

**FERONIA INC.**

**CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS**

**(Unaudited)**

**For the three and nine months ended September 30, 2014 and 2013**

**(Expressed in United States Dollars – except where otherwise noted)**

**NOTICE TO READER**

The accompanying unaudited condensed consolidated interim financial statements of Feronia Inc. for the three and nine months ended September 30, 2014 and 2013 have been prepared by management and approved by the Audit Committee and the Board of Directors of the Company. These condensed consolidated interim financial statements have not been reviewed by the Company's external auditors.

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**For the three and nine months ended September 30, 2014 and 2013**

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**Condensed consolidated interim statements of financial position**  
**Expressed in United States Dollars**  
**(unaudited)**

	Notes	September 30, 2014	December 31, 2013
<b>Assets</b>			
<b>Current assets</b>			
Cash		3,513,048	18,252,307
Receivables		335,632	108,699
Inventories		5,922,033	4,056,629
Prepaid expenses and other current assets		1,829,427	1,486,632
		<u>11,600,140</u>	<u>23,904,267</u>
<b>Non-current assets</b>			
Non-current biological assets	5	16,956,372	20,170,686
Property plant and equipment	4	25,748,492	27,096,878
		<u>42,704,864</u>	<u>47,267,564</u>
<b>Total assets</b>		<u><u>54,305,004</u></u>	<u><u>71,171,831</u></u>
<b>Liabilities</b>			
<b>Current liabilities</b>			
Accounts payable and accrued liabilities	8	6,006,431	4,614,651
Provisions	18	370,441	370,441
Other financial liabilities	10	704,416	584,208
		<u>7,081,288</u>	<u>5,569,300</u>
<b>Long-term Liabilities</b>			
Borrowings	9	4,393,541	4,122,277
Other long-term financial liabilities	10	6,178,267	6,406,324
Deferred tax liabilities		3,664,100	5,752,019
		<u>14,235,908</u>	<u>16,280,620</u>
<b>Total liabilities</b>		<u><u>21,317,196</u></u>	<u><u>21,849,920</u></u>
<b>Shareholder's equity</b>			
Share capital	6	91,425,364	91,420,003
Warrant reserve	7	-	36,322
Share-based payment reserve	7	2,842,504	2,818,984
Accumulated other comprehensive income		622,882	691,473
Deficit		<u>(51,809,233)</u>	<u>(39,296,722)</u>
Owners of the parent		43,081,517	55,670,060
Non-controlling interest	11	<u>(10,093,709)</u>	<u>(6,348,149)</u>
<b>Total equity</b>		<u><u>32,987,808</u></u>	<u><u>49,321,911</u></u>
<b>Total equity and liabilities</b>		<u><u>54,305,004</u></u>	<u><u>71,171,831</u></u>
<b>Contingent Liabilities</b>	18	370,441	370,441

The accompanying notes are an integral part of these consolidated financial statements.

On behalf of the Board:

'Ravi Sood', Director

'Nigel Gourlay', Director

**Condensed consolidated interim statements of loss**  
**For the three and nine months ended September 30, 2014 and 2013**

**Expressed in United States Dollars**  
**(unaudited)**

	Notes	Three months ended September 30		Nine months ended September 30	
		2014	2013	2014	2013
					(Restated note 2)
<b>Revenue</b>		2,927,892	2,281,694	8,525,651	5,675,868
Cost of sales	13	<u>(5,285,911)</u>	<u>(3,287,624)</u>	<u>(11,861,431)</u>	<u>(6,944,531)</u>
Gross loss		(2,358,019)	(1,005,930)	(3,335,780)	(1,268,663)
<b>Expenses</b>					
Selling, general and administrative	12	(3,210,788)	(2,265,422)	(8,577,997)	(7,610,129)
Other gains and losses		<u>(171,253)</u>	<u>(77)</u>	<u>(192,851)</u>	<u>(94,665)</u>
<b>Operating loss</b>		(5,740,060)	(3,271,428)	(12,106,628)	(8,973,457)
Loss on biological assets	5	<u>(1,865,324)</u>	<u>(306,062)</u>	<u>(5,957,827)</u>	<u>(100,167)</u>
<b>Loss before finance costs and taxes</b>		(7,605,384)	(3,577,490)	(18,064,455)	(9,073,624)
Finance costs	14	<u>(283,994)</u>	<u>(233,140)</u>	<u>(820,701)</u>	<u>(668,214)</u>
<b>Loss before income tax</b>		(7,889,378)	(3,810,630)	(18,885,156)	(9,741,838)
Income tax recovery	15	<u>586,880</u>	<u>138,496</u>	<u>1,956,458</u>	<u>129,360</u>
<b>Net loss for the period</b>		<u><u>(7,302,498)</u></u>	<u><u>(3,672,134)</u></u>	<u><u>(16,928,698)</u></u>	<u><u>(9,612,478)</u></u>
Loss attributable to:					
Owners of the parent		(5,603,667)	(2,852,128)	(13,030,836)	(7,814,604)
Non-controlling interest		<u>(1,698,831)</u>	<u>(820,007)</u>	<u>(3,897,862)</u>	<u>(1,797,874)</u>
<b>Net loss</b>		<u><u>(7,302,498)</u></u>	<u><u>(3,672,135)</u></u>	<u><u>(16,928,698)</u></u>	<u><u>(9,612,478)</u></u>
<b>Loss per share</b>					
Basic (dollars per share)		<u><u>(0.13)</u></u>	<u><u>(0.13)</u></u>	<u><u>(0.31)</u></u>	<u><u>(0.36)</u></u>
Diluted (dollars per share)		<u><u>(0.13)</u></u>	<u><u>(0.13)</u></u>	<u><u>(0.31)</u></u>	<u><u>(0.36)</u></u>
Weighted average number of shares outstanding:					
Basic		<u><u>55,220,656</u></u>	<u><u>29,068,106</u></u>	<u><u>55,211,267</u></u>	<u><u>26,551,233</u></u>
Diluted		<u><u>55,220,656</u></u>	<u><u>29,068,106</u></u>	<u><u>55,211,267</u></u>	<u><u>26,551,233</u></u>

The accompanying notes are an integral part of these consolidated financial statements.

**Condensed consolidated interim statements of comprehensive loss  
For the three and nine months ended September 30, 2014 and 2013**

**Expressed in United States Dollars  
(unaudited)**

	Three months ended September 30		Nine months ended September 30	
	2014	2013	2014	2013
Notes				(Restated note 2)
<b>Net loss</b>	<u>(7,302,498)</u>	<u>(3,672,135)</u>	<u>(16,928,698)</u>	<u>(9,612,477)</u>
<b>Other comprehensive loss</b>				
Cumulative translation adjustment	(117,003)	(152,128)	(68,591)	(86,337)
Actuarial gain on employment benefit, net of tax	<u>6,291</u>	<u>(155,368)</u>	<u>639,118</u>	<u>328,353</u>
<b>Comprehensive loss</b>	<u><u>(7,413,210)</u></u>	<u><u>(3,979,631)</u></u>	<u><u>(16,358,171)</u></u>	<u><u>(9,370,461)</u></u>
Loss attributable to:				
Owners of the parent	(5,715,878)	(3,122,600)	(12,612,611)	(7,650,835)
Non-controlling interest	<u>11 (1,697,332)</u>	<u>(857,031)</u>	<u>(3,745,560)</u>	<u>(1,719,626)</u>
	<u><u>(7,413,210)</u></u>	<u><u>(3,979,631)</u></u>	<u><u>(16,358,171)</u></u>	<u><u>(9,370,461)</u></u>

The accompanying notes are an integral part of these consolidated financial statements.

**Condensed consolidated interim statements of changes in equity**  
**For the nine months ended September 30, 2014 and 2013**  
**Expressed in United States Dollars**  
**(unaudited)**

	Attributable to owners of the parent					Total	Non-controlling interest	Total equity
	Share capital	Warrant reserve	Share-based payment and other reserves	Accumulated other comprehensive income	Retained earnings (Deficit)			
Balance, January 1, 2013	52,685,500	940,276	2,760,191	603,839	(30,364,426)	26,625,380	(3,724,010)	22,901,370
Net loss for the period	-	-	-	-	(7,814,604)	(7,814,604)	(1,797,874)	(9,612,478)
Other comprehensive income (net of tax)	-	-	-	(86,337)	-	(86,337)	-	(86,337)
Actuarial gain on employment benefit, net of tax	-	-	-	-	250,106	250,106	78,247	328,353
Comprehensive income (loss) for the period	-	-	-	(86,337)	(7,564,498)	(7,650,835)	(1,719,627)	(9,370,462)
Shares issued for cash (net of share issue costs)	14,392,857	-	-	-	-	14,392,857	-	14,392,857
Share-based compensation	-	-	59,934	-	-	59,934	-	59,934
Expiration of warrants	-	(903,954)	-	-	903,954	-	-	-
Tax effect on expiry of warrants	-	-	-	-	(119,774)	(119,774)	-	(119,774)
Balance, September 30, 2013	67,078,357	36,322	2,820,125	517,502	(37,144,744)	33,307,562	(5,443,637)	27,863,925
Balance, January 1, 2014	91,420,003	36,322	2,818,984	691,473	(39,296,722)	55,670,060	(6,348,149)	49,321,911
Net loss for the period	-	-	-	-	(13,030,836)	(13,030,836)	(3,897,862)	(16,928,698)
Other comprehensive income (net of tax)	-	-	-	(68,591)	-	(68,591)	-	(68,591)
Actuarial gain on employment benefit, net of tax	-	-	-	-	486,816	486,816	152,302	639,118
Comprehensive income (loss) for the period	-	-	-	(68,591)	(12,544,020)	(12,612,611)	(3,745,560)	(16,358,171)
Shares issued for cash (net of share issue costs)	5,361	-	-	-	-	5,361	-	5,361
Share-based compensation	-	-	23,520	-	-	23,520	-	23,520
Expiration of warrants	-	(36,322)	-	-	36,322	-	-	-
Tax effect on expiry of warrants	-	-	-	-	(4,813)	(4,813)	-	(4,813)
Balance, September 30, 2014	91,425,364	-	2,842,504	622,882	(51,809,233)	43,081,517	(10,093,709)	32,987,808

The accompanying notes are an integral part of these consolidated financial statements.

**Condensed consolidated statements of cash flows**  
**For the nine months ended September 30, 2014 and 2013**  
**Expressed in United States Dollars**  
**(unaudited)**

	Nine months ended September 30	
	2014	2013
<b>Cash provided by (used for):</b>		
<b>Operating activities:</b>		
Loss from operating activities	(16,928,698)	(9,612,478)
Items not affecting cash:		
Share-based compensation	23,520	59,934
Depreciation	1,804,108	1,188,874
Employee incentive liability	(107,849)	(213,030)
Fair value loss (gain) on biological assets	5,957,827	100,167
Deferred tax on biological asset	(2,085,239)	(35,058)
Deferred tax adjustment	(2,680)	(8,586)
Change in warrant liability	-	(60,982)
Debenture accretion expense	170,659	153,773
Loss on disposal of fixed assets	346	55,925
Tax effect on expiry of warrants	(4,813)	(119,774)
Actuarial gain on employment benefit, net of tax	639,118	328,353
	<u>(10,533,701)</u>	<u>(8,162,882)</u>
Changes in non-cash working capital:		
Receivables	(226,934)	(727,394)
Prepaid expenses and other current assets	(342,795)	441,830
Inventories	(1,865,405)	677,261
Accounts payable and accrued liabilities	1,391,780	(1,399,314)
	<u>(1,043,353)</u>	<u>(1,007,617)</u>
Cash used in operating activities	(11,577,055)	(9,170,499)
<b>Financing activities:</b>		
Issuance of shares & warrants for cash (net of costs)	105,966	14,392,857
Cash from financing activities	<u>105,966</u>	<u>14,392,857</u>
<b>Investing activities:</b>		
Acquisition of assets	(3,199,580)	(5,933,113)
Proceed from disposal of assets	-	-
Cash used in investing activities	<u>(3,199,580)</u>	<u>(5,933,113)</u>
Foreign exchange loss (gain) on currency translation	(68,591)	(86,337)
Increase (decrease) in cash	(14,739,259)	(797,092)
Cash, beginning of year	<u>18,252,307</u>	<u>1,260,306</u>
Cash, end of period	<u>3,513,048</u>	<u>463,214</u>
Cash paid for income tax	215,052	12,945
Interest paid	295,910	315,718

**Feronia Inc.**  
**Notes to the condensed consolidated interim financial statements**  
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**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 (the "DRC").

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

The wholly owned subsidiaries of Feronia CI, being Feronia JCA Limited ("Feronia JCA") and Feronia Incorporated Services Limited ("FISL"), 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.

Plantations Et Huileries du Congo sarl ("PHC"), a private company incorporated under the laws of the DRC, is 76.17% owned or controlled by the Company.

Feronia PEK sprl. ("Feronia PEK"), a private company incorporated under the laws of the DRC on October 1, 2010, is 80% owned by Feronia JCA.

Kimpese Agro Industrie sprl ("KAI"), a private company incorporated under the laws of the DRC on April 4, 2011, is 99% owned by Feronia JCA and 1% owned by Feronia CI.

Bas – Congo Ferti sprl ("BCF"), a private company incorporated under the laws of the DRC on June 16, 2011, is 99% owned by Feronia JCA and 1% owned by Feronia CI.

Feronia RDC sarl ("FRDC"), a private company incorporated under the laws of the DRC on February 5, 2014, is 99% owned by Feronia JCA and 1% owned by Feronia CI.

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

The assets of the Group that are located in the DRC are subject to a number of risks, including but not limited to the risk of foreign investment, including increases in taxes and royalties, renegotiation of contracts, legislative changes (including the interpretation of existing legislation in a manner adverse to the Group's interests), political uncertainty and currency exchange fluctuations and restrictions.

The Company's registered office is 181 Bay Street, Ste 1800, Toronto, Ontario, Canada, M5J 2T9. The Company is incorporated and domiciled in Canada.

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 PEK are owned 23.83% 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, the Company 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. The



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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.

As previously disclosed, the Company is aware of various reports suggesting that proposals to amend the Agriculture Law have been tabled to the DRC parliament. The Company is unable to verify such reports and, as a result, is continuing to monitor the situation and is reviewing various alternatives for a number of possible outcomes. At this time, management has determined that it is in the best interest of the Company to take no action in respect of the Agriculture Law.

## **2. Basis of presentation and significant accounting policies**

### A) Statement of Compliance

These condensed interim consolidated financial statements have been prepared in accordance with International Accounting Standard 34 Interim Financial Reporting ("IAS 34") as issued by the International Accounting Standards Board ("IASB"). These interim financial statements should be read in conjunction with Feronia's most recently issued financial statements for the year ended December 31, 2013 and the related management's discussion and analysis which includes information necessary or useful to understanding the Company's business and financial statement presentation. In particular, the Company's significant accounting policies were presented in Note 2 of the consolidated financial statements for the year ended December 31, 2013, and have been consistently applied in the preparation of these interim financial statements. The consolidated financial statements have been prepared in compliance with International Financial Reporting Standards as issued by the International Accounting Standards Board ("IFRS"). These financial statements were approved by the board of directors of the Company for issue on November 28, 2014.

### B) Changes in Accounting Policies

#### **New accounting standards adopted during the year**

As of January 1, 2014, the Company adopted the new and amended IFRS pronouncements in accordance with the transitional provisions outlined in the respective standards as listed below.

IFRIC 21, Accounting for Levies Imposed by Government, clarifies that the obligating event giving rise to a liability to pay a levy is the activity described in the relevant legislation that triggers payment of the levy. The standard is effective for annual periods beginning on or after January 1, 2014. We performed an assessment of the impact of IFRIC 21 and concluded that it did not have a significant impact on the Company's consolidated financial statements.

IAS 36, Impairment of Assets, was amended in May 2013 to make certain changes to the disclosures required by IAS 36 when an impairment loss is recognized or reversed. The amendments require the disclosure of the recoverable amount of an asset or cash generating unit ("CGU") at the time an impairment loss has been recognized or reversed and detailed disclosure of how the associated fair value less costs of disposal ("FVLCD") has been determined. The amendments are effective for accounting periods beginning on or after January 1, 2014 with earlier adoption permitted. This amendment has no significant impact to the Company's consolidated financial statements.

#### **Accounting standards issued but not yet adopted**

Unless otherwise noted, the following revised standards and amendments are effective for annual periods beginning on or after January 1, 2015, with earlier application permitted. The Company reviewed the new and revised accounting pronouncements that have been issued but are not yet effective and determined that the following may have an impact on the Company:

The final version of IFRS 9, *Financial Instruments*, was issued by the IASB in July 2014 and will replace IAS 39, *Financial Instruments: Recognition and Measurement*. IFRS 9 introduces a model for classification and measurement, a single, forward looking "expected loss" impairment model and a substantially reformed approach to hedge accounting. The new single, principle based approach for determining the classification of financial assets is driven by cash flow characteristics and the business model in which an asset is held. The new model also results in a single impairment model being applied to all financial instruments, which will require more timely recognition of expected credit losses. It also includes changes in

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respect of own credit risk in measuring liabilities elected to be measured at fair value, so that gains caused by the deterioration of an entity's own credit risk on such liabilities are no longer recognized in profit and loss. IFRS 9 is effective for annual periods beginning on or after January 1, 2018, however it is available for early adoption. In addition, the own credit changes can be adopted early in isolation without otherwise changing the accounting for financial instruments. The Company has yet to assess the full impact of IFRS 9 and has not yet determined when it will adopt the new standard.

In May 2014, the IASB issued IFRS 15, *Revenue from Contracts with Customers*, supersedes IAS 18, *Revenue*, IAS 11 *Construction Contracts* and other interpretive guidance associated with revenue recognition. IFRS 15 provides a single model to determine how and when an entity should recognize revenue, as well as requiring entities to provide more informative, relevant disclosures in respect of its revenue recognition criteria. IFRS 15 is to be applied prospectively and is effective for annual periods beginning on or after January 1, 2017, with earlier application permitted. The Corporation is in the process of evaluating the impact that IFRS 15, may have on the Corporation's consolidated financial statements.

In June 2014, the IASB issued amendments to IAS 16 and IAS 41 which require biological assets that meet the definition of a bearer plant to be accounted for as property, plant and equipment in accordance with IAS 16. The amendments are to be applied prospectively and are effective for annual periods beginning on or after January 1, 2016, with earlier application permitted. The Corporation is in the process of evaluating the impact of adopting this amendment to its consolidated financial statements.

C) Impact of adoption of Amended IAS 19, Employee Benefit:

The following table summarises the effects of the changes to the comparative numbers relating to the adoption of IAS 19:

	As Previously Reported	Adjustment	As restated
	\$	\$	\$
<b>At September 30, 2013</b>			
Consolidated statements of loss:			
Cost of sales	6,793,489	151,042	6,944,531
Gross loss	(1,117,621)	(151,042)	(1,268,663)
Selling, general and administrative	7,432,818	177,311	7,610,129
Net loss for the year	(8,645,104)	(328,353)	(8,973,457)
Loss attributable to:			
Owners of the parent	(7,564,498)	(250,106)	(7,814,604)
Non-controlling interest	(1,719,627)	(78,247)	(1,797,874)

**3. Segment reporting and economic dependence**

Management has determined the operating segments based on the information reviewed by the Group's chief operating decision-maker. With the commencement of commercial sales of rice during Q2 2013, for management purposes, the Group's operations have been split into two segments:

- Oil Palm Plantations (Palm Oil) – large scale oil palm plantations;
- Arable – arable farming operations.

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Each segment is considered to be a distinct strategic operating unit and the segments are organised and managed separately. Performance is evaluated based on revenue and operating income. Corporate costs represent primarily professional and legal fees, board of directors' expenses and securities regulatory and stock exchange filing and listing fees that are not allocated to the operations. During the nine months to September 30, 2014, Palm Oil had sales to two customers representing 99% of total sales within the segment, with sales to the Company's biggest customer representing 91% of total sales. Arable sales to the largest customer represented 45% of total sales within the segment.

<b>Three months ended September 30, 2014:</b>	<b>Palm Oil</b>	<b>Arable</b>	<b>Corporate</b>	<b>Total</b>
Revenue	2,639,618	288,274	-	2,927,892
Operating loss	(3,874,079)	(1,346,953)	(519,028)	(5,740,060)
Loss on biological assets	(1,865,324)	-	-	(1,865,324)
Finance costs				(283,994)
Income tax recovery				586,880
Net loss for period				(7,302,498)

<b>Three months ended September 30, 2013:</b>	<b>Palm Oil</b>	<b>Arable</b>	<b>Corporate</b>	<b>Total</b>
Revenue	2,145,599	136,095	-	2,281,694
Operating loss	(1,843,647)	(1,109,858)	(317,923)	(3,271,428)
Loss on biological assets	(306,062)	-	-	(306,062)
Finance costs				(233,140)
Income tax recovery				138,496
Net loss for period				(3,672,134)

<b>Nine months ended September 30, 2014:</b>	<b>Palm Oil</b>	<b>Arable</b>	<b>Corporate</b>	<b>Total</b>
Revenue	8,018,494	507,157	-	8,525,651
Operating loss	(7,632,571)	(3,227,519)	(1,246,538)	(12,106,628)
Loss on biological assets	(5,957,827)	-	-	(5,957,827)
Finance costs				(820,701)
Income tax recovery				1,956,458
Net loss for period				(16,928,698)

<b>Nine months ended September, 2013:</b>	<b>Palm Oil</b>	<b>Arable</b>	<b>Corporate</b>	<b>Total</b>
Revenue	5,261,232	414,636	-	5,675,868
Operating loss	(4,049,343)	(3,732,498)	(1,191,616)	(8,973,457)
Loss on biological assets	(100,167)	-	-	(100,167)
Finance costs				(668,214)
Income tax recovery				129,360
Net loss for period				(9,612,478)

<b>As at September 30, 2014:</b>	<b>Palm Oil</b>	<b>Arable</b>	<b>Corporate</b>	<b>Total</b>
Total assets	41,997,955	9,020,027	3,287,022	54,305,004
Total liabilities	(15,469,958)	(771,469)	(5,075,769)	(21,317,196)

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<b>As at December 31, 2013:</b>	<b>Palm Oil</b>	<b>Arable</b>	<b>Corporate</b>	<b>Total</b>
Total assets	44,119,658	9,146,929	17,905,244	71,171,831
Total liabilities	(16,510,480)	(358,629)	(4,980,811)	(21,849,920)

**4. Property, plant and equipment**

	<b>Land</b>	<b>Buildings</b>	<b>Materials, furniture and equipment</b>	<b>Motor vehicles</b>	<b>Assets under construction</b>	<b>Total</b>
<b>At December 31, 2013</b>						
Cost	2,894,616	5,277,307	18,364,289	1,311,369	3,416,579	31,264,160
Accumulated depreciation	-	(409,187)	(2,847,159)	(910,936)	-	(4,167,282)
Net book value	2,894,616	4,868,120	15,517,130	400,433	3,416,579	27,096,878
<b>Quarter ended September 30, 2014</b>						
At January 1, 2014	2,894,616	4,868,120	15,517,130	400,433	3,416,579	27,096,878
Additions	-	1,902	28,315	-	3,169,363	3,199,580
Disposals	-	-	(346)	-	-	(346)
Transfers	-	-	506,029	3,985	(3,253,527)	(2,743,513)
Depreciation	-	(212,333)	(1,366,990)	(224,784)	-	(1,804,107)
At September 30, 2014	2,894,616	4,657,689	14,684,138	179,634	3,332,415	25,748,492
<b>At September 30, 2014</b>						
Cost	2,894,616	5,279,209	18,898,287	1,315,354	3,332,415	31,719,881
Accumulated depreciation	-	(621,520)	(4,214,149)	(1,135,720)	-	(5,971,389)
Net book value	2,894,616	4,657,689	14,684,138	179,634	3,332,415	25,748,492

During the nine months ended September 30, 2014, nursery costs and costs incurred in the replanting and maintenance of immature trees amounting to \$2,743,513 (2013: \$2,888,139) were transferred from assets under construction to non-current biological assets.

**5. Biological assets**

Non-current biological assets comprise plantation bearer assets. The Group values these plantation assets using a discounted cash flow over the expected 25-year economic life of the asset. The discount rate used in this valuation is 22% (2013 – 22%). The price of the crop (oil-palm FFB) is taken to be the 3-year average based on historic selling prices.

**Assumptions**

The long-term average prices used in determining the calculations were as follows:

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	<b>September 30, 2014</b>	<b>December 31, 2013</b>
Price of crude palm oil (\$/t)	918	994
Price of palm kernel (\$/t)	1,066	1,218
Direct selling costs (\$/t)	150	150

Total FFB harvested in the nine months ended September 30, 2014 was 52,214 tonnes (2013: 34,374 tonnes).

<b>Non-current Biological assets</b>	<b>September 30, 2014</b>	<b>December 31, 2013</b>
Current period (loss) gain on biological assets	(5,957,827)	3,514,223
Cost of immature plants	2,743,513	3,818,763
<b>Total change in value</b>	<b>(3,214,314)</b>	<b>7,332,986</b>
<b>Beginning balance</b>	<b>20,170,686</b>	<b>12,837,700</b>
<b>Ending balance</b>	<b>16,956,372</b>	<b>20,170,686</b>
	<b>Nine months ended September 30, 2014</b>	<b>Nine months ended September 30, 2013</b>
<b>(Loss) gain on Biological assets</b>		
Fair value (loss) gain on non-current bearer assets	(5,957,827)	(100,167)
(Loss) gain on Biological assets	(5,957,827)	(100,167)

**6. Share capital**

On June 23, 2014, the Company completed the consolidation of its issued and outstanding common shares on the basis of ten (10) pre-consolidation common shares for one (1) post-consolidation common share. As required by IAS 33, *Earnings per Share*, all information with respect to the number of common shares and issuance prices is presented on a post-consolidation basis. The Company's outstanding options, warrants to purchase common shares and listed convertible debentures were adjusted on the same basis.

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	Shares #	Shares (amount)
Balance, December 31, 2013	55,205,051	91,420,003
Shares issued pursuant to the SPP June 15, 2014 (i)	15,568	5,361
Share consolidation adjustment (ii)	37	-
	<hr/>	<hr/>
Balance, September 30, 2014	55,220,656	91,425,364

- (i) On June 15, 2014, the Company issued 11,646 (pre-consolidation: 116,460) common shares for aggregate gross proceeds of CDN\$5,823 (\$5,361) at a purchase price of CDN\$0.50 (pre-consolidation: CDN\$0.05) per share, under the Company's share purchase plan ("SPP"). The Company also issued an aggregate of 3,922 (pre-consolidation: 39,216) deferred matching shares under the SPP to certain officers, directors, and employees who acquired qualifying shares under SPP in December 2011 and December 2012.
- (ii) Share consolidation adjustment is due to fractional common shares resulting from the share consolidation that were rounded up or down to the nearest whole common share. No cash consideration was paid in lieu of fractional post-consolidation common shares.

**7. Share-based payment, other and warrant reserves**

*Share-based payment and other reserves*

Balance, December 31, 2013	2,818,984
Employee share-based compensation	23,520
	<hr/>
Balance, September 30, 2014	2,842,504

A continuity of the Company's stock options issued and outstanding is as follows:

	Number of Options	Weighted Average Exercise Price
	#	\$
Balance, December 31, 2013	1,000,997	3.10
Forfeited	(44,736)	3.68
	<hr/>	<hr/>
Balance, September 30, 2014	956,621	2.89

As at September 30, 2014, the Company had the following outstanding options to purchase common shares:

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<b>Date of Grant</b>	<b>Remaining Contractual Life (Years)</b>	<b>Expiry Date</b>	<b>Number of Stock Options Outstanding</b>	<b>Number of Stock Options Exercisable</b>	<b>Weighted Average Exercise Price \$</b>	<b>Grant date fair value of Options Outstanding \$</b>
September 9, 2010	5.45	March 10, 2020 (1)	193,000	193,000	1.00	424,730
September 9, 2010	5.45	March 10, 2020 (1)	195,500	195,500	2.50	352,721
September 9, 2010	5.45	March 10, 2020 (1)	216,000	216,000	5.00	351,326
September 9, 2010	1.44	March 10, 2016 (2)	16,500	16,500	1.00	34,650
September 9, 2010	1.44	March 10, 2016 (2)	16,500	16,500	2.50	20,700
September 9, 2010	1.44	March 10, 2016 (2)	17,000	17,000	5.00	25,670
September 9, 2010	5.95	September 9, 2020 (3)	50,000	50,000	3.59	113,000
September 23, 2010	5.99	September 23, 2020 (4)	55,261	55,261	5.38	202,312
November 30, 2011	7.17	November 30, 2021 (5)	146,500	146,500	2.24	390,394
June 17, 2013	8.72	June 17, 2023 (6)	50,000	16,667	1.08	34,398
Unamortized portion of options						63,327
Total Options			956,261		2.89	2,013,228
Convertible debt - equity component						829,276
Total						2,842,504

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 6 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%.
- (5) expected dividend yield of 0%; risk-free interest rate of 2.15%; expected life of 10 years; and expected volatility of 85.02%.
- (6) expected dividend yield of 0%; risk-free interest rate of 2.32%; expected life of 10 years; and expected volatility of 63.88%.

The Company has used historical and index volatility to estimate the volatility of the share price.

**Warrant reserve**

	<b>Warrants #</b>	<b>Amount \$</b>
Balance, December 31, 2013	272,978	36,322
Warrants expired during Q3 2014	(272,978)	(36,322)
Balance, September 30, 2014	-	-

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**8. Accounts payable and accrued liabilities**

	<b>September 30, 2014</b>	<b>December 31, 2013</b>
Trade payables	2,624,036	2,386,686
Interest Payable	150,901	-
Accrued expenses	2,171,758	1,842,629
Other payables	<u>1,059,736</u>	<u>385,336</u>
Trade and other payables	<u>6,006,431</u>	<u>4,614,651</u>

**9. Borrowings**

	<b>September 30, 2014</b>	<b>December 31, 2013</b>
Debentures, beginning of period (1) (2) (3)	4,122,277	3,920,475
Debenture accretion expense	170,659	201,802
Convertible loan agreement - Debt	94,167	-
Convertible loan agreement – Embedded Derivatives	<u>6,438</u>	<u>-</u>
Debentures, end of period	<u>4,393,541</u>	<u>4,122,277</u>

- (1) As part of the first tranche of a brokered private placement (the "2012 Offering") completed on July 24, 2012, the Company received gross proceeds of CDN\$3,679,000 pursuant to the issuance of 3,679 units (each, a "Debenture Unit"), with each Debenture Unit consisting of one CDN\$1,000 principal amount 12.0% convertible unsecured subordinated debenture (a "Debenture") and certain common share purchase warrants, which expired on July 24, 2014 (each, a "Warrant"). The purchase price for each Debenture Unit was CDN\$1,000.
- (2) As part of the second tranche of the 2012 Offering completed on August 8, 2012, the Company received gross proceeds of CDN\$1,684,000 pursuant to the issuance of 1,684 Debenture Units.
- (3) The Debentures bear interest from July 24, 2012 at 12.0% per annum, payable commencing on December 31, 2012, and are due and payable on July 24, 2017 (the "Maturity Date"). The principal amount of the Debentures is convertible at the holder's option into common shares at any time prior to the close of business on the Maturity Date, at a conversion price of CDN\$1.75 (post-consolidation) per share, being a ratio of 571 common shares (post-consolidation) per CDN\$1,000 principal amount. The Debentures are governed by a trust indenture which includes customary adjustment provisions to the conversion price.

On the date of issuance, the gross proceeds in the amount of CDN\$3,679,000 for the first tranche and CDN\$1,684,000 for the second tranche were first allocated to the Debentures (CDN\$3,647,059 for the first tranche and CDN\$1,671,557 for the second tranche) and the Warrants (CDN\$31,941 for the first tranche and CDN\$12,443 for the second tranche). The value of the Debentures was then allocated between the convertible debt (CDN\$2,994,876 for the first tranche and CDN\$1,379,268 for the second tranche) and the holders' option to convert the principal balance into common shares (CDN\$652,183 for the first tranche and CDN\$292,289 for the second tranche) (the "Conversion Option").

The value of the Debentures is classified as a liability, and will be accreted to the face value through a periodic charge to accretion expense, with a corresponding credit to the liability component over the five-year term. This accretion is based on the effective interest method. As of September 30, 2014, the carrying value of the Debentures (including foreign currency



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and accretion) was \$4,387,103. The fair value of the Warrant component is also classified as a liability given certain anti-dilution clauses exist in the contract which resulted in the instrument being classified as a derivative which is fair valued at each reporting date. The amount allocated to the Conversion Option is classified as a separate component within shareholders' equity. The Company incurred transaction costs of \$655,494 specifically allocated to the issuance of the Debenture Units. These costs were allocated among debenture issuance costs, warrant issuance costs and equity issuance costs, based on the values of the debt and equity components at the date of issuance. The portion of transaction costs allocated to the convertible debt has been set off against the initial value of the convertible debt and the transaction costs allocated to the conversion option has been set off within equity as part of the initial value allocation. The transaction costs allocated to the warrant liability have been expensed to the statement of income (loss).

**Convertible loan agreement**

The Company entered into a convertible loan agreement with CDC Group plc ("CDC"), pursuant to which CDC will make available an unsecured non-revolving term loan in the maximum amount of \$3.6 million at an interest rate of 12% pa for a term of five years. As at September 30, 2014, \$100,605 of the loan had been drawn down. The loan includes an option at the maturity date and in certain other circumstances to convert the principal amount outstanding into common shares at CDN\$2.40 per share and the accrued and unpaid interest outstanding into common shares at the greater of CDN\$2.40 per share and the discounted market price (as determined pursuant to the policies of the TSX Venture Exchange).

The convertible loan agreement contains an embedded derivative related to foreign currency. This derivative is marked to its market value at each reporting date and adjustments to the fair value are included in the consolidated statements of loss within other gains and losses.

**10. Other financial liabilities**

	<b>September 30, 2014</b>	<b>December 31, 2013</b>
Employee incentive liability	6,178,267	6,406,324
	<u>6,178,267</u>	<u>6,406,324</u>

*Employee Incentive Liability*

Through its acquisition of PHC in the year ended December 31, 2009, 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 dates used for the accounting valuation for the defined benefit plan were September 30, 2014 and December 31, 2013. Information about the employee incentive plan for the nine months ended September 30, 2014 and at December 31, 2013 is as follows:

	<b>September 30, 2014</b>	<b>December 31, 2013</b>
	<b>\$</b>	<b>\$</b>
Benefit liability		
Accrued benefit obligation, beginning of period	6,990,532	7,190,719
Current service cost	175,070	237,600
Interest cost	787,994	1,095,474
Benefit paid during the period	(295,778)	(977,814)
Effect of foreign exchange	(136,017)	(31,264)
Actuarial gains	(639,118)	(524,183)
Accrued benefit obligation, end of period	<u>6,882,683</u>	<u>6,990,532</u>

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The weighted average assumptions in measuring the accrued employee incentive liability for the nine months ended September 30, 2014 and September 30, 2013 use the Canadian 3 to 10 year bond yield rate of 1.3%.

	<b>September 30, 2014</b>	<b>September 30, 2013</b>
Discount rates	16.3%	16.3%
Salary increase rate (administrative)	17.0%	15.0%
Salary increase rate (operation)	12.0%	15.0%

The employee incentive liability is categorised as current and non-current portion as below:

	<b>September 30, 2014</b>	<b>December 31, 2013</b>
Current portion	704,416	584,208
Non-current portion	6,178,267	6,406,324
Accrued benefit obligation, end of year	6,882,683	6,990,532

**11. Non-controlling interest**

Non-controlling interest includes the DRC government's 23.83% interest in PHC and Plantations Elevages Kitomesa sarl's 20% interest in Feronia PEK.

Percentage of profit on each component of other comprehensive income is attributed to the owners of the non-controlling interests.

	<b>September 30, 2014</b>	<b>December 31, 2013</b>
Non-controlling interest, beginning of period	6,348,149	3,724,010
Share of loss	3,745,560	2,624,139
Non-controlling interest, end of period	10,093,709	6,348,149

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**12. Selling, General and Administration costs**

	<b>Three months ended September 30,</b>		<b>Nine months ended September 30,</b>	
	<b>2014</b>	<b>2013</b>	<b>2014</b>	<b>2013</b>
Professional fees	622,514	303,958	1,453,456	1,048,467
Consultancy fees	43,760	87,948	237,101	263,883
Share based payment	8,441	25,230	23,520	59,935
Amortisation	4,832	15,493	17,501	44,958
Employee Incentive Liability	13,415	109,523	322,961	73,644
Salaries and wages	1,241,376	863,827	3,665,398	3,457,383
Other general and administrative	1,276,450	859,443	2,858,060	2,661,859
	<b>3,210,788</b>	<b>2,265,422</b>	<b>8,577,997</b>	<b>7,610,129</b>

**13. Cost of sales**

	<b>Three months ended September 30,</b>		<b>Nine months ended September 30,</b>	
	<b>2014</b>	<b>2013</b>	<b>2014</b>	<b>2013</b>
Direct operating costs	4,658,630	2,746,518	9,730,499	5,735,148
Employee incentive liability	26,942	142,502	344,325	65,467
Amortisation	600,339	398,604	1,786,607	1,143,916
	<b>5,285,911</b>	<b>3,287,624</b>	<b>11,861,431</b>	<b>6,944,531</b>

**14. Finance cost**

	<b>Three months ended September 30,</b>		<b>Nine months ended September 30,</b>	
	<b>2014</b>	<b>2013</b>	<b>2014</b>	<b>2013</b>
Interest and bank charges	224,773	185,277	655,159	578,505
Accretion expense	60,611	56,395	170,659	153,773
Interest Income	(1,390)	(461)	(5,117)	(3,082)
Change in warrant liability fair value	-	(8,071)	-	(60,982)
	<b>283,994</b>	<b>233,140</b>	<b>820,701</b>	<b>668,214</b>

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**15. Income Taxes**

Income tax expense is recognized based on management's best estimate of the weighted annual income tax rate expected for the full financial year. The estimated average annual rate used for the year ended December 31, 2013 and the nine months ended September 30, 2014 was 35%.

**16. Financial instruments**

Details of the significant accounting policies and methods adopted (including the criteria for recognition, the bases of measurement, and the bases for recognition of income and expenses) for each class of financial asset and financial liability are disclosed in note 2 of the annual financial statements of the Company for the year ended December 31, 2013.

Financial assets and financial liabilities as at September 30, 2014 and December 31, 2013 were as follows:

	<b>September 30,</b>	<b>December 31,</b>
	<b>2014</b>	<b>2013</b>
Assets		
Cash	3,513,048	18,252,307
Trade receivables	335,632	108,699
	3,848,680	18,361,006
Liabilities		
Amortized cost		
Trade payables	2,624,036	2,386,686
Debenture	4,393,541	4,122,277
	7,017,577	6,508,963

The carrying values of cash, trade receivables and trade payables approximate their fair value.

The Company measures certain of its financial assets and liabilities at fair value on a recurring basis and these are classified in their entirety based on the lowest level of input that is significant to the fair value measurement. Certain non-financial assets and liabilities may also be measured at fair value on a non-recurring basis. There are three levels of the fair value hierarchy that prioritize the inputs to valuation techniques used to measure fair value, with Level 1 inputs having the highest priority. The three levels of the fair value hierarchy are: Level 1, which are inputs that are unadjusted quoted prices in active markets for identical assets or liabilities; Level 2, which are inputs other than Level 1 quoted prices that are observable for the asset or liability, either directly or indirectly; and Level 3, which are inputs for the asset or liability that are not based on observable market data.

Fair value hierarchy:

The financial assets and liabilities that are recognized on the consolidated statements of financial position at fair value in a hierarchy that is based on significance of the inputs used in making the measurements. The levels in the hierarchy are:

- Level 1 - Quoted prices (unadjusted) in active markets for identical assets or liabilities
- Level 2 - Inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices)
- Level 3 - Inputs for the asset or liability that are not based on observable market data (that is, unobservable inputs).

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Financial risk factors:

The Company's activities expose it to a variety of financial risks: market risk (including currency risk, interest rate risk, and other price risk), credit risk and liquidity risk. The Company's overall risk management program seeks to minimize potential adverse effects on the Company's financial performance.

**(a) Market risk**

**(i) Foreign exchange risk**

The Company's presentation currency is the U.S. dollar and major purchases are transacted in United States dollars. The Company funds certain operations using the Congolese Franc currency from its bank accounts held in the DRC. Management closely monitors the foreign exchange risk derived from currency conversions but does not hedge its foreign exchange risk. Foreign exchange risk arises on recognized assets and liabilities, principally trade payables, cash and investments in foreign operations.

Foreign exchange risk arises when future recognized assets or liabilities are denominated in a currency that is not the subsidiary's functional currency.

**(ii) Interest rate risk**

The Group's interest rate risk arises from the debentures. Changes in interest rates related to fixed debentures would not have impacted net earnings or comprehensive income in the current year. Cash has limited interest rate risk due to its short-term nature

**(b) Credit risk**

The Company's credit risk is primarily attributable to receivables. Two customers purchase 99% of the Company's crude palm oil production, with a refining factory owned by Marsavco currently purchasing the majority of such production. The Company does not have a written agreement with either customer and relies upon the terms of verbal arrangements. Although the Company has a good business relationship with both of the customers, there is no guarantee that the Company will be able to continue these relationships or enter into written agreements on terms acceptable to the Company or at all.

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

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

**(c) Liquidity risk**

Cash flow forecasting is performed in the operating entities of the Company and aggregated in head office which monitors rolling forecasts of the Company's liquidity requirements to ensure it has sufficient cash to meet operational needs at all times.

The Company's approach to managing liquidity risk is to ensure that there is expected to be sufficient liquidity to meet liabilities when due. As at September 30, 2014, the Company had net working capital of \$4,518,852 including a cash balance of \$3,513,048. The majority of the Company's financial liabilities have 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 five years.

The table below analyses the Group's non-derivative financial liabilities into relevant maturity groupings based on the remaining period from the date of the consolidated statements of financial position to the contractual maturity date.

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	<b>September 30, 2014</b>			
	<b>Less than 3</b>	<b>3 months to</b>		<b>Over 5</b>
	<b>Months</b>	<b>1 year</b>	<b>1-5 years</b>	<b>years</b>
Trade payables	2,624,036	-	-	-
Interests payable	150,901			
Accrued expenses	2,171,758	-	-	-
Other payables	1,059,736	-	-	-
Debt	159,578	478,735	5,017,913	-

	<b>December 31, 2013</b>			
	<b>Less than 3</b>	<b>3 months to</b>		<b>Over 5</b>
	<b>Months</b>	<b>1 year</b>	<b>1-5 years</b>	<b>years</b>
Trade payables	2,386,686	-	-	-
Accrued expenses	1,842,629	-	-	-
Other payables	385,336	-	-	-
Debt	159,578	478,735	5,500,583	-

**Capital management**

The Company considers its capital structure to consist of shares, stock options, warrants and convertible debt. 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 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 favor 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.

There were no changes to the Group's capital management approach during the nine months ended 30, 2014. The Group entered into a debt arrangement during 2012 as detailed in note 9.

**17. Related party disclosures**

The following transactions were carried out with related parties in Q3 2014:

**Feronia Inc.**  
**Notes to the condensed consolidated interim financial statements**  
**For the three and nine months ended September 30, 2014 and 2013**  
**Expressed in United States Dollars, except where otherwise noted**  
**(Unaudited)**

Purchase of services from key management personnel	Three months ended September 30,		Nine months ended September 30,	
	2014	2013	2014	2013
Purchase of services:				
Board fees (1)	56,250	50,964	172,651	151,589
Purchase of consultancy services, and property rental payments (2)	25,000	37,500	100,000	157,218
	<b>81,250</b>	<b>88,464</b>	<b>272,651</b>	<b>308,807</b>

(1) Board fees paid to Non-executive directors

(2) Purchase of services in relation to rental accommodation and consultancy service

**Key management compensation**

Key management includes members of the board of directors and officers of the Company. The compensation paid or payable to key management for employee services is shown below:

	Three months ended September 30,		Nine months ended September 30,	
	2014	2013	2014	2013
Salaries and short-term employee benefits	173,937	231,584	577,194	540,312

**Change in fair value of share-based payments**

	Three months ended September 30,		Nine months ended September 30,	
	2014	2013	2014	2013
Change in fair value of share-based payments	7,474	23,431	21,161	93,233

**Payables to related parties**

	September 30,	December 31,
	2014	2013
Board of Directors fees	71,250	23,819
Other Consultancy fees	-	4,209
	<b>71,250</b>	<b>28,028</b>

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

**18. Contingent liabilities**

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 board of directors of the Company does 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 September 30, 2014, provisions related to such matters totalled \$370,441 (December 31, 2013: \$370,441).