FERONIA INC.
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE THREE MONTHS ENDED JUNE 30, 2013

August 28, 2013

This Management's Discussion and Analysis ("MD&A") should be read in conjunction with the unaudited consolidated financial statements and accompanying notes for the quarter ended June 30, 2013 of Feronia Inc. ("Feronia" or the "Company"). Throughout this MD&A, unless otherwise specified, "Feronia", the "Company", "we", "us" or "our" refer to Feronia Inc. and its subsidiaries.

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

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

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

BUSINESS OVERVIEW

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

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

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

Feronia is committed to sustainable agriculture, environmental protection and providing jobs and economic growth for local communities.

BUSINESS PERFORMANCE: Oil Palm Plantations

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

Since its acquisition of PHC, Feronia has embarked on a program of rehabilitating its oil palm mills and the internal road systems with the objective of increasing the annual production at the plantations. The oil palm mills at the Lokutu and the Boteka plantations have been refurbished and a new palm oil mill at the Yaligimba plantation is expected to commence production imminently. In addition, the Company has implemented a substantial replanting program replacing less productive palm trees over 25 years old with new trees. Fruit production and the classification of palms by plantation and age are shown in the tables below.
As at June 30, 2013, PHC, being the main operating unit of Feronia, had concessions of 107,892 ha located in the provinces of Equateur and Orientale in the DRC.

PHC accounted for 87.23% of Feronia's revenues in Q2 2013 and 91.79% for the six months ended June 30, 2013. PHC accounted for 100% of Feronia's revenue for the corresponding periods in 2012.

The following table shows key data relating to PHC's operations as at and for the six months ending June 30, 2013:

	Six months ended June 30, 2013			**Total (as at and for the six months ended June 30)**		
	Lokutu	**Yaligimba**[(1)]	**Boteka**	**2013**[(1)]	**2012**[(1)]	**2011**
Production						
Fruit Production (tonnes)	20,950	-	4,144	**25,094**[(1)]	22,918[(1)]	24,754
Oil Produced (tonnes)	3,887	-	790	**4,677**[(1)]	4,148[(1)]	4,295
Oil Extraction Rate (%)	18.55	-	19.06	**18.63**[(1)]	18.10[(1)]	17.35
PKO Produced (tonnes)[(2)]	201	-	-	**201**	265	-
FFB yield/hectare	4.74	-	2.70	**4.22**	3.63	1.94
FFB yield/hectare (like-for-like)[(3)]	4.74	-	2.70	**4.22**	3.63	2.61
CPO yield/hectare	0.88	-	0.52	**0.79**	0.66	0.34
CPO yield/hectare (like-for-like)[(4)]	0.88	-	0.52	**0.79**	0.66	0.47

Notes:

1. Yaligimba did not contribute to Fresh Fruit Bunches ("FFB") or Crude Palm Oil ("CPO") production in either H1 2013 or H1 2012.
2. "PKO" means Palm Kernel Oil.
3. FFB Yield/Ha like-for-like basis excludes Yaligimba production for 2011.
4. CPO Yield/Ha like-for-like basis excludes Yaligimba production for 2011.

The following tables show key data relating to PHC's assets and infrastructure as at June 30, 2013.

	As at June 30, 2013			Total as at June 30		
	Lokutu	**Yaligimba**(1)	**Boteka**	**2013**(1)	**2012**(1)	**2011**
Plantations (Hectares)						
Immature						
Year 0	922	1,119	411	**2,452**	1,795	1,039
Year 1	1,707	1,447	770	**3,924**	2,110	1,027
Year 2	1,065	545	500	**2,110**	1,027	713
Year 3	402	320	305	**1,027**	713	1,443
	4,096	3,431	1,986	**9,513**	5,645	4,222
Producing						
4 - 7 Years	1,136	1,275	738	**3,149**	2,469	1,026
8 – 18 Years	376	561	578	**1,515**	2,273	3,552
19 – 25 Years	2,908	1,921	216	**5,045**	5,471	5,008
Over 25 Years	-	-	-	**-**	-	3,167
	4,420	3,757	1,532	**9,709**(2)	10,213(2)	12,753(2)
Total Planted	8,516	7,188	3,518	**19,222**	15,858	16,975

Notes:

1. Yaligimba did not contribute to FFB or CPO production in either H1 2013 or H1 2012.
2. During the years ended December 31, 2010 and 2011, the Company classified palms aged 4 to 30 years as mature and producing. Going forward, management has elected to classify palms aged 4 to 25 years as mature and producing, resulting in a reduction in the number of producing hectares. In the normal course, management expects to replant palms at age 25 and believes this new classification criteria facilitates comparisons to other plantation operations.

	As at June 30, 2013			Total as at June 30		
	Lokutu	**Yaligimba**(1)	**Boteka**	**2013**(1)	**2012**(1)	**2011**
Palm Nurseries						
Total Hectares	26	20	6.4	**52.4**	36.4	22.4
Seedlings	421,103	397,460	103,134	**921,697**	885,113	524,912
Hectares plantable from seedlings	2,105	1,987	515	**4,607**	4,425	2,916
Palm Oil Mills						
No. of Palm Oil Mills / Oil Produced	1 / CPO & PKO	Under Construction	1 / CPO	**2**	2	2
Palm Oil Mill Capacity (tonnes/hour)	15	Under Construction	10	**25**	25	25

	As at June 30, 2013			Total as at June 30		
	Lokutu	**Yaligimba**(1)	**Boteka**	**2013**(1)	**2012**(1)	**2011**
Infrastructure						
Operational Roads (Km)	671	643	352	**1,666**	1,410	1,239
Employees	-	-	-	**3,510**	3,559	3,718
Houses	1,988	1,095	733	**3,816**	3,803	3,919
Schools	60	21	9	**90**	86	82
Hospitals	2	1	1	**4**	4	4
Dispensaries	7	3	4	**14**	14	14
Health Centres	2	1	1	**4**	4	4

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

Recent Developments in the Oil Palm Operations

As previously reported, harvesting at the Yaligimba plantation was suspended at the beginning of Q1 2012 when the short-term strategy to barge fruit from the Yaligimba plantation to the Lokutu plantation was proven to be uneconomical. As a result, Yaligimba did not contribute to Fresh Fruit Bunches ("FFB") or Crude Palm Oil ("CPO") production in either H1 2013 or H1 2012.

All major construction work on the new palm oil mill at Yaligimba has now been completed. Final testing is currently underway and the Company expects to commence oil production imminently. Once the new palm oil mill is operational, the Company will have access to an additional 3,757 ha of producing palms. The Yaligimba plantation is expected to achieve operating results similar to Lokutu on a per hectare basis. See "Forward-Looking Statements" below.

The Yaligimba palm oil mill has an initial processing capacity of 30 tonnes per hour of FFB, with the potential to increase to 60 tonnes per hour in a phase 2 expansion. The Yaligimba palm oil mill's commissioning means that the Company has installed processing capacity of 55 tonnes per hour across its entire operations; sufficient to process 230,000 tonnes of FFB per annum. It is anticipated that under the current planting program and internal forecasts for yield improvement, there will be no requirement for additional processing capacity, other than the phase 2 expansion at Yaligimba, until 2020.

The total number of producing hectares (excluding Yaligimba) at June 30, 2013 was 5,952 ha (June 30, 2012: 6,310 ha). The year-on-year reduction of 358 ha is a result of 651 ha of palms over 25 years old being removed and 293 ha of young palms coming into production.

Total fruit production for Q2 2013 was 15,544 tonnes, 30% higher than the 11,943 tonnes produced during the corresponding period in 2012.

Total fruit production for the first half of 2013 was 25,094 tonnes, 9.5% higher than the 22,918 tonnes produced in H1 2012.

Palm oil production for Q2 2013 was 2,913 tonnes, 36.2% higher than the 2,139 tonnes produced in Q2 2012.

Palm oil production for the first half of 2013 was 4,677 tonnes, 12.8% higher than the 4,148 tonnes produced in H1 2012.

Production in Q2 2013 of both total fruit and palm oil were the highest recorded since Feronia acquired PHC in 2009. This can be attributed to the following factors:

- The end of male flowering in Q1 2013 resulted in a later phasing of fruit into Q2 2013
- Improvements in plantation management, processes and roads over the year resulted in more efficient harvesting and fruit evacuation together with new plantings coming into harvest.

The achieved improvements are further evidenced by the production of high quality oil throughout the peak season with the average Free Fatty Acid ("FFA") content of oil sold in Q2 2013 being 2.47%. CPO with a FFA level of less than 5% is considered of a premium quality and can be used in food production. Low FFA levels are achieved through good harvesting and fruit evacuation practices.

Replanting of oil palms commenced in March 2013 in line with rainfall patterns, with 2,030 ha replanted in Q2 2013 (Q2 2012: 1,531 ha) with a total of 2,452 ha planted as at June 30 2013 (June 30 2012: 1,795 ha). This represents the replanting of approximately 392,000 trees in the first half of the year (H1 2012: approximately 287,000 trees). Year-to-date, as at August 19, 2013, the Company had replanted 3,473 ha representing the replanting of approximately 555,000 trees. The size of Feronia's workforce has been and will be a key factor in delivering on its objective to replant 5,000 ha (representing approximately 800,000 trees) this year.

As at June 30, 2013, the Company employed 3,510 staff in its palm oil operations (June 30, 2012: 3,559), more than would typically be required for a mature palm oil business with production at Feronia's current levels. However, the Company recognises the considerable amount of knowledge and skill held within its workforce and believes it is a tremendous asset. While a large proportion of the workforce is currently utilised in Feronia's replanting program, a sufficient portion of the workforce has the skillset to be re-allocated to harvesting operations as the Company's producing hectares increase.

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

In April 2013, Benedict Rich joined the Company as Managing Director of PHC. Mr. Rich has extensive experience managing plantation operations in emerging markets and has also been responsible for various aspects of research and development programs in both tea and oil palm. He is ISO qualified and has a keen interest and understanding of sustainability and the environment in the palm oil industry, having helped develop the industry's environmental, social and sustainability standards.

Mr. Rich's initial focus has been on improving yields, crop production and replanting through the implementation of best practice operational and environmental management.

BUSINESS PERFORMANCE: *Arable Farming*

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

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

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

In 2011, the Company began a program of trial plantings of rice and bean crops in order to establish which seed varieties, nutrients and planting/harvesting regimes will be best suited for large scale, mechanized agriculture in the Bas Congo region of the DRC. These trials incorporated a review in June 2012 by a firm of independent Brazilian agronomists, including an assessment of in-ground rice and bean crops, which confirm the high potential for large-scale food production in the Bas Congo region of the DRC.

Throughout the trial the Company has identified and addressed issues with seed stock, nutrients, machinery and the scheduling of planting and harvesting. As a result, the Company demonstrated commercial yields from its mechanized harvesting during the most recent harvest undertaken in February, March and April 2013. The Company believes that the land it is farming will support rice crops with yields at commercial levels and continues to evaluate how to prudently expand its arable farming operations.

In 2012, the Company's five tonne per hour rice mill and associated drying facilities were completed and commissioned. It is the only industrial-scale rice mill in the region and allows the Company to process its own crop and that produced by other local small-holder farmers.

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

Key Metrics:

Arable	**As at and for the six months ended June 30**	
	2013	**2012**
Land Available (ha)	10,000	10,000
Land Cleared (ha)	2,000	2,000
Land Prepared (ha)	1,700	1,700
Land Planted (ha)	0	505

Recent Developments in the Arable Operations

As previously reported, harvest of the Company's most recent trial rice planting was completed in April 2013 with mechanized harvesting supplemented through local casual labour.

Results from the trial planting were positive with in-field yields of approximately 4 tonnes of paddy rice per ha. Mechanized harvesting achieved an average yield of 3.1 tonnes of paddy rice per ha over the first 46 ha harvested in February 2013 and 2.5 tonnes per ha from the subsequent 77 ha harvested mechanically by the end of March 2013. The harvest was completed in April 2013 and 685 tonnes of dry paddy rice was harvested from 395 ha. Yield per ha declined as the harvest progressed due to in-field losses caused by the protracted harvest period and insufficient harvesting machinery to complete the harvest in the optimum time period. The Company had ordered a second combine harvester to support the harvest but, due to shipping delays unrelated to the DRC, it arrived too late to participate in most of the harvest.

As previously reported, in April 2013, following quality tests and qualifying as an approved supplier to Heineken N.V., the Company commenced selling rice grown on its farm to Bralima, Heineken's wholly-owned DRC subsidiary. Bralima has agreed to purchase 1,100 tonnes of rice during 2013. The Company also commenced selling rice into the local food market through sales to Ets Kuku, a food wholesaler. The premium grade rice, containing 5% or less broken grains, is being supplied on a weekly basis in 25kg, Feronia-branded polypropylene sacks.

As at June 30, 2013, the Company's arable farming operation sold 350 tonnes of rice to Bralima and 8.75 tonnes to Ets Kuku which resulted in it recording its first revenues of $279,000.

Fulfillment of the remainder of both contracts is expected to be made from existing stocks of rice accumulated from the Company's trial plantings which have been harvested, dried and subsequently milled by the Company and from expected future harvests. The Company expects that minimal capital expenditures will be required for fulfillment of said contracts.

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

DISCUSSION OF OPERATIONS – Three and six months ended June 30, 2013

Revenue and Gross Margin

(Expressed in thousands of US $)	Three months ended June 30			Six months ended June 30		
	2013	2012	% Change	**2013**	2012	% Change
Revenues						
Oil Palm Plantations	**1,903**	2,025	-6%	**3,115**	3,959	-21%
Arable Farming	**279**	0	n/a	**279**	0	n/a
	2,182	2,025	8%	**3,394**	3,959	-14%
Cost of sales						
Oil Palm Plantations	**1,418**	1,622	-13%	**2,402**	2,931	-18%
Arable Farming	**640**	630	2%	**1,071**	1,631	-34%
	2,058	2,252	-9%	**3,473**	4,562	-24%
Gross Profit(Loss)						
Oil Palm Plantations	**485**	403	20%	**713**	1,028	-31%
Arable Farming	**(361)**	(630)	43%	**(792)**	(1,631)	51%
	124	(227)	n/a	**(79)**	(603)	87%
Gross Margin(1)						
Oil Palm Plantations	**25%**	20%		**23%**	26%	

Note

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

Total revenues for Q2 2013 were $2,182,000, an 8% increase on Q1 2012 revenues of $2,025,000 and arose because of:

- The commencement of arable farming revenue in Q2 2013 totalling $279,000 (Q2 2012: $0); and

- Oil palm plantation revenue in Q2 2013 being 6% lower than in Q2 2012 at $1,903,000 (Q2 2012: $2,025,000). This reduction is a result of the average net sale price of CPO of $778 per tonne during Q2 2013 being 21% lower than for the same period in 2012 (Q2 2012: $990). The effect of this was partially offset by the volume of oil sold in Q2 2013 of 2,236 tonnes being a 27% increase on the 1,767 tonnes sold in Q2 2012.

Total revenue for the six months ended June 30, 2013 was $3,394,000, a 14% reduction from the same period in 2012 (H1 2012: $3,959,000) and arose because of:

- The commencement of arable farming revenue during the period; and

- Oil plantation revenues in H1 2013 being 21% lower than in H1 2012 at $3,115,000 (H1 2012: $3,959,000). This reduction is a result of the average net sale price of CPO of $736 per tonne during H1 2013 being 21% lower than for the same period in 2012 (H1 2012: $931). The effect of this was partially offset by the volume of oil sold in H1 2013 of 3,753 tonnes being a 2% increase on the 3,686 tonnes sold in H1 2012.

Gross Margin for Q2 2013 increased to 25% (Q2 2012: 20%) which is largely due to the reduction in cost of sales in the quarter.

In the six months ended June 30, 2013, Gross Margin was 23% (H1 2012: 26%). The reduction in margin is a result of lower revenue being partially offset by a reduction in cost of sales of $529,000. Cost of sales in the six months ended June 30 2013 of $2,402,000 (H1 2012: $2,931,000) were 18% lower than the same period in 2012 largely due to an increase in the value of inventory as a result of higher CPO prices compared to the year end. Higher stock levels combined with an increased value per tonne in June 2013 resulted in a significant overall credit to cost of sales of around $850,000 compared to $112,000 in H1 2012. This was offset by an increase in the amount of wages and salaries charged to cost of sales in 2013 compared to 2012 of $300,000.

Gross margin is a non-GAAP financial measure. For further details, see below under "Non-GAAP Financial Measures".

The following table provides a summary of palm fruit production and CPO:

	Three months ended June 30,			Six months ended June 30,		
	2013	2012	*% Change*	**2013**	2012	*% Change*
Fruit production (tonnes)	**15,544**	11,943	*30.2%*	**25,094**	22,918	*9.5%*
Oil produced (tonnes)	**2,913**	2,139	*36.2%*	**4,677**	4,148	*12.8%*
Oil extraction rate	**18.74%**	17.91%	-	**18.64%**	18.10%	**-**
Producing Hectares[1]	**5,952**	6,310	*-5.7%*	**5,952**	6,310	*-5.7%*
FFB yield/hectare (tonnes)[2]	**2.61**	1.89	-	**4.22**	3.63	**-**
CPO yield/hectare (tonnes)	**0.49**	0.34	-	**0.79**	0.66	**-**

1. Excludes producing hectares at Yaligimba.
2. FFB Yield/Ha basis excludes Yaligimba production for 2011.

Selling, General and Administrative Costs

(Expressed in thousands of US dollars)	Three months ended June 30,			Six months ended June 30,		
	2013	2012	*% Change*	**2013**	2012	*% Change*
Selling, general and admin	**2,635**	2,015	*31%*	**5,045**	4,702	*7%*
Other losses	**81**	48	*69%*	**95**	33	*188%*

Selling, general and administrative costs for Q2 2013 of $2,635,000 (Q2 2012: $2,015,000) were $620,000 higher than in Q2 2012, an increase of 31%. The increase was predominantly a result of:

- One-time retirement benefit costs in Q2 2013 being $550,000 higher than in Q2 2012; and
- Material and transport costs in Q2 2013 being $96,000 higher than in Q2 2012.

Selling, general and administrative costs for the six months ended June 30, 2013 of $5,045,000 were $343,000 higher than in the same period in 2012, a 7% increase (H1 2012: $4,702,000). The increase was predominantly a result of:

- One-time retirement benefit costs in H1 2013 being $580,000 higher than in H1 2012; and

- Partially offset by consultancy, professional fees and share based payments being $421,000 lower than the same period in 2012 and the release of a provision in Q1 2013 which was no longer required.

Gain (Loss) on Biological Assets and Planting Costs

(Expressed in thousands of US $)	Three months ended June 30			Six months ended June 30		
	2013	2012	% change	**2013**	2012	% change
Gain on biological assets	**180**	1,126	-84%	**206**	2,782	-93%

Under IFRS, biological assets are identified as bearer assets, which are the plantations, and which will generate revenue in the future.

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

The three-year rolling average price of CPO used at March 31, 2013 was $1,013 per metric tonne (mt), increasing to $1,015 per metric tonne (mt) as at June 30, 2013.

For Q2 2013, the gain on biological assets was $180,000 compared to a gain of $1,126,000 for Q2 2012 and reflects an increase in the rolling average price of CPO of $2 per metric tonne in Q2 2013.

During Q2 2013, $1,061,000 of nursery costs and costs incurred in the replanting and maintenance of mature trees were transferred from 'Assets Under Construction' to 'Non-current Biological Assets'. For the six months to June 30, 2013, these costs were $1,830,000 (H1 2012: $1,237,000.)

Income Taxes Under IFRS

Under IFRS the Company has a gain on biological assets of $180,000 for Q1 2013 (Q2 2012: $1,126,000) and a gain of $206,000 for the six months to June 30, 2013 (H1 2012: $2,782,000). As a result of the valuation there is a provision for deferred tax of $63,000 for Q2 2013 (Q2 2012: $451,000) and $72,000 for the six months to June 30, 2013 (2012: $1,113,000). Deferred tax is calculated at a rate of 35% on the biological gain, a reduction of 5% from the rate applicable in the first six months of 2012.

Net Loss

(Expressed in thousands of US $)	Three months ended June 30			Six months ended June 30		
	2013	2012	% change	**2013**	2012	% change
Net loss	**2,676**	225	1,089%	**5,457**	3,095	76%

The net loss for Q2 2013 was $2,676,000 (Q2 2012: $225,000) which is equivalent to $0.01 per share (Q2 2012: $0.00). For the six months to June 30, 2013, the net loss was $5,457,000 (H1 2012: $3,095,000) which is equivalent to $0.02 per share (H1 2012: $0.02).

Net Loss Attributable to Non-controlling Interests

The net loss attributable to non-controlling interests for the quarter ended June 30, 2013 was $688,000 (Q2 2012: $244,000) which represents the share of losses attributable to the 23.7% and 20% holdings in PHC and Feronia Arable respectively. The net loss attributable to non-controlling interests for the six months ended June 30, 2013 was $863,000 (H1 2012: $711,000).

Cash Used in Operating Activities

(Expressed in thousands of US $)	Six months ended June 30		
	2013	2012	% change
Cash used in Operating Activities	**9,196**	2,095	339%

Cash used in operating activities for the six months ended June 30, 2013 was $9,196,000 (H1 2012 $2,095,000).

COMPARISON OF FINANCIAL CONDITION

The following table provides a comparison of the Company's financial condition as at June 30, 2013 compared to December 31, 2012:

(Expressed in US $)	**June 30**	December 31	
	2013	2012	% Change
Total current assets	**9,214,000**	6,768,000	36%
Total current liabilities	**4,816,000**	7,777,000	-38%
Working capital	**4,398,000**	(1,009,000)	N/A
Total shareholder's equity	**31,860,000**	22,901,000	39%

SUMMARY OF QUARTERLY RESULTS

The following table provides summary financial data for the Company's last eight quarters ended June 30, 2013:

(Expressed in thousands of US dollars, except per share amounts)	Jun 30 2013 $	Mar 31 2013 $	Dec 31 2012 $	Sep 30 2012 $
Revenues	2,182	1,212	1,029	2,143
Net Income (loss) from continuing operations attributable to owners of the parent	(1,988)	(2,606)	(1,655)	(1,842)
Net Income (loss) per share from continuing operations attributable to owners of the parent – Basic	(0.01)	(0.01)	(0.01)	(0.01)
Net Income (loss) per share from continuing operations attributable to owners of the parent - Diluted	(0.01)	(0.01)	(0.01)	(0.01)

(Expressed in thousands of US dollars, except per share amounts)	Jun 30 2012 $	Mar 31 2012 $	Dec 31 2011 $	Sep 30 2011 $
Revenues	2,025	1,934	3,011	1,345
Net Income (loss) from continuing operations attributable to owners of the parent	19	(2,403)	(4,793)	1,290
Net Income (loss) per share from continuing operations attributable to owners of the parent – Basic	0.00	(0.02)	(0.04)	0.01
Net Income (loss) per share from continuing operations attributable to owners of the parent - Diluted	0.00	(0.02)	(0.04)	0.01

Notes:

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

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

CASHFLOWS AND LIQUIDITY

The cash balance at June 30, 2013 was $2,425,000 compared to $1,260,000 as at December 31, 2012. The increase in the cash balance of $1,165,000 was a result of a net cash loss from operations of $5,377,000, capital expenditure of $4,098,000 and an increase in working capital of $3,819,000 offset by the issue of shares for cash of $14,393,000.

The cash outflow attributable to the increase in working capital during the six months to June 30, 2013 of $3,819,000 (H1 2012: $2,481,000) comprised of an increase in accounts receivable of $944,000, an increase in inventory of $452,000, a decrease in accounts payable of $2,538,000 and a decrease in prepayments of $115,000.

Cash inflows from financing activities during Q2 2013 were $1,375,000 (Q2 2012: $40,000) which relates to financing activities undertaken near the end of the previous quarter.

Financing activities for the six months to June 30, 2013 totalled $14,393,000 (H1 2012: $40,000).

Investing activities resulted in cash outflows of $4,098,000 for the six months ended June 30, 2013 (H1 2012: $5,699,000).

LIQUIDITY AND CAPITAL RESOURCES

As at June 30, 2013, the Company had cash totalling $2,425,000. The Company intends to use these funds to meet funding requirements associated with the growth and development of its business. This includes the rehabilitation of roads and other infrastructure on oil palm estates, new planting on oil palm estates, purchase of farm machinery and equipment, purchase of grain storage and processing plant, planting of crops, acquisition of IT hardware and software and further development of business systems. Over the next twelve months, the Company plans to 1) maximize returns from existing plantings while investing in new plantings and the required processing capacity; 2) commission the new palm oil mill at Yaligimba; 3) incur expenditure to maintain the Company's oil palm plantations, including the ongoing cost of new plantations as planned; 4) incur fertilizer, maintenance, harvesting, transport and processing costs; 5) prove commercial yields at its arable farming division before further expansion; and 6) incur general corporate and operating expenses.

The Company recorded net cash outflows in operations and investing activities for the 2012 calendar year and it is possible that this will continue for an additional few years as the Company continues to make significant investments in equipment and infrastructure activities necessary to commercialize its products. Feronia's actual funding requirements will vary based on the factors noted above and its relationships with lead customers and strategic partners.

As part of the first tranche of a non-brokered private placement with Golden Oil Holdings Limited completed on January 15, 2013, the Company issued 42,028,000 Common Shares for aggregate gross proceeds of CDN$5,043,360 ($5,116,007) at a purchase price of CDN$0.12 per share. In the second tranche completed on March 21, 2013, the Company issued 58,800,774 Common Shares to Golden Oil Holdings Limited for aggregate gross proceeds of CDN$7,056,093 ($6,883,993) at a purchase price of CDN$0.12 per share. Pursuant to the second tranche, the Company also issued 20,281,455 common shares to certain other qualifying shareholders of the Company for aggregate gross proceeds of CDN$2,433,774 ($2,392,857).

The proceeds are being used by the Company for working capital and capital expenditure purposes.

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

Major outstanding anticipated capital expenditure cash requirements (other than expenditures for oil palm rehabilitation and planting) as at the date of this MD&A relate to work undertaken to complete the new oil palm mill at Yaligimba (estimated to be $450,000), which will be paid in Q3 2013 rather than Q2 2013 as previously reported.

OUTLOOK

The Company's strategy for its oil palm plantations business continues to be to maximize returns from existing plantings while investing in new plantings and the required processing capacity. CPO production at the new palm oil mill at Yaligimba is expected to commence imminently and will provide the Company with access to an additional 3,757 ha of mature oil palms for the production of CPO, an increase of 62.1% from the area currently accessible.

The Company has made progress in establishing commercially viable rice yields at its arable operation, has established a pricing formula and is making sales to high quality local counterparties. This furthers our confidence in the favorable dynamics of the local rice market. The Company is currently evaluating how to prudently expand its arable farming operation in light of these recent positive developments.

In summary, the key objectives of the Company for 2013 are as follows:

(i) commence production of CPO at Yaligimba thereby enabling the Company to harvest and process fruit grown at that location;

(ii) re-plant up to 5,000 ha across its oil palm plantations (3,473 ha replanted as at August 19, 2013); and

(iii) prudently advance its arable farming operation.

KEY FACTORS AFFECTING THE COMPANY'S BUSINESS

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

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

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

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

The local DRC palm oil market consists of two refining factories located in Kinshasa. A refining factory owned by Marsavco currently purchases the majority of the Company's crude oil production. The Company and its predecessors have been selling crude palm oil and palm kernel oil to the refinery operated by Marsavco and its predecessors for over 20 years. Pursuant to the terms of a verbal arrangement between the Company and Marsavco, Feronia notifies Marsavco on a monthly basis regarding the product tonnage that will be made available for sale and the applicable price of the product based on the international CIF Rotterdam prices for crude palm oil and palm kernel oil. The value of the cargo is calculated based on the product tonnage and price. Although the Company has a good business relationship with Marsavco, there are risks associated with the existing arrangement. See the Company's annual management's discussion and analysis for the year ended December 31, 2012, available at www.sedar.com, under "Risk Factors".

To the Company's knowledge, there has never been a large scale commercial rice planting program in the DRC. While the Company's objective is to establish a large scale arable farming operation in the DRC, with a particular focus on its commercial rice planting program, the Company may be unable to achieve its growth objectives with respect to the arable farming operations. For example, the Company was unable to meet its 2011 arable farming growth objectives primarily due to a delay in the planting of its rice crop and adverse weather conditions.

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

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

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

As previously reported, on December 24, 2011, the government of the DRC promulgated a new law, "Loi Portant Principes Fondamentaux Relatifs A L'Agriculture" (the "Agriculture Law"), for the stated purposes of developing and modernizing the country's agricultural sector. The Agriculture Law has garnered some controversy with respect to various provisions, including a provision which purports to limit the rights of foreign corporations to farmland in the DRC. Certain agribusinesses in the DRC have raised concerns that this provision may impede existing and new foreign investment in the agricultural sector. In particular, Article 16 of the Agricultural Law appears to impose a requirement that a holder of farmland in the DRC be either a DRC citizen or, in the case of a corporation, that such corporation be incorporated in the DRC and be majority owned by the DRC government and/or by DRC citizens. Currently, Feronia's primary operating subsidiaries, PHC and Feronia

Arable are owned 23.83% by the DRC government and 20% by a private DRC corporation, respectively.

The Company has been involved in discussions with various levels of government in the DRC with respect to the proper interpretation of the Agriculture Law and its application to the Company's concessions in the DRC. If the Agriculture Law is interpreted by the DRC government to apply to the existing concession rights held by the Company and the Agriculture Law is not amended, it could have a material and substantial adverse effect on the value of the Company's business and its share price. In such case, Feronia may be required to sell or otherwise dispose of a sufficient interest in its operating subsidiaries so as to ensure that it meets the local ownership requirements contained in this law. There is no assurance that such a sale or disposition would be completed at fair market value or otherwise on acceptable terms to Feronia. See also below under "Forward Looking Statements" and "Risks and Uncertainties" for further information regarding the Agriculture Law. The Agriculture Law came into force on June 24, 2012 and, according to its terms, holders of concessions to agricultural lands had until June 24, 2013 to comply with its provisions.

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

RELATED PARTY DISCLOSURES

The following transactions were carried out with related parties in Q2 2013:

Purchase of services from key management personnel

	For the three months ended June 30,		For the six months ended June 30,	
Purchase of services:	**2013**	**2012**	**2013**	**2012**
include the purchase of consultancy services, agency fees and property rental payments				
- Purchase of services from key management personnel	51,133	78,430	108,633	159,256
- Purchase of services from an entity controlled by key management personnel	99,120	54,565	186,710	65,757
- Purchase of services from an entity controlled by close family members of key management personnel	-	30,000	-	60,000
	150,253	**162,995**	**295,343**	**285,013**

Purchase of services from key management personnel consists of $5,000 (2012:$nil) for the three months ended June 30, 2013 and $10,000 (2012:$nil) for the six months ended June, 2013 paid to Mr. bin Karubi, a director, in relation to his service in such capacity and $37,500 (2012:$34,800) for the three months ended June 30, 2013 and $75,000 (2012:$72,000) for the six months ended June 30, 2013 in relation to rental payments for use of a building owned by him for use as office space and accommodation; $nil (2012:$43,630) for the three months ended June 30, 2013 and $10,000 (2012: $87,256) for the six months ended June 30, 2013 paid to Mr. Batanga, the Chief Operating Officer of the Company, in relation to his services in such capacity; and $8,633 (2012:$nil) for the three months ended June 30, 2013 and $13,633 (2012:$nil) for the six months ended June 30, 2013 paid to Mr. White, a director, in relation to his services in such capacity.

Purchases of services from an entity controlled by key management personnel consists of $24,003 (2012:$20,103) for the three months ended June 30, 2013 and $34,718 (2012:$31,295) for the six months ended June 30, 2013 paid to a company controlled by Mr. Varma, the previous Chief Financial Officer of the Company, in relation to his services in such capacity and $nil(2012:$9,462) for the three and six months ended June 30, 2013 in relation to rent paid for use of a building as office space; $37,500 (2012:$25,000) for the three months ended June 30, 2013 and $75,000 (2012:$25,000) for the six months ended June 30, 2013 paid to a company which is controlled by Mr. Sood, the Executive Chairman, in relation to his services in such capacity; $12,500 (2012:$nil) for the three months ended June 30, 2013 and $25,000 (2012: $nil) for the six months ended June 30, 2013 payable to a company in which Mr. Gourlay is a partner, in relation to his service as a director; $11,250 (2012:$nil) for the three months ended June 30, 2013 and $22,569 (2012: $nil) for the six months ended June 30, 2013 payable to a company controlled by Mr. Strickland, a director in relation to his service in such capacity; $5,000 (2012:$nil) for the three months ended June 30, 2013 and $10,000 (2012:$nil) for the six months ended June 30, 2013 paid to a company controlled by Mr. Condon, a director, in relation to his service in such capacity; and $8,867 (2012:$nil) for the three months ended June 30, 2013 and $19,423(2012:$nil) for the six months ended June 30, 2013 paid to a company in which Mr. Einarsson is an employee, in relation to his service as a director.

Purchase of services from an entity controlled by a close family member of key management personnel consists of $nil (2012:$30,000) for the three months ended June 30, 2013 and $nil (2012:$60,000) for the six months ended June 30, 2013 paid to a company controlled by the spouse of Mr. Sood, the Executive Chairman of the Company, in relation to the provision of corporate development services.

Key Management Compensation

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

	For the three months ended June 30,		For the six months ended June 30,	
	2013	2012	2013	2012
Salaries and short-term employee benefits	130,523	83,906	233,728	165,828

	For the three months ended June 30,		For the six months ended June 30,	
	2013	2012	2013	2012
Change in fair value of share-based payments	15,536	79,233	69,802	203,356

Payables to Related Parties

	June 30, 2013	Dec 31, 2012
- Purchase of service from key management personnel	13,633	10,000
- Entities controlled by key management personnel	46,531	59,864
	60,164	69,864

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

SUMMARY OF OUTSTANDING SHARE DATA

The authorized share capital of the Company consists of an unlimited number of Common Shares, of which 290,681,057 Common Shares are issued and outstanding as of the date of this MD&A. In addition, the Company has CDN$5,363,000 principal amount of Debentures which are convertible into 30,645,714 Common Shares, warrants outstanding to purchase up to an aggregate of 36,161,883 Common Shares, broker warrants outstanding to purchase up to 5,016,476 Common Shares, and options outstanding to purchase up to 10,509,962 Common Shares. Assuming the exercise or conversion of all of the outstanding Debentures, warrants, broker warrants and options, an aggregate of 373,015,092 Common Shares will be issued and outstanding on a fully diluted basis.

CHANGES IN ACCOUNTING POLICIES

For information regarding changes in accounting policies including initial adoption, please refer to the sections “Changes In Accounting Policies” in the Company’s annual management’s discussion and analysis for the year ended December 31, 2012, available at www.sedar.com.

NON-GAAP FINANCIAL MEASURES

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

RISKS AND UNCERTAINTIES

The Company is subject to various business, financial and operational risks that could materially adversely affect the Company’s future business, operations and financial condition and could cause such future business, operations and financial condition to differ materially from the forward-looking statements and information contained in this MD&A. For a more comprehensive discussion of the risks faced by the Company, please refer to the Company’s annual management’s discussion and analysis for the year ended December 31, 2012, available at www.sedar.com.

FORWARD-LOOKING STATEMENTS

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

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

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

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