FERONIA INC.
(formerly G.T.M. Capital Corporation)
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2010

May 2, 2011

The following management's discussion and analysis ("MD&A") was prepared by management of Feronia Inc. ("Feronia" or the "Company") as of April 29, 2011 and approved by the board of directors of the Company (the "Board of Directors"). Throughout this MD&A, unless otherwise specified, "Feronia", "Company", the "Group", "we", "us" and "our" refer to Feronia Inc. and its subsidiaries. Except where otherwise indicated, all financial information reflected herein is determined on the basis of Canadian generally accepted accounting principles.

Management is responsible for ensuring that processes are in place to provide sufficient knowledge to support the representations made in the public filings. The Company's Audit Committee and Board of Directors provide an oversight role with respect to all public financial disclosures by the Company, and have reviewed this MD&A and the accompanying consolidated financial statements.

This MD&A should be read in conjunction with the audited consolidated financial statements and notes thereto for the years ended December 31, 2010 and 2009. All amounts are in U.S. dollars unless otherwise stated.

The Chief Executive Officer and Chief Financial Officer of the Company, in accordance with National Instrument 52-109 – *Certification of Disclosure in Issuers' Annual and Interim Filings* ("NI 52-109"), have both certified that they have reviewed the consolidated financial statements and this MD&A (collectively, the "Filings") and that, based on their knowledge having exercised reasonable diligence, (a) the Filings do not contain any untrue fact or omit a material fact required to be stated or that is necessary to make a statement not misleading in light of the circumstances under which it was made; and (b) the consolidated financial statements together with the other financial information included in the Filings fairly present in all material respects the financial condition, results of operations and cash flows of the Company, as of the date of and for the periods presented in the Filings.

Investors should be aware that inherent limitations on the ability of certifying officers of a venture issuer to design and implement on a cost effective basis Disclosure Controls and Procedures and Internal Controls over Financial Reporting as defined in NI 52-109 may result in additional risks to the quality, reliability, transparency and timeliness of interim and annual filings and other reports provided under securities legislation.

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, those discussed under "Risk Factors" in the listing application of the Company dated August 27, 2010 (the "Listing Application") and in this MD&A. 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 could 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), termination or non-renewal of concession rights or expropriation of property rights, political instability and bureaucracy, limited operating history, lack of profitability, lack of infrastructure in the Democratic Republic of Congo ("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, business relationships, and two refining factories), 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.

Selected Annual Information

The following selected financial information has been derived from the audited consolidated financial statements for the years ended December 31, 2010 and 2009 and the five months ended December 31, 2008 and our financial positions as at December 31, 2010, 2009 and 2008:

Years ended December 31,	**2010 ($)**	**2009 ($)**	**2008 ($)**
Operating Results			
Revenue	3,905,202	1,438,936	
Cost of Sales	(2,348,362)	(1,178,464)	
Gross Profit	1,556,840	260,472	0
Net loss from continuing operations	(5, 061,861)	(1,242,727)	(520,823)
Net loss	(6,529,254)	(10,872,281)	(520,823)
Earnings per share from continuing operations			
Basic	(0.07)	(0.08)	(520.82)
Diluted	(0.07)	(0.08)	(520.82)

Years ended December 31,	2010 ($)	2009 ($)	2008 ($)
Earnings per share			
Basic	(0.09)	(0.70)	(520.82)
Diluted	(0.09)	(0.70)	(520.82)
Financial Position			
Current assets	11,411,076	1,993,555	390,015
Non-current assets	11,075,220	6,223,702	1,624
Total assets	22,486,296	8,217,257	391,639
Current liabilities (including current portion of:			
Employee incentive liability)	3,608,878	3,196,110	912,362
Non-current liabilities	6,979,873	8,325,950	
Total shareholders' equity (net assets)	11,897,545	(3,304,803)	(520,723)
Cash dividends declared per share	Nil	Nil	Nil
Common shares outstanding	99,425,740	35,230,240	1,000

In 2009, the Company raised $8.1 million, net of expenses through the issuance of 17.7 million shares, 10 million shares in settlement of a loan with a related party and 7.5 million shares in settlement of a debt with a related party.

On May 25, 2010 and June 4, 2010 the Company completed a brokered private placement (the "Feronia Private Placement") of an aggregate of 51,945,024 subscription receipts (the "Feronia Subscription Receipts") at a subscription price of Cdn $0.40 per receipt for aggregate gross proceeds of Cdn $20,778,010. Proceeds from the Feronia Private Placement in the amount of $3,400,000 was paid to the Company, while the balance of the proceeds in the aggregate amount of $17,378,010 was deposited with Equity Transfer & Trust Company (the "Feronia Subscription Receipt Agent") until the satisfaction of certain conditions. Each subscription receipt was ultimately exchanged for one common share of the Company and one half of one warrant. In April 2010, 8,894,344 shares were issued in exchange for a 20% non-controlling interest in a subsidiary of the Company held by a company controlled by a director of Feronia.

Non-current assets consist primarily of assets under construction represented by property and equipment under construction, $6.3 million in 2010 ($2.8 million in 2009), land at $2.7 million in 2010 ($2.1 million in 2009) and plantations at $1.2 million in 2010 ($0.7 million in 2009).

Recent Developments

On September 9, 2010, the Company completed a reverse takeover transaction (the "RTO") with Feronia CI Inc. (formerly Feronia Inc.) ("Feronia CI"), by way of an exchange offer and merger of Feronia CI with Feronia PHC Limited, a wholly-owned subsidiary of the Company. Prior to the completion of the RTO, the Company filed articles of continuance to continue under the laws of the Province of Ontario and articles of amendment to consolidate its common shares (the "Common Shares") by a ratio of 3.5:1 and to change its name from "G.T.M. Capital Corporation" to "Feronia Inc." 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.

On March 31, 2011, the Company completed its offering (the "Offering") of units of the Company (the "Units"), with each Unit consisting of one Common Share and one-half of one common share purchase warrant (each whole warrant, a "Warrant"). Each Warrant will entitle the holder thereof to acquire one Common Share at an exercise price of Cdn.$0.90 per Common Share for a period of 24 months following the closing of the Offering. In the event that the closing price of the Common Shares listed for trading on the TSX Venture Exchange, or any other recognized stock exchange on which the Common Shares may be trading at such time, is greater than Cdn.$1.30 for a period of 20 consecutive trading days at any time after the completion of the Offering, the Company may accelerate the expiry of the Warrants by giving notice to the holders thereof, and in such case, the Warrants will expire at 5:00pm (Toronto time) on the earlier of: (i) the 30th day after the date on which such notice is given by the Company; and (ii) the expiry date of the Warrants.. The Offering was made by way of a short form prospectus offering in all provinces of Canada other than Québec through Wellington West Capital Markets Inc. ("Wellington West") and on a private placement basis outside of Canada pursuant to available exemptions through Wellington West and Renaissance Capital (Kenya) Limited (collectively, the "Agents"). An aggregate of 44,275,000 Units were issued pursuant to the Offering for total gross proceeds of Cdn.$28,778,750, which included the exercise in full of the over-allotment option by the Agents to acquire an additional 5,775,000 Units. In addition, the Company issued to the Agents non-transferable compensation options to purchase up to an aggregate of 2,656,500 Common Shares at an exercise price of Cdn.$0.65 per Common Share at any time prior to 5:00 p.m. (Toronto time) on March 31, 2013.

The net proceeds from the Offering are estimated to be approximately Cdn.$26,252,025, after deduction of the Agents' fee and the estimated expenses of the Offering.

The Company intends to use the net proceeds from this Offering for the following purposes:

(1) approximately Cdn.$17,633,000 to expand the oil palm operations as follows:
    a. approximately Cdn.$8,000,000 for the purchase, construction and commissioning of a new palm oil mill at the Yaligimba estate in the DRC. The purchase order is expected to be placed in 2011 and the mill is expected to be operational by the end of 2012;
    b. approximately Cdn.$8,100,000 to replant up to 3,000 hectares (ha) of oil palm in the DRC in 2012; and
    c. approximately Cdn.$1,533,000 to purchase nursery equipment, additional machinery for planting purposes and the refurbishment of the Company's seed production facility in the DRC, expected to be completed by the end of 2012;

(2) approximately Cdn.$1,750,000 to expand the Company's arable operations in the DRC by up to 350 ha during the first half of 2012; and

    as to the balance, approximately Cdn.$6,869,025, for such additional capital purchases or other purposes as the Company may determine.

<u>Description of Business</u>

Feronia is a large-scale commercial farmland and plantation operator in the DRC. The Company uses modern agricultural practices to operate and develop its oil palm plantations and arable farming business division. Feronia believes in the immense agricultural potential of the DRC for high-quality foodstuffs and edible oils given its ideal climate, excellent soil and highly skilled and experienced workforce. Feronia's management team is comprised of 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 support for local communities.

Palm Oil 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") from subsidiaries of Unilever plc on September 3, 2009. In 2010, PHC was the main operating unit of Feronia, and has concessions of 107,892 ha located in the provinces of Equateur and Orientale in the DRC. As at December 31, 2010, PHC consisted of the following:

(1) 13,685 ha of oil palms in production;

(2) 3,183 ha of immature palms;

(3) 49,208 ha of surveyed plantable reserves;

(4) two working palm oil mills;

(5) a workforce of 3,808 employees including 36 managers; and

(6) supporting infrastructure of roads, houses, offices, hospitals and clinics.

Since its acquisition of the shares of PHC, Feronia has embarked on a program of rehabilitation of the palm oil mills and the internal road system, with the objective of increasing production annually at the plantations. In the fiscal year 2010, PHC produced approximately 4,952 tonnes of Crude Palm Oil ("CPO").

Arable Farmland
Having researched a number of arable farming opportunities in the DRC, Uganda, Zimbabwe and South Africa, the Company's management team identified the large scale production of staple crops, such as rice, as the most attractive project to pursue. The Company's goal with respect to the production of staple crops is to substitute local production for expensive imports in local markets, contributing to the alleviation of Sub-Saharan Africa's reliance on imported food (for example the USDA in "*The World Agricultural Supply and Demand Estimates* (WASDE)" forecasts that 40% of the rice consumed in Sub-Saharan Africa will be imported). In the longer term, the Company's goal is to export staple crops to meet the ever increasing demand from countries such as China and India. Due to its large reserves of fertile arable land and optimal well distributed rainfall, the Company selected the DRC as the most favourable location to establish arable farmland operations.

The Company is in the process of establishing a large scale arable farming operation in the DRC. The first farm was established in the western region of the DRC in the third quarter of 2010. On January 10, 2011, the Company announced that it had sown its first crop of edible beans at its 10,000 ha arable farming operation in Bas Congo, DRC, which was subsequently harvested in March 2011.

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 success of the business depends upon the productivity of the oil palm plantations and arable farms, and the ability to realize expected yields. Oil palm plantation and arable farm yields depend on a number of factors, many of which are beyond the Company's control. These include damage by disease, pests and other natural disasters, and weather, 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.
The Company relies on relationships with local land owners, key customers, suppliers and third party service providers for the plantation, farming and trading activities. We rely to a significant extent on third party service providers for day-to-day transport on our oil palm plantations.

The Company is heavily dependent on the expertise of senior management in relation to their expertise 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.

Update on Use of Available Funds

The following table sets out a comparison of the disclosure regarding the Company's intended use of available funds as set out in the Listing Application and the actual use of available funds as at December 31, 2010:

Anticipated Use of Funds	**Estimated Use of Funds Over Next 18 Months (as of the date of the Listing Application)**	**Actual Use of Funds (as at December 31, 2010)**
Rehabilitation of roads and other Infrastructure on oil palm estates	$2,400,000	$33,348
New planting on oil palm estates	$2,000,000	$527,911
Rehabilitation and new palm oil mill down payment	$3,100,000	$1,677,105
Acquisition of IT hardware and software	$200,000	$32,764
Purchase of farm machinery and equipment	$800,000	$524,189
Land acquisition and clearing	$600,000	$104,921
Planting of crops	$600,000	$75,716
Purchase of grain storage and processing plant	$1,300,000	$308,463
Purchase of miscellaneous operational equipment	$800,000	$69,917

The Company is currently on target with respect to its anticipated expenses for new planting on oil palm estates and the rehabilitation of the palm oil mills. Most of the other anticipated uses of funds included in the table above are scheduled for fiscal 2011, with operational equipment scheduled to be purchased in fiscal 2012. Other than as disclosed below under "Update on Objectives", there are no variances on uses of funds which have impacted the Company's ability to achieve its business objectives and milestones.

Update on Objectives

The following table sets forth the business objectives of the Company for the 2010 and 2011 calendar years as set forth in the Listing Application and the current status of such objectives:

Objectives	**Status**
Palm Oil – 2010	
Rehabilitate two palm oil mills, restoring them back to their rated capacity of 10 tonnes of Fresh Fruit Bunches ("FFB") per hour	Completed
Rehabilitate the estate roads and engage additional transport contractors to transport the FFB to the mill for processing	Completed
Rehabilitate the plantations at the Yaligimba estate and have equipment in place to enable FFB from Yaligimba to be transported by barge to Lokutu for processing (with an estimated 4,500 ha of mature plantations being brought back into production)	Completed (February 2011)
Plant an additional 1,000 ha of new oil palms	Completed
Place an order for a new palm oil mill for the Yaligimba estate	Not completed. The Company anticipates that an order for a larger mill will be placed for the Yaligimba estate in 2011.
Produce approximately 8,500 tonnes of CPO	Not completed due to delay in commencement of rehabilitation activities.
Palm Oil – 2011	
Produce approximately 18,000 tonnes of CPO	The Company expects that 14,800 tonnes of CPO will be produced in 2011.
Plant an additional 1,000 ha of new oil palms	Objective has not changed.
Arable – 2010	
Clear and plant 1,000 ha of rice in Bas Congo, DRC	Not completed. Completion is expected in 2011.
Establish a drying and processing plant to process the crop in Bas Congo	Not completed. Completion is expected in 2011.

Objectives	Status
Arable – 2011	
Harvest, process and sell approximately 4,000 tonnes of rice, 2,400 tonnes of edible beans and 800 tonnes of millet	Completion is expected in 2012.
Clear and plant an additional 1,000 ha of land with rice in Bas Congo to reach total production area of 2,000 ha	Objective has not changed.

Overall Performance and Results of Operations

Financial highlights for the three months and year ended December 31, 2010:

- Crude palm oil production increased to 4,952 tonnes in 2010 from 3,773 tonnes in 2009, an increase of 31%.
- EBITDA was negative $244,580 for the quarter and negative $6,160,009 for the year.
- Net loss was $139,508 for the quarter and $6,529,254 for the year.
- RTO costs of $1,343,940 were fully expensed in the year.
- Basic and diluted EPS from continuing operations for the year was negative $0.07 and negative $0.09 after all expenses.
- Cash balance as at December 31, 2010 was $8,907,686.

Revenue

During the fourth quarter of 2010, Feronia's revenue was down to $877,939 ($1,079,202 in the fourth quarter of 2009), from $1,290,793 in the third quarter ended September 30, 2010, a decrease of 32%.

The decrease in the fourth quarter compared to the third quarter of 2010 is due to the fact that the fourth quarter is typically the lowest quarter of the year as a result of the seasonality of the oil palm harvest.

The decrease in revenues in the fourth quarter of 2010 compared to the fourth quarter of 2009 was due to an increase in inventory. Production of palm oil was up in the fourth quarter of 2010 compared to the fourth quarter of 2009.

Revenue increased to $3,905,202 for the year ended December 31, 2010 compared to $1,438,936 for the year ended December 31, 2009, an increase of $2,466,266 due to the acquisition of PHC on September 3, 2009 resulting in only four months revenue being included in the consolidated results for 2009. Revenue in the year was derived from the production of palm oil ($3,671,935), seeds ($39,326) and other ($193,941).

During the year ended December 31, 2010, Feronia produced approximately 30,420 tonnes of palm fruit which were processed to produce 4,952 tonnes of CPO, representing an increase of approximately 31% on a year-over-year basis. As at December 31, 2010, Feronia had 16,868 ha of oil palm planted which included 1,027 ha of replanting during the year.

Cost of Sales

Cost of sales in the fourth quarter 2010 was ($450,093) compared to $1,366,622 in the third quarter of 2010, and $883,848 in the fourth quarter of 2009. In the fourth quarter 2010 there was an adjustment to the employee incentive liability scheme of $1,017,279. Total cost of sales in 2010 was $2,348,362, compared to $1,178,464 in 2009 which was primarily due to the fact that 2009 only includes four months of PHC results from the date of acquisition.

Selling, General and Administration Expenses (SG&A)
SG&A expenses for the year ended December 31, 2010 were $7,919,058 compared to $11,137,465 in 2009. In 2009, the most significant item was the excess of purchase price over fair value of acquired assets which contributed a $10,569,288 charge. Excluding this charge, SG&A expenses were $568,177 in 2009.

For the year ended December 31, 2010, as a result of the expansion of the Company's operations, general and operating expenses have increased to $2,345,935 (2009: $1,644,335) and salaries and wages have increased to $922,609 (2009: $220,685). Additional items of expenses incurred in 2010 are stock-based compensation in the amount of $1,239,673 (2009: Nil) and professional fees of $2,137,322 (2009: $346,791). Professional fees incurred are primarily as a result of the Company listing on the TSX Venture Exchange together with ongoing support for its filing requirements.

Amortization
Amortization increased to $133,309 in the year ended December 31, 2010 compared to $33,608 in 2009 which was primarily due to the fact that fiscal 2009 only includes four months of PHC results from the date of acquisition.

Other Income
Other Income for the year was $511,747 in the year ended December 31, 2010 compared to an expense of $37,045 in 2009. Other income includes the profit of $245,831 after tax on the sale of a property.

Interest and Bank Charges
Interest and bank charges increased to $92,861 in the year ended December 31, 2010 compared to $15,146 in 2009 which was mainly the result of interest paid on short term loans taken out until the RTO was completed in September 2010.

Interest Income
Interest income increased to $23,961 in the year ended December 31, 2010 compared to $305 in 2009 which was due to interest received on funds held in escrow until the RTO was completed in September 2010.

Exchange Losses
The Company recorded exchange losses of $207,012 in the year ended December 31, 2010, and a gain of $1,729,128 in the year ended December 31, 2009.

Net Loss for the Year
The net loss for the year ended December 31, 2010 decreased to $6,529,254 compared to $10,872,281 in 2009. Excluding the excess of purchase price over fair value of acquired assets of $10,569,288 as described above, the net loss has increased by $6,226,261 primarily as a result of the increase in SG&A expenses in 2010.

Capital Expenditures
Capital expenditures in the year ended December 31, 2010 increased to $5,426,933 ($1,480,198 in 2009) primarily as a result of the following expenses: (i) rehabilitation of the palm oil mills ($1,941,429); (ii) the replanting program; and (iii) the acquisition of the arable farmland.

Significant Projects
The key project within the arable farming operations of the Company is the establishment of farming operations at Lovo in Bas Congo, DRC. The plan is to establish a farm of 2,000 ha in 2011, complete with mechanized farming equipment, buildings and grain processing and drying facilities. The farm is situated in an area where the soil and rainfall are expected to permit three crops and three harvests per year as there are two distinct wet seasons in a year, from September to January and then from March to May. The first crop is sown in September/October at the beginning of the wet season and then

harvested in January/February, the second crop is planted in March/April for harvest in May/June, the third crop is planted directly following the second harvest and will then be harvested in August. Ground clearing commenced in July 2010; the first crop, in this case beans, was planted in December 2010 and harvested in March 2011; and the second crop of edible beans was sown in April 2011.

The primary capital project within the palm oil operations is the construction of a mill with the capacity to process 60 tonnes of Fresh Fruit Bunches (FFB) per hour at Yaligimba estate. This project will be undertaken in two stages: the first stage is the construction of all the buildings, water supplies, fruit reception ramps and the first processing line with a capacity of 30 tonnes FFB/hr. The second processing line which is expected to add an additional 30 tonnes FFB/hr processing capacity will be added as FFB production exceeds the installed capacity of the first line. Management is currently drawing up specifications for the palm oil mill and after discussions with building contractors, a more detailed project plan will be completed by the end of Q2 2011. To increase capacity utilization at the new palm oil mill quickly the Company plans to increase its oil palm planting program for 2012 from 2,000 ha to 5,000 ha for the year.

Factors Causing Changes
Within the Company's oil palm operations, salaries and wages account for a significant proportion of the operational costs. Wages are paid in DRC Francs, and the DRC Franc devalued by 12% against the US$ in the year ended December 31, 2010. All other operating costs are in US$ and subject to prevailing trends in global costs.

On global markets, the average price of the main product CPO for 2010 was $901 per tonne, compared to an average of $683 per tonne for 2009, an increase of 32%.

Seasonality
The current business of Feronia has some seasonality. While oil palms produce fruit throughout the year, production follows an annual cycle with the highest production typically occurring in May and the lowest production typically occurring in October. This annual production cycle has a limited effect on costs, as the only costs which vary directly with production are fuel and fruit transport costs. Labour is salaried with relatively small production incentive bonuses. Once the rehabilitation of the palm oil mills has been completed, it is expected that fuel costs will decrease as more biofuels will be recovered from crop residues.

The arable farming operations will be more seasonal, as there are three distinct sowing and harvesting periods in the year. Generally rice is sown in September/October for harvest in January/February; beans are sown in March/April for harvest in May/June, immediately after harvesting, beans or millet is sown for harvesting in July/August. Purchases will always be made several months in advance of each sowing giving rise to an increased work in progress at certain points in the financial year.

Commitments, Events, Risks and Uncertainties Affecting Future Performance
Feronia has a commitment to rehabilitate the palm oil mills at Lokutu and Boteka plantations, and in October 2009 entered into a contract with Vita Engineering Sdn Bhd to undertake this work. The work is scheduled for completion in June 2011 and is expected to bring both palm oil mills up to full capacity, thus enabling all PHC fruit to be processed and potentially increasing oil extraction rates from approximately 16% in 2010 to 22.5% by 2015.

Feronia's business is agriculture and is subject to the main risks and uncertainties faced by all businesses in the sector. The selling prices of Feronia's products and the buying prices of inputs such as fuel, fertilizer and agrochemicals are ultimately set by global markets and the events, risks and uncertainties of all of these markets will affect the future performance of Feronia. Presently, the global market for CPO appears to be strong and prices are expected to be consistent for the next twelve months. However, as Feronia will sell most of its production into local markets, economic growth in the DRC is another factor. The IMF indicates that GDP grew by 2.8% in 2009, 7.2% in 2010 and forecasts a GDP growth rate of 6.5% for 2011.

As at December 31, 2010, the balance of the Company's commitment for capital expenditures of $2,180,000 with Vita Engineering Sdn Bhd in connection with the rehabilitation of the palm oil mills was $238,571.

The Group 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 are payable during the year are ending 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 and $272,000 (£139,000 and $56,096) is payable in 2012.

Inflation and Price Changes
The major price change affecting revenues, net sales and income/loss was the price of CPO. The average price received by PHC in 2009 was $635/tonne. The average price received by PHC in 2010 was $756/tonne. Personnel costs, one of PHC's most significant costs, are paid in local currency (DRC Francs), which, on average, has devalued by 12% year over year in the year ended December 31, 2010.

Liquidity and Capital Resources
Feronia has financed its operations to date through the issuance of equity and debt. In September 2010, the Company completed its listing of the Common Shares on the TSX Venture Exchange, releasing net proceeds of $15.9 million which were funds held by the Company's counsel from a financing completed in Q2 2010. Subsequent to the year end, Feronia completed its Offering of Units for gross proceeds of Cdn.$28,778,750. As at December 31, 2010, Feronia had net assets of $11,897,545 ($(3,304,803) as at December 31, 2009) and its working capital amounted to $7,802,198 ($(1,202,555) as at December 31, 2009). Currently, the Company has no debt on its balance sheet.

The consolidated financial statements have been prepared on a going concern basis which assumes that Feronia will be able to realize its assets and discharge its liabilities in the normal course of business for the foreseeable future. The 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.

PHC Labour
Management believes that PHC's current labour force has the capacity to service in excess of 22,000 ha at much higher yields than are currently being achieved. As a result, PHC's labour costs are not expected to increase significantly over the coming years, while the production and income are expected to increase due to improved practices and replanting.

Off Balance Sheet Arrangements
There are currently no off balance sheet arrangements.

Transactions with Related Parties
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 paid on the statement of operations is $12,460 (2009 - nil) to a Company controlled by the spouse of a director. Included in fixed assets on the 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 as of December 31, 2010. These amounts are unsecured, non-interest bearing with no fixed terms of repayment.

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. As of December 31, 2010, $10,000 had been repaid.

The related party transactions 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.

The following table sets forth the related party transactions, their purposes, future obligations and current balances:

Name	**Position/ Relationship**	**Purpose of Transaction**	**Amount at Dec 31, 2010**	**Basis Used**	**Future Obligations**	**Current Balance**	
Barnabe Kikaya	Director	Rental of house and office in Kinshasa	$ 132,000	Contract	Contract with six months notice	-	Consulting
Georgina Cotton	Consultant/former CFO	Supply of services and expenses	$221,087	Contract	Consulting contract until end June 2011	$1,150	Consulting
James Siggs	CEO	Supply of services and expenses	$369,367	Contract	Ongoing GBP 10,417/month plus expenses	$6,927	Consulting
Osaka Capital	Company controlled by the spouse of a director	Supply of services and expenses	$256,754	Contract	Ongoing $10,000/month plus expenses	$897	Consulting
Raymond Batanga	COO	Supply of services and expenses	$130,074	Contract	Ongoing $10,000/month plus expenses	-	Consulting
William Dry	COO	Supply of services and expenses	$127,783	Contract	Ongoing GBP 8,384/month plus expenses	$300	Consulting
George Buses	Non Exec Chairman PHC Sarl	Directors emoluments and expenses	$4,907	As incurred	As incurred	-	Expenses
			$1,241,972			$9,274	Consulting

Subsequent Events
On March 11, 2011, Mr. Danesh Varma was appointed Chief Financial Officer of the Company in order to facilitate the growth and anticipated future expansion of Feronia.

On March 31, 2011, the Company completed its Offering of Units. The net proceeds from the Offering are estimated to be approximately Cdn.$26,252,025, after deduction of the Agents' fee and the estimated expenses of the Offering.

Cash Flows

The following table sets forth a condensed summary of the statements of cash flows for the years ended December 31, 2010 and 2009:

Years Ended December 31,	2010	2009
	$	$
Cash flows from operating activities of continuing operations		
Net cash used by operations	-6,529,254	-10,872,281
Items not involving cash	1,449,297	9,667,874
Net change in working capital	-2,740,760	-1,568,870
Total	-7,820,717	-2,773,277
Cash flows used in investing activities	-4,822,314	-5,264,016
Cash flows from investing activities	1,230,000	
Cash flows used in financing activities	-1,500,245	-684,055
Cash flows from financing activities	21,299,761	7,907,101
Effect of exchange rate changes on cash and cash equivalents	43,584	935,022
Net increase in cash and cash equivalents	8,430,069	120,775

Cash flows used in operating activities of continuing operations

Net cash used in operating activities increased to $7,820,717 in the year ended December 31, 2010 compared to $2,773,277 in 2009. Increase in cash used was due to an increase in expenses, including professional fees, salaries and wages, general and operating expenses and stock-based compensation.

Cash flows used in investing activities

During the year ended December 31, 2010, cash flows used in investing activities were primarily used for capital expenditures to purchase land, plantations and construction of assets. During the year ended December 31, 2009, cash flows used in investing activities were for the acquisition of PHC and capital expenditures. Cash outlay for assets under construction was $3,472,282, for plantations was $545,423 and for land was $567,892.

Cash flows from financing activities

In the year ended December 31, 2010, cash flows from financing activities consisted of net proceeds from a private placement in June and sale of shares in March in the amount of $15,438,376 and exercise of options of $13,500, proceeds from shareholder advances of $1,112,915 and proceeds from promissory notes of $3,347,640, offset by repayment of shareholder advances of $112,915. In the year ended December 31, 2009, cash flows from financing activities consisted of net proceeds of issuance of shares in the amount of $3,994,182 and proceeds from shareholder advances of $3,912,919, offset by repayment of shareholder advances of $684,055.

Quarterly Financial Information

The current business of Feronia has some seasonality. While oil palms produce fruit throughout the year, production follows an annual cycle with the highest production typically in May (14% of production) and the lowest production in October (6% of production). This annual production cycle has a limited effect on costs, as the only costs that vary directly with production are fuel and transport costs.

The arable farming operations are more seasonal, as there are three distinct sowing and harvesting periods per year.

The following table is a summary of our selected quarterly financial information for each of the eight quarters ended December 31, 2010:

	Revenue from Continuing Operations	Net income (loss) from continuing operations	Net income (loss) for year after extra-ordinary exp	Earnings Per Share from continuing operations Basic	Earnings Per Share from continuing operations Diluted	Earnings Per Share after extra-ordinary Expense Basic	Earnings Per Share after extra-ordinary Expense Diluted
	$	$	$	$	$	$	$
2010							
December 31	877,939	(245,011)	(139,508)	0.00	0.00	0.00	0.00
September 30	1,290,793	(1,949,250)	(2,989,901)	(.03)	(.03)	(.05)	(.05)
June 30	1,143,668	(954,445)	(1,457,144)	(.02)	(.02)	(.02)	(.02)
March 31	592,802	(1,913,155)	(1,942,691)	(.05)	(.05)	(.05)	(.05)
2009							
December 31	1,079,202	(296,707)	633,680	(.01)	(.01)	0.02	0.02
September 30	359,734	(464,290)	(11,024,231)	(.05)	(.05)	(1.10)	(1.10)
June 30	0	(239,589)	(239,589)	(.02)	(.02)	(.02)	(.02)
March 31	0	(242,141)	(242,141)	(.54)	(.54)	(.54)	(.54)

In the quarter ended September 30, 2009, the net loss of $11,024,231 was as a result of the write-off of the excess of purchase price over fair value of assets acquired amounting to $10,569,288. The loss for fiscal 2010 is primarily due to increase in professional fees, general and operating expenses, salaries and wages and cost of stock-based compensation.

Summary of Significant Accounting Policies

Outlined below are those policies considered particularly significant:

(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.

(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 generally accepted accounting principles 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 Group include;

- Valuation of goodwill
- Valuation of employee incentive liability

- Valuation of inventory
- Valuation of Assets under construction
- Contingencies
- Income taxes
- Allowance for doubtful accounts
- Stock based compensation
- Warrants

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.

(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 7 to 10 years
- Motor vehicles: straight line basis over 4 years

Assets under construction represent property and equipment under construction and are 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.

(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. As at 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 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 as a bad debt expense.

(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 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 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, 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.

(r) Cash:

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

(s) Comparative figures:

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

(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. The Company expects a smooth transition to IFRS for reporting the first quarter of 2011.

(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.

1. IFRS Overview

Canadian reporting issuers will cease reporting under Canadian GAAP and commence reporting under International Financial Reporting Standards (“IFRS”) for periods commencing January 1, 2011 onwards, which will include providing IFRS-compliant comparative information for 2010. IFRS uses a conceptual framework similar to Canadian GAAP, but significant differences exist in many aspects of recognition, measurement and disclosure. The transition from Canadian GAAP to IFRS first applies to the Company for the first quarter of 2011, for which it will prepare both the current and comparative financial information using IFRS. In those consolidated financial statements, the Company will also present an opening IFRS statement of financial position as at January 1, 2010, the date of its transition to IFRS. The Company’s consolidated financial statements for the year ending December 31, 2011 will be its first annual financial statements complying with IFRS.

The Company will apply IFRS retrospectively as of January 1, 2010 as if it had always been in effect, subject to certain mandatory exceptions applying to and optional exemptions made available to first-time adopters, discussed below. The Company commenced its IFRS conversion project in 2010. The project consists of four phases: diagnostic, design and planning, solution development and implementation. The diagnostic phase was completed during the latter part of 2010, and the design and planning phase was completed during the first quarter of 2011. During 2011, the Company completed the solution development phase, during which issue-specific work teams analyzed areas of possible impact, set out options and made recommendations. The implementation phase will continue through 2011 as the Company issues its initial IFRS interim and annual consolidated financial statements.

The following table summarizes the key activities of the Company’s conversion project and the progress made for each of these activities:

Key Activities	Milestones	Status
Accounting policies and procedures: • Identify differences between IFRS and the Company's existing policies and procedures • Analyse current accounting policies and consider whether significant changes are required to comply with IFRS • Select on-going policies where alternatives are permitted/required • Analyse and determine whether the Company will select any of the exemptions available to first-time adopters of IFRS • Implement revisions to accounting and procedures manuals	• Senior management approval and audit committee review of accounting policy decisions by release of Q4 2010 audited consolidated financial statements • Revised accounting policy and procedures manuals in place by changeover date	• Accounting policy alternatives have been analyzed and recommendations made as work progresses in each area. As at April 29, 2011 this work is substantially complete. • Revisions to accounting policy and procedures manuals are being drafted as work progresses in each area.
Financial statement preparation: • Prepare consolidated financial statements and note disclosures in compliance with IFRS • Quantify the effects of converting to IFRS • Prepare first-time adoption reconciliations required under IFRS 1	• Senior management approval and audit committee review of pro forma consolidated financial statements and disclosures by March 31, 2011	• Draft IFRS-compliant consolidated financial statements, including required note disclosures are in the process of being prepared. • The effects of the conversion are being quantified as work progresses in each area. The most significant outstanding quantification issues are described below under Financial Reporting Impact.
Training and communication: • Provide topic-specific training to key employees involved with implementation • Provide timely communication of the impacts of converting to IFRS to our external stakeholders	• Impacts on key business procedures identified by March 31, 2011	• The adoption of IFRS is not currently expected to have any material impact on the Company's key business procedures. • Work on tax-related matters is progressing as planned.
IT systems and control environment: • Identify changes required to IT systems and implement solutions • For all identified changes to policies and procedures, assess impact on internal controls over financial reporting ("ICFR") and disclosure controls and procedures ("DC&P") and implement and necessary changes	• Necessary changes to IT systems and controls implemented by March 31, 2011	• Required changes to IT systems, data collection mechanisms and controls are being identified as work has progressed in each area; these changes are not currently expected to be significant.

2. Financial Reporting Impact

The Company's expected IFRS transition date of January 1, 2011 will require the restatement, for comparative purposes, of amounts reported on the Company's opening IFRS balance sheet as at January 1, 2010 and amounts reported by the Company for the year ended December 31, 2010.

The Company's staff which is involved in the preparation of the consolidated financial statements will be trained on the relevant aspects of IFRS and the anticipated changes to accounting policies.

Differences between IFRS and Canadian GAAP, in addition to those referenced herein, may continue to be identified based on further detailed analyses by the Company.

IFRS 1 provides the framework for the first-time adoption of IFRS and specifies that, in general, an entity shall apply the principles under IFRS retrospectively. IFRS 1 also specifies that the adjustments that arise on retrospective conversion to IFRS from other GAAP should be recognized directly in retained earnings. Certain optional exemptions and mandatory exceptions to retrospective application are provided for under IFRS 1. The various accounting policy choices available are being assessed and those determined to be most appropriate will be implemented.

The Company has completed its initial assessment of the impacts of adopting IFRS based on the standards as they currently exist, and has identified the following as having the greatest potential to impact the Company's accounting policies, financial reporting and information systems requirements upon conversion to IFRS. The Company is continuing to assess the financial reporting impacts of adopting IFRS in 2011.

Biological assets for the purpose of Canadian GAAP reporting are Inventories and Property, Plant and Equipment. The directors have drawn upon these sections of Canadian GAAP when assessing the value of biological assets carried on the consolidated balance sheet. Under Canadian GAAP, these assets were therefore recorded at historic cost and impaired as required to reflect the recoverable amount.

Having considered the reporting impact of adopting IFRS, the Company anticipates measuring plantations under IAS 41 *Agriculture*. The Company considers the plantation assets to meet the definition of a mature bearer asset as outlined in IAS41.44: *Bearer biological assets are those other than consumable biological assets; for example, livestock from which milk is produced, grape vines, fruit trees, and trees from which firewood is harvested while the tree remains. Bearer biological assets are not agricultural produce but, rather, are self-regenerating.*

Under IAS 41, biological assets are measured at fair value less costs to sell unless it is not possible to measure fair value reliably, in which case they are measured at cost. All gains and losses from changes in fair value will be recognised in profit or loss. Agricultural produce harvested from biological assets are measured at fair value less costs to sell at the point of harvest. The carrying amount of such assets at the point of harvest becomes deemed cost and the inventory is accounted for subsequently at the lower of cost and net realisable value.

Feronia already receives fair value information through an annual valuation report prepared by a third party. For IFRS purposes, the Company will engage such a valuation expert to provide fair value information at each interim reporting date for planted plantations**.**

Management continues their work in quantifying the financial impact on the results for the year.

Employee Incentive Scheme
The Company has an employee incentive plan covering substantially all of its employees in the DRC whereby the Company will pay a terminal bonus to all employees reaching the age of 65 (retirement), or on death. The employee incentive plan is unfunded.

Under Canadian GAAP, employee incentive obligations are determined using the projected benefit method prorated on services and management's best estimate 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, general and operating expenses on 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 the employee incentive liability.

Under IAS 19: "Employee benefits", a simplified method of accounting for other long-term employee benefits is prescribed where:

- Actuarial gains and losses are recognized immediately
- All past service cost is recognized immediately.

Therefore, in the absence of guidance under Canadian GAAP, the directors adopted this simplified method. Therefore the accounting under IFRS is identical to the accounting under Canadian GAAP and no translation adjustment is therefore anticipated. However, analysis on this item is ongoing.

Non-controlling interests
Under Canadian GAAP non-controlling interests in income or loss before discontinued operations and extraordinary items are shown separately. When losses applicable to the non-controlling interest exceed the non-controlling interest in the common shares of the subsidiary, the excess and any further losses should be allocated only to the parent's interest.
Under IFRS profit or loss and each component of other comprehensive income are attributed to the owners of the parent and to the non-controlling interests even if this results in the non-controlling interests having a deficit balance.

Tax
IAS 12 *Income Taxes* differs from the Company's existing policies in several respects. Most prominently, the Company will be required for the first time to recognize deferred (future) tax assets or liabilities on temporary differences arising on translating non-monetary assets denominated in a functional currency other than US$, including plantations and property, plant and equipment held in DRC and denominated in the Congolese Franc (CF). Under IFRS, the Company recognizes a provision for uncertain tax positions where it identifies a present obligation based on a past event, and it is probable that an outflow of resources embodying economic benefits will be required

to settle the obligation. In such cases, the Company measures the provision at its best estimate of the amount required to settle the obligation at the end of the reporting period, taking all relevant factors into account.

Canadian GAAP, deferred taxes are classified as current and non-current based on the classification of the underlying assets or liabilities to which they relate or, if there is no underlying recognised asset or liability, based on the expected reversal of the temporary difference. Deferred tax assets related to unused tax losses and income tax reductions are classified in a classified statement of financial position (balance sheet) based on the expected timing of realisation. Under IFRS deferred tax is classified as non-current in a classified statement of financial position.

Impairment of long-lived assets
Under Canadian GAAP, when the Company determines that an asset group's carrying amount exceeds its undiscounted estimated future cash flows, it recognizes an impairment loss, measured as the amount by which that carrying amount exceeds the asset group's fair value. The approach under IAS 36 *Impairment of Assets* does not have an initial step based on undiscounted cash flows. Where any indication of an impairment loss exists, the IFRS approach compares carrying amounts to recoverable amounts, based on the higher of fair value less costs to sell and value in use (a discounted cash flow measure).

In addition, the "cash-generating units" into which assets are organized for impairment-testing purposes under IFRS might be identified at a lower level than the asset groups identified under Canadian GAAP, possibly also leading to additional asset impairments under IFRS. On the other hand, unlike Canadian GAAP, IFRS allows reversing previously-recognized impairment losses where the circumstances have changed.

The Company does not currently expect these differences in methodology to generate impairment losses on transition to IFRS.

Business combinations
The Company entered into a business acquisition during 2010 and has accounted for this transaction under Canadian GAAP in accordance with Section 1581, rather than early-adopting Section 1582 (which is consistent with IFRS). In presenting IFRS-compliant comparative information for 2010, the Company will restate certain aspects of this accounting to conform with IFRS 3 *Business Combinations*. Among other things, under IFRS 3:

- Certain assets acquired as part of the business combination which occurred in 2010 were held for sale immediately after the transaction. These assets will be accounted for under IFRS 5 *Non-current assets held for sale and discontinued operations*

- Under IFRS 3 any costs capitalised as part of the business combination will be expensed in the statement of operations.

IFRS 1 provides an option to not restate business combinations that occurred prior to the transition date or to only restate business combinations that occurred after a designated date prior to the transition date.

The Company will elect not to apply IFRS 3 retrospectively to business combinations that occurred before the transition date.

Presentation of financial assets
The consolidated financial statements are presented in accordance with IAS 1 Presentation of Financial Statements (Revised 2007).
In accordance with IFRS 1, the Company presents three statements of financial position in its first IFRS consolidated financial statements. In future periods, IAS 1 requires two comparative periods to be presented for the statement of financial position only in certain circumstances.

Functional currency
An entity measures its assets, liabilities, revenues and expenses in its functional currency, which is the currency of the primary economic environment in which it operates. Under Canadian GAAP a company only needs to assess the currency of its foreign operations when considering its functional currency, whereas under IFRS a company needs to assess the transactions of the company. IFRS requires that the functional currency of the Company and its subsidiaries be determined independently for each entity.

The Company does not currently expect this change in methodology to result in a change in the Company's functional currency; however, it continues to consider the implications of a change.

Other elections and exemptions available to first-time adopters
The Company's opening IFRS statement of financial position will also reflect the impact of the following expected elections (subject to final approval by the audit committee) available to entities adopting IFRS for the first time:

- **Foreign currency** - the Company will elect to deem the cumulative translation differences for all foreign operations to be zero at the date of transition to IFRS.

- **Borrowing costs** - the Company will elect not to apply IAS 23 *Borrowing Costs* retrospectively to qualifying assets for which the commencement date for capitalization was before the transition date.

- **Leases -** The Company will revisit the determinations it previously made under Canadian GAAP of whether various arrangements contain a lease based on facts and circumstances existing on the transition date.

- **Fair value as deemed cost** – IFRS 1 allows an entity to initially measure an item of property, plant and equipment upon transition to IFRS at fair value on the transition date or at an event-driven fair value (i.e. fair value determined through a business combination or initial public offering). This elective exemption can be applied on an individual asset basis.

The Company will use estimates under IFRS consistent with those it applied under Canadian GAAP (adjusting where necessary for accounting policy differences), as no objective evidence exists that those estimates were in error.

Share-based payments
While there is convergence between IFRS and Canadian GAAP in that share-based payments are recognized as an expense, there are a number of measurement differences. Under Canadian GAAP, the Company records forfeitures on unvested stock options as they occur. Unlike Canadian GAAP, IFRS requires that the rate of forfeiture be estimated every reporting period and an adjustment be made to stock-based compensation expense. Canadian GAAP also allows the vesting of employee

stock options to be recognized to operations on a straight-line basis whereas IFRS requires the use of a graded vesting model.

(iv) 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 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.

(v) 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.

Summary of Outstanding Share Data

The authorized share capital of the Company consists of an unlimited number of Common Shares, of which 143,806,490 Common Shares are issued and outstanding as of the date of this MD&A. In addition, the Company has warrants outstanding to purchase up to an aggregate of 51,359,262 Common Shares, broker warrants outstanding to purchase up to 5,923,201 Common Shares, and options outstanding to purchase up to 8,366,528 Common Shares. Assuming the exercise of all of the outstanding warrants, broker warrants and options, an aggregate of 209,455,481 Common Shares will be issued and outstanding on a fully diluted basis.

Risk Factors Affecting Future Results

There are a number of risk factors that could cause future results to differ materially from those described herein, including but not limited to the following:

Risks Related to the Business

Foreign operations are subject to various political, economic and other risks and uncertainties
All of the Company's operations are currently conducted in the DRC, and as a result, the operations are vulnerable to various levels of political, economic and other risks and uncertainties associated with operating in a foreign jurisdiction. Such risks and uncertainties include, but are not limited to: high rates of inflation; currency exchange rates; labour unrest; deprivation of contract rights or the taking of property by nationalization or expropriation without fair compensation; renegotiation, nullification, termination or rescission of existing concessions, licenses, permits and contracts; changes in taxation policies; restrictions on foreign exchange; changing political conditions; and currency controls.

Any changes in investment policies or changes in political attitude in the DRC may adversely affect the Company's operations. Operations may also be affected by government regulations relating to, but not limited to, restrictions on production, price controls, import and export controls, currency remittance, income taxes, foreign investment, environmental legislation and land use.

The occurrence of any of these risks and uncertainties may have an adverse effect on the Company's operations.

The Company's concessions may be terminated in certain circumstances
The plantations on which the Company operates are not owned by the Company but rather owned by the DRC government. The Company has concessions on such plantations pursuant to revolving 25-year leases which provide the Company with the right to occupy and develop the land. The concessions held by the Company may be terminated under certain circumstances, including if development obligations are not met by the Company or if certain fees are not paid. There is also no certainty that the leases will be renewed by the DRC government at the end of their respective terms. The termination or non-renewal of any one or more of the Company's concessions could have a material adverse effect on the Company's financial condition or results of operations.

Political instability may adversely affect the business of the Company
The operations of the Company in the DRC may be subject to the effects of political changes, civil conflict and war, changes in governmental policy, the uncertainty of the DRC legal system, lack of law enforcement and labour unrest. The DRC is an impoverished country with physical and institutional infrastructure which is in a debilitated condition. The eastern regions of the DRC (particularly in the Kivu region) have undergone civil unrest and instability that may have an impact on political, social or economic conditions in the DRC generally and there is a potential for this civil unrest to escalate. Any such changes are beyond the control of the Company and may adversely affect its business. The plantations operated by the Company are a minimum distance of 1,000 km away from the Kivu region.

In addition, any change in the governing party may create instability that may also impact the political, social or economic conditions in the DRC generally. In particular, the inauguration of the incumbent president may invoke localised reactions in non-Swahili speaking areas of the DRC, leading to further civil unrest.

Given the frequency of cabinet reshuffling in the DRC, the Company may also encounter difficulties maintaining consistent relationships with applicable ministries. With its potential involvement with state-run agricultural programs such as the National Rice Program in the DRC, the Company may be exposed to political pressures in the form of expected consultation and ministerial influence over certain of the Company's operations. Furthermore, in the event of a change in government, the current trend towards privatization may revert back to state-owned operations and consequential rescinding of agreements.

Political bureaucracy may impede the progress of the business
The lengthy political process of local, regional and national bureaucracy in the DRC may hinder the Company's goal of rapidly expanding its business. For example, local level political bureaucracy may

impede the progress of entering into land leasing agreements with local landowners. In addition, non-governmental organization ("NGO") pressure and influence over government decisions and initiatives may have a detrimental impact on the operations of the Company.

A lack of infrastructure in the DRC may adversely affect the business of the Company
Certain areas of the DRC and across Africa lack basic infrastructure, including transport and communications. As a consequence, the Company will need to invest in building and maintaining its own network of roads and satellite-based communications systems, which may require significant financing and obtaining any necessary governmental approvals, neither of which can be assured. The inability to build such roads and establish appropriate communications systems may have an adverse effect on the operations of the Company and prevent the Company from achieving its stated business objectives.

The Company has a limited operating history
Although PHC has been in operations since 1911, the Company only acquired the shares of PHC in September 2009 and is a relatively new company with a limited operating history. The Company is subject to all of the business risks and uncertainties associated with any new business enterprise, including the risk that it will not achieve its growth objectives.

The Company has recently commenced its arable farming operations and may be unable to achieve its growth objectives with respect to the arable farming operations due to factors such as: (i) risks of disagreement with the counterparties regarding entering into specific agreements for the use of the farmland; and (ii) risks of the counterparties failing to coordinate with the Company to obtain the requisite governmental approvals, if applicable, and complete the related registration procedures.

The expansion of the Company's operations may place a significant strain on its managerial, operational and financial resources. The ability to manage future growth will depend on the Company's ability to continue to implement and improve operational, financial and management information systems on a timely basis and to train, motivate and manage an enlarged workforce and its ability to integrate its existing workforce with that of any business that the Company may acquire.

The Company will also need to strengthen its internal controls as it continues to expand its business. Should it fail to take the above-noted measures, the Company may not be able to implement its strategies or to manage its growth effectively, and the business, financial condition and results of operations could be materially and adversely affected.

The Company has a lack of profitability
PHC has generated operating losses for the past several years. The Company has not earned any profits to date and has reported negative operating cash flow in its most recently completed financial year. There is no assurance that the Company will earn any profits in the future or generate positive cash flow, or that profitability, if achieved, will be sustained. If the Company is not able to achieve profitability or generate positive cash flow, it will require additional capital in the future and no assurance can be given that such capital will be available at all or available on terms acceptable to the Company. Failure to obtain such capital could affect the Company's plans for growth, or result in it being unable to satisfy its obligations as they become due, either of which could have a material adverse effect on the Company's business and financial condition. If the Company is unable to achieve profitability and have sustainable positive cash flows, prospective investors could experience a decrease in the value of their investment.

High inflation rates are unlikely to subside in the near future
The DRC has historically experienced relatively high rates of inflation, which are unlikely to subside in the near future. As a result, the Company's costs may be materially affected, which may adversely affect the business and results of operations.

There is a limited availability of debt financing in the DRC
The financial sector within the DRC is relatively weak, with the primary lending facilities being offered by international banks such as Standard Bank of South Africa. As a result, there is limited availability of debt financing in the DRC, which may materially affect the financial condition of the Company. In order to meet future funding requirements, the Company may be required to undertake additional equity financing, which would be dilutive to shareholders. There is no assurance that additional financing will be available on terms acceptable to the Company or at all. If the Company is unable to obtain additional financing as needed, it may be required to reduce the scope of its operations or anticipated expansion, and pursue only those development plans that can be funded through cash flows generated from its existing operations.

Fluctuations in currency exchange rates may adversely affect the financial condition of the Company
The Company's operating expenses are incurred in U.S. dollars, Congolese francs, GBP and Euros. From time to time, the Company may borrow funds and incur capital expenditures that are denominated in foreign currency. In addition, any revenue generated from operations may be in currencies other than U.S. dollars. Accordingly, foreign currency fluctuations may adversely affect the Company's financial position and results of operations.

Competition from other businesses may adversely affect the business of the Company
The Company will face competition from well-established and politically-aligned merchants and importers, who may oppose the import-substitution business model of the Company. In addition, the Company expects to face competition from other international businesses with political connections. With respect to the palm oil business specifically, the Company will be competing with Malaysian, Indonesian and Chinese companies in terms of imports and the development of new plantations within the DRC and Republic of the Congo. Some of these competitors have greater financial resources than the Company and, accordingly, may be in a better position to compete for future business opportunities. There can be no assurance that the Company will be able to compete effectively with these companies.

If the Company loses any of its key personnel, the operations and business may suffer
The Company will be heavily dependent upon its management team in relation to their expertise in the agricultural industry and the relationships cultivated by them with major customers and others. The departure, or otherwise loss of service, of any of the Company's senior management may materially and adversely affect its business, financial condition and results of operations.

The Company relies heavily on local labour in the DRC
The Company's heavy reliance on local labour in the PHC operations will provide the trade unions with strong bargaining positions. While the Company has good relations with its employees, these relations could be impacted by any changes in the scheme of labour relations. Adverse changes in such legislation may have a material adverse effect on the Company's business, results of operations and financial condition. Any prolonged labour disruption could also have an adverse effect on the Company's ability to achieve its objectives.

The Company relies on the importation of machinery and other key items
The Company relies on the importation of machinery and other key items which are required for production, without the ability to substitute such imported items, if required, with locally-produced goods. As a result, in the event that the machinery or other key items cannot be imported into the DRC, there may be a detrimental impact on the business and operations of the Company.

If the Company is unable to protect its business relationships, the operations and business may suffer
The Company relies significantly on good relationships with regulatory or other governmental departments and Non-Governmental Organisations (NGOs). There can be no assurance that any existing relationships will continue to be maintained or new ones will be successfully formed and the Company may be adversely affected by changes to such relationships or difficulties in forming new ones.

Reliance on only two refining factories makes the Company vulnerable
The local DRC market consists of two refining factories located in Kinshasa, which currently purchase 100% of the Company’s production. Reliance by the Company on only two refining factories makes it vulnerable to aggressive price negotiations and potential altercations regarding contractual obligations. The loss of either of these customers could have a detrimental impact on the Company’s business, financial condition and results of operations.

The operations of the Company may be subject to environmental risks and hazards
The operations of the Company may be subject to certain environmental risks and hazards. For example, with respect to the arable farmland operations, there may be a risk of chemical spills which are harmful to the workforce and the environment. In addition, there may be a risk of injury or damage from the mishandling of hazardous inputs, such as ammonium nitrate fertilizer. There is no assurance that future changes in environmental regulation, if any, will not adversely affect the Company's operations.

The Company may not be able to meets its expectations for the yields of the plantations
The success of the Company's business depends on the productivity of its plantations and its ability to realize yields at estimated levels. The plantation yields depend on a number of factors, many of which may be beyond the control of the Company, including weather, climate and soil conditions, as well as damage by disease, pests and other natural disasters. The ability of the Company to maintain its yields will depend on these factors, and in particular the weather, climate and soil conditions for additional plantations that the Company may obtain in the future. If the Company cannot achieve yields at expected levels, the business, financial condition and results of operations may be materially and adversely affected.

Any outbreak of severe communicable diseases may materially affect the Company's operations and business
An outbreak of a communicable disease such as influenza A (H1N1), severe acute respiratory syndrome or avian flu, may potentially result in a quarantine of infected employees and related persons, and if uncontrolled, may affect the operations and business of the Company. In addition, HIV/AIDS, malaria and other diseases are a major healthcare challenge in the DRC. There can be no assurance that the Company will not lose workforce hours or incur increased medical costs, which may have an adverse effect on the operations of the Company.

Risks Relating to the Industry

Agricultural production by its nature contains elements of risks and uncertainties
Agricultural production by its nature contains elements of significant risks and uncertainties which may adversely affect the business and operations of the Company, including but not limited to the following: (i) any future climate change with a potential shift in weather patterns leading to droughts and associated crop losses; (ii) potential insect, fungal and weed infestations resulting in crop failure and reduced yields; and (iii) wild and domestic animal conflicts and crop-raiding. Adverse weather conditions represent a significant operating risk to the Company, affecting the quality and quantity of production and the levels of farm inputs.

The Company may also encounter difficulties with the importation of agro-inputs and securing a supply of spares and maintenance items. In the event of a delay in the delivery from suppliers of agro-inputs and machinery, the Company may be unable to achieve its production targets.

A shift in commodity trends and demands will result in an associated change in prices
The price for products being produced by the Company will depend on available markets at acceptable prices and distribution costs. Any substantial decline in the price of the products being produced by the Company, or any increase in the agricultural production costs, processing, transportation or distribution costs may have an adverse effect on the business of the Company.

PHC is vulnerable to fluctuations in the world market
Fluctuations in the world market for vegetable oils is driven either by consumer demand or changes in biofuel directives from foreign central governments. Any decline in consumer demand or negative change in biofuel directives may have a material adverse effect on the operations of PHC.

Additional Risk Factors

The Company's significant shareholders will have the ability to control certain corporate actions
The Company has certain shareholders who each own more than 10% of the outstanding Common Shares. These shareholders are in a position to exercise significant influence over all matters requiring shareholder approval, including the election of directors, determination of significant corporate actions, amendments to the Company's constating documents and the approval of any business combinations.

Dividends
To date, the Company has not paid any dividends on its outstanding shares. The Company does not currently intend to pay any cash dividends on its Common Shares in the foreseeable future and therefore its shareholders may not be able to receive a return on their shares unless they sell them. The Company's current policy is to retain earnings to reinvest in the Company. Therefore, the Company does not anticipate paying cash dividends in the foreseeable future. The Company's dividend policy will be reviewed from time to time by the board of directors of the Company in the context of its earnings, financial condition and other relevant factors. Until the Company pays dividends, which it may never do, its shareholders will not be able to receive a return on its Common Shares unless they sell them.

The Company is obliged to adopt new accounting standards under IFRS for the years beginning on or after January 1, 2011, which could materially impact the consolidated financial statements
The consolidated financial statements of the Company for years ending on or before December 31, 2010 are prepared in accordance with Canadian GAAP. For the years beginning on or after January 1, 2011, the Company will have to use the IFRS as issued by the International Accounting Standards Board for its financial reporting. As the Company is required to produce comparative consolidated financial statements, the transition to IFRS will have to be reflected in its balance sheet as at January 1, 2010, in order to provide comparable balance sheet, income statement and statement of cash flows data for financial years 2011 and 2010. Applying these standards to the Company's consolidated financial statements may have a considerable impact on a number of important areas. The preparation of consolidated financial statements in accordance with IFRS could result in significantly different results from those obtained from consolidated financial statements prepared in accordance with Canadian GAAP.

Third party statistical and financial data may be incomplete or unreliable
Certain of the information contained in this MD&A is derived from statistical and financial data from industry publications and other third party sources. Although the Company believes the information to be correct, it has not independently verified such data and therefore the Company cannot assure you that they are complete or reliable. Such data may also be produced on different bases from those used in other countries. Therefore, discussions of matters relating to the DRC, different regions and markets within the DRC, their respective economies and the Company's industry are subject to the caveat that the statistical and other data upon which such discussions are based may be incomplete or unreliable.

Potential need for additional financing
The Company may require additional financing, including through the sale of assets and/or the issue and sale of equity or debt securities if various events alone or in combination occur. There can be no assurance that the Company will be able to obtain necessary financing in a timely manner or on acceptable terms, if at all.

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