FERONIA INC.
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE THREE MONTHS ENDED MARCH 31, 2014

May 30, 2014

This Management's Discussion and Analysis ("MD&A") should be read in conjunction with the unaudited consolidated financial statements and accompanying notes for the quarter ended March 31, 2014 of Feronia Inc. ("Feronia" or the "Company"). Throughout this MD&A, unless otherwise specified, "Feronia", the "Company", "we", "us" or "our" refer to Feronia Inc. and its subsidiaries.

All amounts are expressed in U.S. dollars ($) unless otherwise stated and have been prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board. Throughout this MD&A, references are made to "gross margin". A description of this non-GAAP financial measure and its limitations are discussed below under "Non-GAAP Financial Measures".

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

The Company began segmental reporting in Q2 2013 following the commencement of rice sales by its arable farming operation in the period.

BUSINESS OVERVIEW

Feronia operates large-scale commercial oil palm plantations and is developing an arable farming operation in the Democratic Republic of the Congo (the "DRC").

The Company, through its subsidiaries, holds concessions on land which is owned by the DRC government and on which its oil palm plantation and farming operations take place. The Company uses modern agricultural practices to operate and develop its oil palm plantations and arable farming.

Feronia believes in the immense agricultural potential of the DRC for high-quality edible oils, oil derivatives and foodstuffs given the suitability of its climate and soil and the availability of a skilled workforce. The Company's management team is comprised of experienced business administrators and senior agriculturalists with extensive experience in managing both plantations and large-scale mechanized farming operations in emerging markets.

Feronia is committed to sustainable agriculture, environmental protection and providing jobs and economic growth for local communities. On its oil palm plantations, through replanting old palms with new, Feronia is able to increase its productive areas at far lower costs than through greenfield planting and with zero deforestation or displacement of local communities. Feronia does not rely on deforestation for growth.

BUSINESS PERFORMANCE: Oil Palm Plantations

Feronia currently operates oil palm plantations in the DRC, having acquired 76.17% of the shares of Plantations et Huileries du Congo S.c.A.R.L ("PHC"), a company incorporated under the laws of the DRC, from subsidiaries of Unilever plc on September 3, 2009.

Since its acquisition of PHC, Feronia has embarked on a program of rehabilitating its oil palm mills, rehabilitating the internal road systems and implementing a substantial replanting program replacing less productive palm trees over 25 years old with new trees The palm oil mills at the Lokutu and the Boteka plantations have been rehabilitated and a new palm oil mill at the Yaligimba plantation commenced production in October 2013.

As at March 31, 2014, PHC, being the main operating unit of Feronia, had concessions of 107,892 ha located in the provinces of Equateur and Orientale in the DRC.

PHC accounted for 96% of Feronia's revenues in Q1 2014 and 100% of Feronia's revenue for the corresponding period in 2013.

Oil Palm Plantations: Q1 2014 performance and recent developments

The following table shows key data relating to PHC's operations as at and for the three months ended March 31, 2014:

	Three months ended March 31, 2014			**Total (as at and for the three months ended March 31)**		
	Lokutu	**Yaligimba**	**Boteka**	**2014**	**2013**(1)	**2012**(1)
Production						
Fresh Fruit Bunch ('FFB') production (tonnes)	8,815	4,845	1,745	**15,405**	9,550	10,975
Crude Palm Oil ('CPO') produced (tonnes)	1,650	870	331	**2,851**	1,764	2,009
Oil Extraction Rate ('OER') (%)	18.72	17.96	18.97	**18.51**	18.47	18.31
FFB Yield/Hectare (tonnes)	1.95	1.44	1.01	**1.60**	1.60	1.74
CPO Yield/Hectare (tonnes)	0.37	0.26	0.19	**0.30**	0.30	0.32
Palm Kernel Oil ('PKO') Produced (tonnes)	109	66	0	**175**	92	143

Note:

(1) Yaligimba did not contribute to FFB or CPO production in the three months ended March 31, 2013 and 2012.

During Q1 2014 the Company produced 15,405 tonnes of FFB and 2,851 tonnes of CPO, representing increases on Q1 2013 production levels of 61% and 62% respectively. The majority of these increases relate to Yaligimba production in Q1 2014 which did not take place in Q1 2013 although underlying year-on-year increases in FFB and CPO production were still 11% and 12% respectively. These underlying increases are the result of new plantings coming into harvest during the period, improvements in plantation management processes and improved roads on the Company's plantations which all contribute to more efficient harvesting and fruit evacuation.

As levels of production at Yaligimba are expected to increase over the coming months and the FFB harvest and evacuation procedures are refined, the Company expects operating results at Yaligimba to be similar to those being achieved at the Lokutu plantation.

The operational improvements are further evidenced by the high quality of the oil produced during the year to date with the average Free Fatty Acid ("FFA") content of oil sold in Q1 2014 being 2.23% (Q1 2013: 2.47%). Low FFA levels are achieved through good harvesting and fruit evacuation practices and CPO with a FFA level of less than 5% is considered of a premium quality and can be used in food production.

The following table shows PHC's plantation profile as at March 31, 2014:

	As at March 31, 2014			Total as at March 31		
	Lokutu	Yaligimba	Boteka	2014	2013	2012
Plantations (Hectares)						
Immature						
Year 0	88	210	0	**298**	422	264
Year 1	2,200	2,132	675	**5,007**	3,924	2,110
Year 2	1,707	1,447	770	**3,924**	2,110	1,027
Year 3	1,065	545	500	**2,110**	1,027	713
	5,060	4,334	1,945	**11,339**	7,483	4,114
Producing						
4 - 7 Years	1,538	1,595	808	**3,941**	3,149	2,469
8 – 18 Years	233	361	604	**1,198**	1,515	2,273
19 – 25 Years	2,747	1,412	310	**4,469**	5,045	5,471
	4,518	3,368	1,722	**9,608**	9,709	10,213
Total Planted	9,578	7,702	3,667	**20,947**	17,192	14,327

The total number of producing hectares at March 31, 2014 was 9,608 ha (March 31, 2013: 9,709 ha). The number of producing hectares being harvested at March 31, 2013 was limited to 5,952 ha as the Yaligimba mill was under construction and the 3,757 ha of mature oil palm at Yaligimba were not being harvested. The net year-on-year decrease of 101 ha is a result of 1,027 ha of young palms coming into production in Q1 2014 and 1,128 ha of old palms being removed during the period.

Replanting of oil palms commenced in March 2014 in line with rainfall patterns, with 298 ha planted by March 31, 2014 (Q1 2013: 422 ha). As at May 28, 2014 the Company had replanted 1,359 ha. The size of Feronia's workforce will continue to be a key factor in delivering on its objective to replant 5,000 ha during 2014.

As at May 28, 2014, Feronia's oil palm nurseries contained 740,960 seedlings and were sufficiently stocked to complete the 5,000 hectare replanting programme for 2014.

The following table shows PHC's operational and social infrastructure as at March 31, 2014:

	As at March 31, 2014				Total as at December 31	
	Lokutu	**Yaligimba**	**Boteka**	**Total**	**2013**	**2012**
Palm Nurseries						
Total Hectares	24	20	6	**50**	50	40
Seedlings	504,326	475,622	82,087	**1,062,035**	844,235	998,637
Hectares plantable from seedlings	2,522	2,378	410	**5,310**	4,221	4,993
Palm Oil Mills						
Palm Oil Mills / Oil Produced	1 / CPO & PKO	1 / CPO & PKO	1 / CPO	**3**	3	2
Palm Oil Mill Capacity (tonnes/hour)	15	23	10	**48**	48	25
Infrastructure						
Operational Roads (Km)	615	703	367	**1,685**	1,670	1,428
Employees	-	-	-	**3,463**	3,474	3,503
Houses	1,974	1,095	650	**3,719**	3,730	3,725
Schools	60	21	9	**90**	90	86
Hospitals	2	1	1	**4**	4	4
Dispensaries	7	3	4	**14**	14	14
Health Centres	2	1	1	**4**	4	4

As at March 31, 2014, the Company employed 3,463 staff in its palm oil operations (December 31, 2013: 3,474), more than would typically be required for a mature palm oil business with production at Feronia's current levels. However, the Company recognises the considerable amount of knowledge and skill held within its workforce and believes it is a tremendous asset. While a large proportion of the workforce is utilised in Feronia's replanting program, a sufficient portion of the workforce has the skillset to be re-allocated to harvesting operations as the Company's producing hectares increase.

The Company also has in place a Management Training Programme to develop management capabilities and skills across four areas - agronomy, finance, technical (engineering) and personnel. The predecessor of this programme produced many of the Company's senior executives and many other talented managers working throughout the DRC and overseas. The Company believes this is essential to ensure the development of skills through the organisation and is a key part of the Company's succession planning. The two year programme is open to Congolese nationals under 33 years of age with relevant qualifications and experience with successful applicants required to pass a technical examination and interview with participants subject to ongoing assessment.

The Company also owns the Yaligimba Research Station, one of Africa's pre-eminent oil palm seed research and breeding operations. The Yaligimba Research Station supplies PHC with all of the oil palm seeds required for its replanting programme and undertakes research into increasing oil palm yields and optimal fertilizer regimes. The seeds provided by the Yaligimba Research Station are resistant to fusarium wilt, a soil-born fungal disease that is prevalent in Africa. The Yaligimba Research Station also sells both fusarium wilt resistant and non-resistant seed varieties to third party customers.

BUSINESS PERFORMANCE: Arable Farming

The Company's objective for its arable operation is to supply the growing demand for food in the DRC by producing staple crops locally on an economically compelling basis.

Feronia commenced arable farming operations in the DRC in late 2010 through its subsidiary Feronia PEK sprl ("Feronia Arable"). The Company owns 80% of Feronia Arable, with the remaining 20% held by Plantations et Elevages de Kitomesa sarl ("PEK sarl"), a private DRC company that transferred the concession rights to a 10,000 hectare Bas Congo property to Feronia Arable in exchange for its 20% interest on the basis that the Company would provide the capital investment and services required to farm the concession area. The associated agro-processing is operated through Kimpese Agro Industrie sarl ("KAI"), which is owned 100% by the Company.

Feronia Arable is entitled to 100% of the farm-gate profits resulting from the operations on the concession, using a farm-gate sales price equal to 65% of the ultimate sales price realized by KAI. KAI is entitled to 100% of the profits derived from processing, storage, transport and sale of the crops.

Since 2011, the Company has been undertaking a program of trial plantings of rice and bean crops in order to establish which seed varieties, nutrients and planting/harvesting regimes will be best suited for large scale, mechanized agriculture in the Bas Congo region of the DRC. The trials have also allowed the Company to identify and address issues with seed stock, nutrients, machinery and the scheduling of planting and harvesting. The Company demonstrated commercial yields from its mechanized harvesting during both the Q1 2013 and Q1 2014 harvests and believes that the land it is farming will support rice crops with yields at commercial levels.

The Company has a five tonne per hour rice mill and associated drying facilities which is the only industrial-scale rice mill in the region. These facilities allow the Company to process its own crop and that produced by other local small-holder farmers.

Storage of dried paddy rice is currently undertaken using a grain bag storage system which is an acceptable interim solution for storing current volumes and allows the Company to continue to dry and mill crop.

The Company sells rice grown on its farm domestically to Bralima, Heineken's wholly-owned DRC subsidiary, food wholesalers and a number of counterparties involved in the domestic food market.

The Company has in place a pricing structure whereby the price it charges for rice is determined by the quality of the product sold, specifically, the percentage of broken grains. The prices that the Company is achieving are consistent with earlier estimates and at a significant premium to global rice prices.

Since it commenced the sale of its rice, the Company has experienced considerable interest in its produce and has received order enquiries far in excess of the production levels it can achieve under its current trial planting program.

Key Metrics:

Arable	As at March 31	
	2014	**2013**
Land Available (ha)	10,000	10,000
Land Cleared (ha)	2,000	2,000
Land Prepared (ha)	1,700	1,700
Land Planted (ha)	200	90

Arable Farming: Q1 2014 Performance and recent developments

A 200 hectare trial planting of rice planted in October 2013 was harvested in February and March 2014, with results from the trial proving positive. Mechanised harvesting achieved an average yield of 2.6 tonnes of paddy rice per hectare over the 200 hectare trial site, representing a 44% increase on the yield per hectare achieved during the Company's previous large trial planting harvested in March 2013.

During the harvest, the Company achieved an average yield of 3.0 tonnes per hectare from four plots totaling 103 hectares, further demonstrating that commercial yields are achievable. A peak yield of 3.6 tonnes per hectare was achieved but harvesting losses arising from insufficient harvesting capacity resulted in a lower average yield per hectare across the 200 hectare trial.

In total, 532 tonnes of paddy rice were harvested and processed for sale into the domestic market.

A further 200 hectare rice trial was planted during Q1 2014 and will be harvested in June 2014.

Management believes that the market for domestically produced rice in and around the Bas Congo region of the DRC is considerable. The Company continues to believe in the immense agricultural potential of the DRC and is investigating mechanisms to fund the growth of its arable farming operation without diluting shareholders.

DISCUSSION OF OPERATIONS – Three months ended March 31, 2014

Revenue and Gross Margin

(Expressed in thousands of US dollars)	Three months ended March 31		
	2014	2013	% Change
Revenues			
Oil Palm Plantations	**1,552**	1,212	28%
Arable Farming	**69**	-	n/a
	1,621	1,212	34%
Cost of sales			
Oil Palm Plantations	**1,507**	1,042	44%
Arable Farming	**266**	431	(38)%
	1,773	1,473	20%
Gross Profit (Loss)			
Oil Palm Plantations	**45**	170	(73%)
Arable Farming	**(197)**	(431)	54%
	(152)	(261)	42%
Gross Margin(1)			
Oil Palm Plantations	**3%**	14%	

Note:

(1) Gross margin is a non-GAAP financial measure. See "Non-GAAP Financial Measures" below.

The Company's Arable Farming division is still in a development phase where it is undertaking trial plantings to identify and address issues with seed stock, nutrients, machinery and the scheduling of planting and harvesting. As such, revenues and cost of sales for Arable Farming should be considered in this context.

Total revenues for Q1 2014 were $1,621,000, 34% higher than Q1 2013 revenues of $1,212,000 and arose because of:

- Oil Palm revenues of $1,552,000 being 28% higher than Q1 2013 (Q1 2013: $1,212,000). This resulted from the volume of CPO sold in Q1 2014 of 1,813 tonnes being 20% higher than in Q1 2013 (Q1 2013: 1,517 tonnes), combined with the average CPO price achieved of $798 per tonne being 18% higher than in Q1 2013 (Q1 2013: $674 per tonne). These increases were partially offset by lower seed and cocoa sales in Q1 2014 of $8,000 (Q1 2013: $74,000). And;

- 94 tonnes of PKO at an average price of $1,188 per tonne (Q1 2013: 120 tonnes at $648 per tonne)

Cost of sales for Q1 2014 were $1,773,000 (Q1 2013: $1,473,000), an increase of $300,000. The year-on-year increase was due to production being 20% higher in Q1 2014 than in Q1 2013 and Q1 2013 benefiting from a $200,000 credit of a partial write back of inventory written down in Q4 2012 due to very low CPO prices at that time.

Selling, General and Administrative Costs

(Expressed in thousands of US dollars)	Three months ended March 31,		
	2014	2013	*% Change*
Selling, general and admin	**2,785**	2,497	*12%*
Other losses (gains)	**86**	13	*662%*
	2,871	2,510	*14%*

Selling, general and administrative ("SG&A") costs for Q1 2014 of $2,785,000 were $288,000 higher than in Q1 2013 (Q1 2013: $2,497,000), an increase of 12%. This was largely due to a credit of $247,000 in Q1 2013, being the release of a provision made in prior years but no longer required.

Gain (Loss) on Biological Assets and Planting Costs

(Expressed in thousands of US dollars)	Three months ended March 31		
	2014	2013	% change
Gain (loss) on Biological Assets	**(2,238)**	25	n/a

Under IFRS, the oil palm trees are classified as non-current biological assets and are valued on the basis of discounted cash flows taking into account the assets' expected 25-year economic life, the mature and immature hectares in production, the three-year rolling average price of CPO and a discount rate of 22%. The Company reviews the discount rate, mature and immature hectares annually. The variable element in the computation at each quarter end is the price of CPO. If the price of CPO increases, the value of the biological asset will increase and if the price of CPO decreases, the value of the biological asset will decrease.

The three-year rolling average price of CPO used at March 31, 2014 was $965 per metric tonne, a decrease from $994 per metric tonne as at December 31, 2013.

In Q1 2014, the loss on biological assets is $2,238,000 compared to a gain of $25,000 in Q1 2013. This reflects a decrease in the rolling average price of CPO of $29 per metric tonne during the quarter.

During the three months ended March 31, 2014, $912,000 of nursery costs and costs incurred in the replanting and maintenance of immature trees were transferred from 'Assets Under Construction' to 'Non-current Biological Assets'.

Income Taxes Under IFRS

Under IFRS the Company has a fair value loss on non-current biological assets of $2,238,000 for Q1 2014 and a gain of $25,000 for the corresponding period in 2013. As a result of the valuation, there is a release of the provision of deferred income tax of $784,000 for Q1 2014 compared to a provision of $9,000 in Q1 2013. The deferred tax is calculated at a rate of 35% on the biological gain.

Net Loss

(Expressed in thousands of US dollars)	Three months ended March 31		
	2014	2013	% change
Net loss	**3,819**	2,717	41%

The net loss attributable to Feronia for Q1 2014 was $3,819,000 (Q1 2013: $2,717,000) which is equivalent to $0.01 per share (Q1 2013: $0.01).

Net Loss Attributable to Non-controlling Interests

The net loss attributable to non-controlling interests for the quarter ended March 31, 2014 was $941,000 (Q1 2013: $209,000) which represents the share of losses attributable to the 23.83% and 20% holdings in PHC and Feronia Arable respectively.

COMPARISON OF FINANCIAL CONDITION

The following table provides a comparison of the Company's financial condition as at March 31, 2014 compared to December 31, 2013:

(Expressed in US dollars)	**March 31**	December 31	
	2014	2013	% Change
Total current assets	**21,115,000**	23,904,000	(12%)
Total current liabilities	**6,330,000**	5,569,000	14%
Net current assets	**14,785,000**	18,335,000	(19%)
Total shareholder's equity	**44,856,000**	49,322,000	(9%)

SUMMARY OF QUARTERLY RESULTS

The following table provides summary financial data for the Company's last eight quarters ended December 31, 2013:

(Expressed in thousands of US dollars, except per share amounts)	**Mar 31 2014**	**Dec 31 2013**	**Sep 30 2013**	**Jun 30 2013**
Revenues	1,621	1,012	2,282	2,182
Net Income (loss) attributable to owners of the parent	(3,819)	(2,551)	(2,970)	(1,988)
Net Income (loss) per share attributable to owners of the parent – Basic	(0.01)	(0.01)	(0.01)	(0.01)
Net Income (loss) per share attributable to owners of the parent - Diluted	(0.01)	(0.01)	(0.01)	(0.01)

	Mar 31 2013	Dec 31 2012	Sep 30 2012	Jun 30 2012
Revenues	1,212	1,029	2,143	2,025
Net Income (loss) attributable to owners of the parent	(2,717)	(2,436)	(1,842)	19
Net Income (loss) per share attributable to owners of the parent – Basic	(0.01)	(0.01)	(0.01)	0.00
Net Income (loss) per share attributable to owners of the parent - Diluted	(0.01)	(0.01)	(0.01)	0.00

Notes:

(1) The Company does not have any discontinued operations.

(2) Information in the above table is presented in accordance with IFRS and in U.S. dollars.

CASHFLOWS AND LIQUIDITY

The cash balance at March 31, 2014 was $13,478,000 compared to $18,252,000 as at December 31, 2013. The decrease in the cash balance of $4,774,000 was a result of a net cash loss from operations (excluding non-cash items) of $2,466,000, capital expenditure of $924,000 and an increase in working capital of $1,306,000.

The cash outflow attributable to the increase in non-cash working capital during Q1 2014 of $1,306,000 (Q1 2013: Cash outflow of $1,791,000) comprised of an increase in accounts receivable of $159,000, an increase in inventory of $1,988,000, a increase in accounts payable of $679,000 and an decrease in prepayments of $161,000.

There were no cash inflows from financing activities during Q1 2014 (Q1 2013: $13,018,000).

Investing activities in Q1 2014 resulted in cash outflows of $924,000 (Q1 2013 $2,956,000).

LIQUIDITY AND CAPITAL RESOURCES

The Company recorded net cash outflows in operations and investing activities for the quarter ended March 31, 2014 and it is probable that this will continue for an additional few years as the Company continues to make significant investments in equipment and infrastructure activities necessary to commercialize its products. Feronia's actual funding requirements will vary based on the factors noted above and its relationships with lead customers and strategic partners.

On November 8, 2013, the Company entered into a convertible loan facility with CDC Group plc. ("CDC"), pursuant to which CDC will make available an unsecured non-revolving term loan (the "ESG Facility") in the maximum amount of $3.6 million at an annual interest rate of 12% for a term of five years. The funds available under the ESG Facility are required to be used by the Company to support the implementation of an Environmental and Social Action Plan developed jointly with CDC. The principal under the ESG Facility will be convertible into Common Shares on the maturity date and in certain other circumstances at a rate of

CDN$0.24 per common share (subject to customary adjustment provisions). Subject to the approval of the TSX Venture Exchange (the "TSXV"), the interest payable under the ESG Facility will be convertible into Common Shares at a rate equal to the greater of CDN$0.24 and the Discounted Market Price (as defined in TSXV policy) at the time of conversion. As of the date of this MD&A, no funds have been advanced to the Company under the ESG Facility and, as a result, no Common Shares are issuable thereunder.

Continuing operations of Feronia are dependent upon its ability to continue to raise adequate financing and to commence profitable operations in the future. There can be no assurance that the Company will be able to continue raising adequate financing or commence profitable operations in the future. See "Risks and Uncertainties" below.

OUTLOOK

The Company's strategy for its palm oil division is to continue to drive value creation through new plantings and increasing yields through the utilisation of best practices, improved harvesting and evacuation, and the application of fertiliser. The Company will also make marginal improvements to its processing capacity and efficiency through further investment in its mills.

In its arable farming division, the Company will continue to focus on yields and is investigating mechanisms to fund the growth of this operation without diluting shareholders.

Having met and surpassed its annual 5,000 hectare replanting target for 2013 in October 2013, the Company is confident that it can continue to meet its replanting objectives. With the new Yaligimba palm oil mill now operational, the Company has access to an additional 3,368 hectares of mature oil palms for the production of CPO. The Yaligimba mill allows the Company to maximise production from legacy plantings and provides substantial excess processing capacity and expansion potential to accommodate anticipated production from its current aggressive replanting programme.

In summary, the key objectives of the Company for 2014 are as follows:

(i) refine FFB harvest and evacuation procedures at Yaligimba to enable FFB production and mill utilisation to be maximised following the resumption of harvesting 3,368 ha of producing palms;

(ii) replant 5,000 hectares of oil palm; and

(iii) prudently advance arable farming operations.

KEY FACTORS AFFECTING THE COMPANY'S BUSINESS

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

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

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

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

The local DRC palm oil market consists of a small number of refining factories located in Kinshasa. A refining factory owned by Marsavco currently purchases the majority of the Company's crude oil production. The Company and its predecessors have been selling crude palm oil and palm kernel oil to the refinery operated by Marsavco and its predecessors for over 20 years. Pursuant to the terms of a verbal arrangement between the Company and Marsavco, Feronia notifies Marsavco on a monthly basis regarding the product tonnage that will be made available for sale and the applicable price of the product based on the international CIF Rotterdam prices for crude palm oil and palm kernel oil. The value of the cargo is calculated based on the product tonnage and price. Although the Company has a good business relationship with Marsavco, there are risks associated with the existing arrangement. See under "Risk Factors" in the Company's annual Management's Discussion and Analysis for the year ended December 31, 2013, available at www.sedar.com

To the Company's knowledge, there has never been a large scale commercial rice planting program in the DRC. While the Company's objective is to establish a large scale arable farming operation in the DRC, with a particular focus on its commercial rice planting program, the Company may be unable to achieve its growth objectives with respect to the arable farming operations.

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

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

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

As previously reported, on December 24, 2011, the government of the DRC promulgated a new law, "Loi Portant Principes Fondamentaux Relatifs A L'Agriculture" (the "Agriculture Law"), for the stated purposes of developing and modernizing the country's agricultural sector. The Agriculture Law has garnered some controversy with respect to various provisions, including a provision which purports to limit the rights of foreign corporations to farmland in the DRC. Certain agribusinesses in the DRC have raised concerns that this provision may impede existing and new foreign investment in the agricultural sector. In particular, Article 16 of the Agriculture Law appears to impose a requirement that a holder of farmland in the DRC be either a DRC citizen or, in the case of a corporation, that such corporation be incorporated in the DRC and be majority owned by the DRC government and/or by DRC citizens. Currently, Feronia's primary operating subsidiaries, PHC and Feronia Arable are owned 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, Feronia may be required to sell or otherwise dispose of a sufficient interest in its operating subsidiaries so as to ensure that it meets the local ownership requirements contained in this law. There is no assurance that such a sale or disposition would be completed at fair market value or otherwise on acceptable terms to Feronia. See also below under "Forward Looking Statements" and "Risks and Uncertainties" for further information regarding the Agriculture Law. The Agriculture Law came into force on June 24, 2012 and, according to its terms, holders of concessions to agricultural lands had until June 24, 2013 to comply with its provisions.

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.

RELATED PARTY DISCLOSURES

The following transactions were carried out with related parties in Q1 2014:

Purchase of services from key management personnel **Purchase of services:**	**March 31, 2014**	**March 31, 2013**
<u>Board fees</u>		
Barnabe Kikaya-Bin-Karubi	5,000	5,000
David White	11,875	5,000
Nigel Gourlay	12,500	12,500
Joel Strickland	16,250	11,319
Philip Condon	-	5,000
Anders Einarsson	-	10,556
Vincent McAleer	4,640	-
Keith Alexander	5,985	-
	56,250	**49,375**

Purchase of consultancy services, and property rental payments	**March 31, 2014**	**March 31, 2013**
Barnabe Kikaya-Bin-Karubi (1)	37,500	37,500
Raymond Batanga (2)	-	10,000
Danesh Varma (3)	-	10,715
	37,500	**58,215**

Notes:

(1) In relation to rental payment for use of a building owned by Mr. Bin Karubi for office space and accommodation

(2) In relation to Mr. Batanga's service as Chief Operating Officer

(3) In relation to services provided by Mr. Varma, the Company's former Chief Financial Officer and in relation to rent paid for use of a building as office space and accommodation

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:

	March 31, 2014	**March 31, 2013**
Salaries and short-term employee benefits	231,963	140,705

Change in fair value of share-based payments	**March 31, 2014**	**March 31, 2013**
Change in fair value of share-based payments	6,760	54,266

Payables to related parties	**March 31, 2014**	**December 31, 2013**
Board of Directors fees	51,250	60,005
Other Consultancy fees	-	25,000
	51,250	85,005

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

SUMMARY OF OUTSTANDING SHARE DATA

The authorized share capital of the Company consists of an unlimited number of Common Shares, of which 552,050,512 Common Shares are issued and outstanding as of the date of this MD&A. In addition, the Company has CDN$5,363,000 principal amount of Debentures which are convertible into 30,645,714 Common Shares, warrants outstanding to purchase up to an aggregate of 8,940,121 Common Shares, broker warrants outstanding to purchase up to 2,729,785 Common Shares and options outstanding to purchase up to 9,786,283 Common Shares. Assuming the exercise or conversion of all of the outstanding Debentures, warrants, broker warrants and options, an aggregate of 604,152,415 Common Shares will be issued and outstanding on a fully diluted basis. As of the date of this MD&A, no funds have been advanced to the Company under the ESG Facility and, as a result, no Common Shares are issuable thereunder.

CHANGES IN ACCOUNTING POLICIES

For information regarding changes in accounting policies including initial adoption, please refer to the sections "Changes In Accounting Policies" in the Company's annual management's discussion and analysis for the year ended December 31, 2013, available at www.sedar.com

NON-GAAP FINANCIAL MEASURES

Gross margin is not a financial measure recognized by IFRS and does not have a standardized meaning prescribed by IFRS. The Company's method of calculating gross margin may differ from other methods used. Gross margin is presented in this MD&A as additional information regarding the Company's financial performance. Gross margin has been calculated by deducting cost of sales from revenue.

RISKS AND UNCERTAINTIES

The Company is subject to various business, financial and operational risks that could materially adversely affect the Company's future business, operations and financial condition and could cause such future business, operations and financial condition to differ materially from the forward-looking statements and information contained in this MD&A. For a more comprehensive discussion of the risks faced by the Company, please refer to the Company's annual management's discussion and analysis for the year ended December 31, 2013, available at www.sedar.com

FORWARD-LOOKING STATEMENTS

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

Additional factors that could cause actual results, performance or achievements to differ materially include, but are not limited to, the risk factors discussed herein under the section heading "Risks and Uncertainties". Management provides forward-looking statements because it believes they provide useful information to readers when considering their investment objectives and cautions readers that the information may not be appropriate for other purposes. Consequently, all of the forward-looking statements made in this MD&A are qualified by these cautionary statements and other cautionary statements or factors contained herein, and there can be no assurance that the actual results or developments will be realized or, even if substantially realized, that they will have the expected consequences to, or effects on, the Company. These forward-looking statements are made as of the date of this MD&A and the Company assumes no obligation to update or revise them to reflect subsequent information, events or circumstances or otherwise, except as required by law.

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

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