Company issued 1,839,090 shares at a value of $0.91 per share. $183,909 was recorded in shares being the par value of shares and $1,487,110 was allocated to contributed surplus which was subsequently reallocated to common shares as per Note 12 (c)(ii).

(xi) During 2009, the Company issued 5,692,400 shares in exchange for the settlement of debt with a related party. The Company issued 5,692,400 shares at a value of $0.25 per share. $569,240 was recorded in shares, being the par value of shares and $853,860 was allocated to contributed surplus which was subsequently reallocated to common shares as per Note 12 (c)(ii).

(xii) During 2009, the Company issued 16,207,600 shares at a price of $0.25 per share. The par value of $0.10 per share was recorded as share capital and the residual of $0.15 per share is included in contributed surplus. $1,620,760 is recorded as share capital and $2,431,140 was recorded in contributed surplus which was subsequently reallocated to common shares as per Note 12 (c)(ii).

(xiii) The Company issued 1,491,150 shares at a price of $0.10 per share.

(xiv) During 2009, the Company issued 9,999,000 shares in settlement of a loan with a related party at a value of $0.10 per share (see Note 8).

Pursuant to an Escrow Agreement dated September 9, 2010, 46,370,584 common shares of the Company may not be traded, released, transferred or dealt with in any manner until the issuance of the Final Exchange Bulletin that evidences the final Exchange acceptance of the Transaction. The Final Exchange Bulletin was issued on September 9, 2010 and as of this date, 25% of the escrowed common shares were released. An additional 25% of the escrowed common shares will qualify for release every six months thereafter. At December 31, 2010 none of these shares have been released.

12. CAPITAL STOCK (Continued)

(c) Contributed surplus

	Amount $
Balance at December 31, 2008	-
Shares issued in excess of par value	4,590,227
Balance at December 31, 2009	4,590,277
Share value in excess of par value (i)	14,503,728
Reclassify excess of proceeds over par value as share capital (ii)	(19,094,005)
Stock-based compensation	
Employee stock-based compensation (iii)	1,239,673
Transfer to capital stock on exercise of share options (iv)	(28,000)
Balance at December 31, 2010	1,211,673

(i) During the years ended December 31, 2010 and 2009, Feronia CI's legal structure consisted of common shares with a par value of $0.10. Excess proceeds over par value were allocated to contributed surplus.

(ii) On September 8 and September 9, 2010, the common shares of Feronia CI were exchanged for common shares of the Company with no par value, on a one-for-one basis. The common shares issued were recorded at gross proceeds and the value in excess of par value of Feronia CI shares has been reclassified as share capital to confirm with the legal share capital structure of the legal acquirer.

(iii) During the year ended December 31, 2010, the Company recorded stock-based compensation of $1,239,673.

(iv) During the year ended December 31, 2010, 135,000 share options were exercised. The transfer to capital stock of the fair value of the shares options when vested was $28,000.

(d) Share options

The Company has established a stock option plan pursuant to which options to purchase common shares may be granted to certain officers, directors and employees of the Company as well as persons providing ongoing services to the Company to acquire a maximum of 12,500,000 Common Shares of the Company. The maximum number of common shares reserved for in any one-year period to any one optionee other than a consultant may not exceed 5% of the issued and outstanding Common Shares at the date of the grant. The maximum number of common shares reserved for in any one-year period to any consultant may not exceed 2% of the issued and outstanding Common Shares at the date of the grant. The maximum number of common shares reserved for in any one-year period to all person engaged in investor relations may not exceed 2% of the issued and outstanding Common Shares at the date of the grant. The term of an option shall not exceed ten years from the date of grant.

On March 10, 2010, stock options to purchase up to 7,400,000 common shares were granted to directors, officers and employees of the Company. 2,451,667 stock options vested on March 10, 2010, 2,451,667 stock options vest on March 10, 2011 and 2,496,666 stock options vest on March 10, 2012. The options expire 10 years after the date they were granted. During the year, the expiration term of 500,000 options changed from 10 to 6 years as resulting of the holder leaving the Company.

During 2010, 135,000 of the share options that vested on March 10, 2010 were exercised.

On August 3, 2010, following the resignation of an employee, 500,000 stock options held by such employee vested immediately and the expiry term of such options was reduced to March 10, 2016.

12. CAPITAL STOCK (Continued)

(d) Share options (continued)

On September 9, 2010, stock options to purchase up to 500,000 common shares were granted to an officer of the Company. 166,667 stock options vested on September 9, 2010, 166,666 stock options vest on September 9, 2011 and 166,667 stock options vest on September 9, 2012. The options expire 10 years after the date they were granted.

On September 23, 2010, stock options to purchase up to 1,006,528 Common Shares were granted to directors, officers and employees of the Company. 251,632 stock options vested on September 23, 2010, 251,632 stock options vested on December 31, 2010, 251,632 stock options vest on March 31, 2011 and 251,632 stock options vest on June 30, 2011. The options expire 10 years after the date they were granted.

As at December 31, 2010 (2009 – none), the Company had the following outstanding options to purchase Common Shares:

Expiry Date	Options Outstanding	Options Exercisable	Exercise Price $	Estimated Grant Date Fair Value $
March 10, 2020 (1)	2,151,667	2,151,667	0.10	451,850
March 10, 2016 (2)	165,000	165,000	0.10	34,650
September 9, 2020 (3)	500,000	166,667	0.40*	113,000
September 23, 2020 (4)	1,006,528	503,264	0.60*	202,312
March 10, 2020 (1)	2,186,667	-	0.25	411,600
March 10, 2016 (2)	165,000	165,000	0.25	29,700
March 10, 2020 (1)	2,226,666	-	0.50	351,327
March 10, 2016 (2)	170,000	170,000	0.50	25,670
Total Options	8,571,528	3,321,598		1,620,109

* Exercise prices noted are in CDN $.

	Number of options	Weighted Average Exercise Price $
Balance at December 31, 2008 and 2009	-	-
Granted	8,906,528	0.33
Forfeited	(200,000)	0.38
Exercised	(135,000)	0.10
Balance at December 31, 2010	8,571,528	0.33

The weighted average grant date fair value of options granted during the year ended December 31, 2010, amounted to $0.18 per option. The weighted average exercise price of options exercisable as at December 31, 2010 is $0.22.

The fair value of these options at the date of grant was estimated using Black-Scholes option pricing model based on the following assumptions:

(1) expected dividend yield of 0%; risk-free interest rate of 3.51%; expected life of 10 years; and expected volatility of 60.84%.
(2) expected dividend yield of 0%; risk-free interest rate of 3.51%; expected life of 10 years; and expected volatility of 60.84%.
(3) expected dividend yield of 0%; risk-free interest rate of 2.80%; expected life of 10 years; and expected volatility of 58.36%.
(4) expected dividend yield of 0%; risk-free interest rate of 2.87%; expected life of 10 years; and expected volatility of 58.33%.

12. CAPITAL STOCK (Continued)

(e) Warrants

	Warrants #	Amount $
Balance, December 31, 2008 and 2009	-	-
Warrants issued pursuant to a loan agreement (i and Note 8)	2,000,000	-
Warrants issued pursuant to conversion of promissory note Note ((ii) and Note 12(b) (iii))	21,722,512	2,084,515
Warrants issued pursuant to private placement ((ii) and Note 12(b) (iv))	4,250,000	407,834
Broker warrants issued pursuant to private placements ((ii) and Note 12(b) (vi))	3,266,701	444,300
Warrants issued pursuant to a settlement of a loan ((ii) and Note 12(b) (v))	1,250,000	120,000
Balance, December 31, 2010	32,489,213	3,056,649

(i) On January 26, 2010, the Company issued warrants to purchase up to 2,000,000 shares at an exercise price of $0.25 per share for a period of two years pursuant to the loan agreement entered into as described in Note 8. The warrants have been valued using the residual method and expire on January 26, 2012.

(ii) The grant date fair value of these warrants of $0.09 per warrant was estimated using the Black-Scholes option pricing model based on the following assumptions of expected dividend yield of 0%; risk-free interest rate of 1.97%; expected life of 3 years; and expected volatility of 60.84%.

As at December 31, 2010 (2009 – Nil), the Company had the following outstanding warrants to purchase Common Shares:

Expiry Date	Warrants Outstanding	Exercise Price (CDN) $	Estimated Grant Date Fair Value $
January 26, 2012	2,000,000	0.25	-
May 25, 2013	27,222,512	0.60	2,612,349
May 25, 2013	3,266,701	0.40	444,300
Total warrants	32,489,213	0.56	3,056,649

The weighted average exercise price of warrants granted in the year is CDN $0.56 (2009 –Nil).

13. RELATED PARTY TRANSACTIONS

Included in general and operating expenses on the statement of operations are consultancy and rental expenditures and reimbursement of expenses of $1,226,274 (2009 - $424,902) paid to officers, directors and a spouse of a director. Included in interest expense on the statement of operations is $12,460 (year ended December 31, 2009 - nil) paid to a consultant who is a spouse of a director. Included in property and equipment on the consolidated balance sheet is $15,696 (2009 - nil) paid to officers and directors. Included in accounts payable and accrued liabilities is $9,274 (2009 - $191,830) owing to these related parties at December 31, 2010. These amounts are unsecured, non-interest bearing with no fixed terms of repayment.

The related party transactions above were in the normal course of operations and were measured at the exchange amount, which is the amount of consideration established and agreed to by the related parties.

During 2009, the Company provided an officer of the Company a loan for $25,000 to acquire 100,000 shares of the Company at $0.25 per share. This loan is non-interest bearing, unsecured and repayable upon completion of a qualifying transaction. At December 31, 2010, $10,000 had been repaid following the Company completing the qualifying transaction.

See Notes 8, 11 and 12.

14. COMMITMENTS AND CONTINGENCIES

The Company leases its premises under an agreement, which is classified as an operating lease. The future minimum payments under the lease amount to $124,392 which is payable during the year ended December 31, 2011.

Minimum management contract commitments remaining result in total future commitments of $959,000. Of these commitments, $687,000 (£370,000 and $115,000) is payable in 2011, $272,000 (£139,000 and $56,096) is payable in 2012.

The Company is, from time to time, involved in various claims, legal proceedings and complaints arising in the ordinary course of business. The Company cannot reasonably predict the likelihood or outcome of these actions. The directors do not believe that adverse decisions in any other pending or threatened proceedings related to any matter, or any amount which may be required to be paid by reason thereof, will have a material effect on the financial condition or future results of operations. As at December 31, 2010 and 2009, accounts payable and accrued liabilities include provisions related to such matters totaling $310,000.

During the year ended December 31, 2010, the Company received a tax assessment with regard to prior accounting periods. On receipt of the tax assessment, management requested an analysis to consider their response, and to date this analysis has not been received. Until such time as further information has been obtained management considers that no reliable assessment can be made of any potential tax liability for the preceding period.

15. FINANCIAL INSTRUMENTS

(a) Fair value of financial instruments:

Canadian GAAP requires that the Company disclose information about the fair value of its financial assets and liabilities. Fair value estimates are made at the balance sheet date, based on relevant market information and information about the financial instrument. These estimates are subjective in nature and involve uncertainties in significant matters of judgment and therefore cannot be determined with precision. Changes in assumptions could significantly affect these estimates.

The carrying amounts of accounts receivable and accounts payable and accrued liabilities approximate their fair values since these instruments have short-term maturity dates. Shareholders advances and employee incentive liability are classified as other financial liabilities, which are measured at amortized cost.

At December 31, 2010, the Company's financial instruments that are carried at fair value, consisting of cash, have been classified as loans and receivables.

(b) Capital management:

The Company considers its capital structure to consist of capital stock, contributed surplus and warrants. The Company manages its capital structure and makes adjustments to it, based on the funds available to the Company, in order to support its ongoing operations. The Board of Directors does not establish quantitative return on capital criteria for management, but rather relies on the expertise of the Company's management to sustain future development of the business.

The Company's objectives when managing capital are to maintain financial flexibility in order to preserve its ability to meet financial obligations, including potential obligations arising from additional acquisitions, maintain a capital structure that allows the Company to favour the financing of its growth strategy using internally generated cash flows and optimize the use of capital to provide an appropriate investment return to its shareholders. In order to maintain or adjust its capital structure, the Company may raise new debt or issue new shares.

The directors review the Company's capital management approach on an ongoing basis and believe that this approach, given the relative size of the Company, is reasonable.

There were no changes to the Company's capital management approach during the years ended December 31, 2010 and 2009. The Company is not subject to externally imposed capital requirements.

15. FINANCIAL INSTRUMENTS (Continued)

(c) Financial risk factors:

The Company's risk exposures and the impact on the Company's consolidated financial instruments are summarized below. There have been no changes in the risks, objectives, policies and procedures from the previous period.

(i) Credit risk

The Company's credit risk is primarily attributable to accounts receivable. The Company has no significant concentration of credit risk arising from operations.

Financial instruments included in accounts receivable consist of receivables from unrelated companies.

Management believes that the credit risk concentration with respect to financial instruments included in accounts receivable is remote.

(ii) Liquidity risk

The Company's approach to managing liquidity risk is to ensure that it will have sufficient liquidity to meet liabilities when due. As at December 31, 2010, the Company had a cash balance of $8,907,686 to settle current liabilities of $3,608,878. The majority of the Company's financial liabilities has contractual maturities of less than 30 days and are subject to normal trade terms. An exception to this is the employee incentive liability that falls due over the anticipated qualifying leaving date, which will frequently be the retirement date. As a guide to liquidity requirements, management considers that less than 10% of the liability will fall due within 5 years.

The Company has various commitments detailed in Note 14.

(iii) Foreign currency risk

The Company's functional currency is the U.S. dollar and major purchases are transacted in U.S. dollars. The Company funds certain operations using the Congolese Franc currency from its bank accounts held in the Democratic Republic of Congo. Management closely monitors the foreign exchange risk derived from currency conversions but does not hedge its foreign exchange risk.

Whilst the Company does not hold significant balances in foreign currencies in comparison to its trading activities, sensitivity analysis is given below with regard to potential changes in exchange rates. The Company does not consider the exposure to significant foreign exchange risk is sufficient to enter into hedge arrangements.

15. FINANCIAL INSTRUMENTS (Continued)

(c) Financial Risk Factors: (continued)

(iv) Foreign currency risk (continued)

At December 31, 2010 and 2009 the Company is exposed to translation foreign currency risk through the following financial assets and liabilities denominated in Congolese CDF:

	December 31, 2010 CDF	December 31, 2009 CDF
Cash	28,277,580	83,864,515
Accounts receivable	11,386,920	180,019,284
Accounts payable and accrued liabilities	(553,565,591)	(1,166,996,002)
Employee incentive liability	(5,892,573,792)	(7,082,596,895)
	(6,406,474,883)	(7,985,709,098)

As at December 31, 2010, with other variables unchanged, a +/- 10% Change in the USD to CDF exchange rate would decrease/increase net loss for the year by $626,244 ($765,409).

At December 31, 2010 the Company is exposed to translation foreign currency risk through the following financial assets denominated in British GBP:

	December 31, 2010 GBP	December 31, 2009 GBP
Cash	140,971	10,768
Accounts payable and accrued liabilities	(80,075)	-
	60,896	10,768

As at December 31, 2010 with other variables unchanged, a +/- 10% Change in the USD to GBP exchange rate would increase/decrease net loss for the year by $(3,937) $3,937. Refer to Note 14 for commitments held in GBP.

At December 31, 2010 the Company is exposed to translation foreign currency risk through the following financial assets denominated in Canadian $:

	December 31, 2010 CDN	December 31, 2009 CDN
Cash	187,231	-
Accounts Payable and accrued liabilities	(181,982)	-
	5,249	-

A change in the USD would not have a significant effect on the balances held in CDN $.

15. FINANCIAL INSTRUMENTS (Continued)

(d) Financial Risk Factors: (continued)

(iv) Foreign currency risk (continued)

At December 31, 2010 the Company is exposed to translation foreign currency risk through the following financial assets denominated in Euros:

	December 31, 2010 Euro	December 31, 2009 Euro
Accounts payable	(9,253)	-

A change in the USD would not have a significant effect on the balances held in Euros.

(v) Interest rate risk

The Company held cash that is not interest bearing and therefore the Company considers that the effect of changes in interest rates would have no material impact on consolidated net loss.

16. SEGMENTED INFORMATION

The Company does not report its operations in either a business or geographical segment format as it operates in a single business segment that does not include products and services with significantly differing risks and returns. Management reviews and makes decisions on a single business segment basis.

Substantially all of the Company's property and equipment, revenues and earnings are in the Democratic Republic of Congo. During the years ended December 31, 2010 and 2009, the Company had two customers which made up 90% of the total revenues of the Company.

17. SUBSEQUENT EVENTS

On March 31, 2011, the Company completed an offering of 44,275,000 units of the Company at CDN $0.65 ($0.67) per unit for total proceeds of CDN $28,778,750 ($29,601,050). Each unit consists of one common share and one half of one common share purchase warrant, with an exercise price of CDN $0.90 ($0.93) expiring two years from the closing of the offering. In addition, the Company issued 2,656,500 compensation options. Each option entitles the holder to acquire one common share in the capital of the Company at an exercise price of CDN $0.65 ($0.67) per common share at any time prior to March 31, 2013.