FERONIA INC.
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE THREE MONTHS AND YEAR ENDED DECEMBER 31, 2013

April 23, 2014

This Management's Discussion and Analysis ("MD&A") should be read in conjunction with the audited consolidated financial statements and accompanying notes for the year ended December 31, 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 is developing an arable farming operation in the Democratic Republic of the Congo (the "DRC").

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

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

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

BUSINESS PERFORMANCE: Oil Palm Plantations

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

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

As at December 31, 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 98% of Feronia's revenues in Q4 2013 and 93% for the year ended December 31, 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 year ended December 31, 2013:

	Year ended December 31, 2013			**Total (as at and for the year ended December 31)**		
	Lokutu	**Yaligimba**[1]	**Boteka**	**2013**[1]	**2012**[1]	**2011**
Production						
Fresh Fruit Bunch ('FFB') production (tonnes)	34,752	2,580	7,683	**45,015**	38,596	46,632
Crude Palm Oil ('CPO') produced (tonnes)	6,390	432	1,447	**8,269**	7,044	7,981
Oil Extraction Rate ('OER') (%) (like-for-like)[2]	18.39	-	18.83	**18.47**	18.25	17.78
FFB Yield/Hectare (tonnes) (like-for-like)[2]	7.84	-	5.01	**7.12**	6.11	4.92
CPO Yield/Hectare (tonnes) (like-for-like)[2]	1.45	-	0.94	**1.32**	1.11	0.87
Palm Kernel Oil ('PKO') Produced (tonnes)	337	20	0	**357**	440	99

Notes:

(1) Yaligimba did not contribute to Fresh Fruit Bunches ("FFB") or Crude Palm Oil ("CPO") production in the year ended December 31, 2012 and only contributed from October 17 until December 31, 2013.

(2) Oil Extraction Rate, FFB Yield/Ha and CPO Yield/Ha like-for-like basis excludes Yaligimba production for 2013 and 2011

The following tables show key data relating to PHC's assets and infrastructure as at December 31, 2013.

	As at December 31, 2013			Total as at December 31		
	Lokutu	**Yaligimba**	**Boteka**	**2013**	**2012**	**2011**[1]
Plantations (Hectares)						
Immature						
Year 0	2,200	2,132	675	**5,007**	3,924	2,110
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
	5,374	4,444	2,250	**12,068**	7,774	5,293
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**[1]	10,213[1]	12,753[1]
Total Planted	9,794	8,201	3,777	**21,777**	17,987	18,016

Note:

(1) During the years ended December 31, 2010 and 2011, the Company classified palms aged 4 to 30 years as mature and producing. In 2012 management 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 December 31, 2013			Total as at December 31		
	Lokutu	**Yaligimba**[1]	**Boteka**	**2013**	**2012**	**2011**
Palm Nurseries						
Total Hectares	24	20	6	**50**	40	26
Seedlings	284,517	475,622	84,096	**844,235**	998,637	573,839
Hectares plantable from seedlings	1,422	2,378	420	**4,221**	4,993	2,869
Palm Oil Mills						
No. of Palm Oil Mills / Oil Produced	1 / CPO & PKO	1 / CPO & PKO	1 / CPO	**3**	2	2
Palm Oil Mill Capacity (tonnes/hour)	15	23	10	**48**	25	25

Note:

(1) Commenced production of CPO at new Yaligimba palm oil mill on October 17, 2013.

	As at December 31, 2013			Total as at December 31		
	Lokutu	**Yaligimba**	**Boteka**	**2013**	**2012**	**2011**
Infrastructure						
Operational Roads (Km)	615	688	367	**1,670**	1,428	1,309
Employees	-	-	-	**3,474**	3,503	3,630
Houses	1,985	1,095	650	**3,730**	3,725	3,874
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

On October 17, 2013, the Company announced that the production of Crude Palm Oil ("CPO") at the Yaligimba palm oil mill had commenced and that it could resume harvesting 3,757 ha of producing palms. Commencing production at Yaligimba was a major milestone for the Company and followed a tremendous amount of hard work and dedication by the Company's staff and its contractors and support from its shareholders.

The Yaligimba mill has an initial capacity to process 105,000 tonnes of Fresh Fruit Bunches ("FFB") per year and a Phase 2 expansion is planned to provide sufficient capacity at Yaligimba to process the plantation's production though to 2021.

As previously reported, harvesting at the Yaligimba plantation had been 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 has only contributed to FFB and CPO production from October 17, 2013 and did not contribute at all in either the three months or year ended December 31, 2012.

For the first time since it acquired PHC in 2009, Feronia now has fully operational palm oil mills at each of its three plantations with current combined capacity to process 220,000 tonnes of FFB per year. Going forward, the Yaligimba plantation is expected to achieve operating results similar to Lokutu on a per hectare basis and will be a major contributor to the Company. The surrounding communities should also benefit substantially from the new mill and related commercial activity it brings, as the previous mill did for more than half a century.

The total number of producing hectares including Yaligimba at December 31, 2013 was 9,709 ha (December 31, 2012: 6,310 ha). The number of producing hectares at December 31, 2012 was limited to 6,310 ha as the Yaligimba mill was under construction and 3,903 ha of mature oil palm at Yaligimba were not being harvested. The net year-on-year reduction of

504 ha is a result of 713 ha of young palms coming into production and 1,217 ha of old palms being removed during the year.

The following table provides a summary of palm fruit production and CPO for the three months and year ended December 31, 2013:

	Three months ended December 31,			Year ended December 31,		
	2013	2012	*% Change*	**2013**	2012	*% Change*
FFB production (tonnes)	**10,641**	8,517	*25%*	**45,015**	38,596	*17%*
CPO produced (tonnes)	**1,898**	1,600	*19%*	**8,269**	7,044	*17%*
OER (%) (like-for-like) (2)	**18.14%**	18.79%	-	**18.47%**	18.25%	-
Producing Hectares(1)	**9,709**	6,310	*54%*	**9,709**	6,310	*54%*
FFB yield/hectare (tonnes) (like-for-like)(2)	**1.35**	1.35	*0%*	**7.12**	6.11	*17%*
CPO yield/hectare (tonnes) (like-for-like)(2)	**0.25**	0.25	*0%*	**1.32**	1.11	*19%*

Notes:

1. Excludes producing hectares at Yaligimba in both the three months ended and the year ended December 31, 2012.
2. Oil Extraction Rate, FFB Yield/Ha and CPO Yield/Ha like-for-like basis excludes Yaligimba production for 2013.

The improvements in FFB and CPO production for the three months ended December 31, 2013 are primarily due to the Yaligimba mill coming into operation on October 17, 2013. The oil extraction rate in the period was negatively impacted by in-operation testing of the Yaligimba mill during the period when small volumes of FFB were processed in order to optimise the new mill's setup. Through this optimisation process, the Company has seen a steady increase in the oil extraction rate ("OER") at Yaligimba from around 15% at commencement to an average of 18.31% for March 2014. The Company expects oil extraction rates to continue to increase over time and believes that a rate of 20% is achieveable across all three of the Company's mills in the longer term.

The improvements achieved in FFB production, CPO production and OER in 2013 are, in the main, the result of improvements in plantation management processes and the Company's roads which all contribute to more efficient harvesting and fruit evacuation, new plantings coming into harvest during the period and the commencement of operation at the Yaligimba mill in October 2013.

The operational improvements are further evidenced by the high quality of the oil produced during the year to date with the average Free Fatty Acid ("FFA") content of oil sold in the year to December 31, 2013 being 2.47%. Low FFA levels are achieved through good harvesting and fruit evacuation practices and CPO with a FFA level of less than 5% is considered of a premium quality and can be used in food production.

Replanting of oil palms commenced in March 2013 in line with rainfall patterns and on October 23, 2013 the Company surpassed its 5,000 hectare target for the year. During Q4 2013, 559 ha was replanted (Q4 2012: 1,138 ha) with a total of 5,007 ha replanted as at December 31 2013 (December 31, 2012: 3,924 ha). This represents more than 800,000 trees being replanted at a rate of approximately 25,000 trees per week. The size of Feronia's workforce was a key factor in delivering on this major replanting initiative. It is a tremendous achievement and testament to the skill and dedication of the Company's staff in the DRC.

The Company's 2014 replanting programme of 5,000 ha commenced on March 15, 2014 and is expected to be completed in November. As at April 11, 2014 the Company had replanted 790 ha.

As at April 11, 2014, Feronia's oil palm nurseries contained 980,783 seedlings and were sufficiently stocked to complete the 5,000 hectare replanting programme for 2014.

As at December 31, 2013, the Company employed 3,474 staff in its palm oil operations (December 31, 2012: 3,503), more than would typically be required for a mature palm oil business with production at Feronia's current levels. However, the Company recognises the considerable amount of knowledge and skill held within its workforce and believes it is a tremendous asset. While a large proportion of the workforce is utilised in Feronia's replanting program, a sufficient portion of the workforce has the skillset to be re-allocated to harvesting operations as the Company's producing hectares increase.

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

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 been identifying and addressing issues with seed stock, nutrients, machinery and the scheduling of planting and harvesting. The Company demonstrated commercial yields from its mechanized harvesting during the most recent harvest undertaken in February, March and April 2013 and believes that the land it is farming will support rice crops with yields at commercial levels.

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 year ended December 31**	
	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)	200	500

Recent Developments in the Arable Operations

In April 2013, the Company commenced selling rice grown on its farm to Bralima, Heineken's wholly-owned DRC subsidiary and Ets Kuku, a food wholesaler. Subsequently, the Company has commenced selling rice to additional counterparties involved in the domestic food market including more food wholesalers. Rice sales for Q4 2013 were 39 tonnes with total rice sales for the year ended December 31, 2013 of 606 tonnes.

In October 2013 a 200 hectare trial planting of rice took place shortly before the start of seasonal rains. This crop was harvested in February and March 2014 and results from the trial were positive with mechanised harvesting achieving an average yield of 2.6 tonnes of paddy rice per hectare over the 200 hectare trial site. This represents a 44% increase on the yield per hectare achieved during the Company's previous large trial planting which was harvested in March 2013.

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

In total, 532 tonnes of paddy rice was harvested and is now being processed for sale into the domestic market.

A further 200 hectare rice trial has now been planted and will be harvested in June 2014.
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.

Since it commenced the sale of its rice, the Company has experienced considerable interest in its produce and has received order enquiries far in excess of the production levels it can achieve under its current trial planting program. Management believes that the market for domestically produced rice in and around the Bas Congo region of the DRC is considerable. The Company continue to believe in the immense agricultural potential of the DRC and is investigating mechanisms to fund the growth of its Arable Farming operation without diluting shareholders."

SELECTED ANNUAL INFORMATION

The following selected financial information has been derived from the audited consolidated financial statements for the years ended December 31, 2013, 2012 and 2011 and our financial positions as at December 31, 2013, 2012 and 2011:

Years ended December 31,	2013 ($)	2012 ($)	2011 ($)
Operating Results			
Revenue	6,687,872	7,129,748	7,448,627
Net loss from continuing operations attributable to owners of the parent[1]	(10,115,746)	(6,661,426)	(5,714,250)
Loss per share from continuing operations attributable to owners of the parent[1]			
Basic	(0.02)	(0.04)	(0.04)
Diluted	(0.02)	(0.04)	(0.04)
Financial Position			
Total assets	71,171,831	44,711,685	41,354,059
Total non-current financial liabilities	16,280,620	14,033,750	9,714,427
Cash dividends declared per share	-	-	-
Common shares outstanding	552,050,512	169,502,200	133,637,701

Notes:
(1) The Company does not have any discontinued operations.
(2) Information for all periods is presented in accordance with IFRS and in U.S. dollars

DISCUSSION OF OPERATIONS – Three months and year ended December 31, 2013

Revenue and Gross Margin

(Expressed in thousands of US dollars)	Three months ended December 31			Year ended December 31		
	2013	2012	% Change	**2013**	2012	% Change
Revenues						
Oil Palm Plantations	**990**	1,029	(4%)	**6,251**	7,130	(12%)
Arable Farming	**22**	-	n/a	**437**	-	n/a
	1,012	1,029	(2%)	**6,688**	7,130	(6%)
Cost of sales						
Oil Palm Plantations	**1,998**	1,591	26%	**6,919**	6,477	7%
Arable Farming	**792**	1,018	(22%)	**2,664**	3,205	(17%)
	2,790	2,609	7%	**9,583**	9,682	(1%)
Gross Profit (Loss)						
Oil Palm Plantations	**(1,008)**	(562)	79%	**(668)**	653	(202%)
Arable Farming	**(770)**	(1,018)	(24%)	**(2,227)**	(3,205)	(31%)
	(1,778)	(1,580)	13%	**(2,895)**	(2,552)	13%
Gross Margin[(1)]						
Oil Palm Plantations	**(102%)**	(55%)		**(11%)**	9%	

Note:

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

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

Total revenues for Q4 2013 were $1,012,000, 2% lower than Q4 2012 revenues of $1,029,000 and arose because of:

- Oil palm plantation revenue in Q4 2013 of $990,000, being 4% lower than the same period in 2012 (Q4 2012: $1,029,000). The volume of CPO sold in Q4 2013 was 1,095 tonnes, down 13% on Q4 2012 (Q4 2012: 1,261 tonnes), which was offset by an increase in the net CPO price achieved in the quarter from $731 per tonne in Q4 2012 to $827 per tonne in Q4 2013 which was driven by an increase in global CPO prices during the period.

Total revenue for the year ended December 31, 2013 was $6,688,000 a 6% reduction from the same period in 2012 (year ended December 31, 2012: $7,130,000).

- Oil palm revenues for the year ended December 31, 2013 were 12% lower than the same period in 2012 at $6,251,000 (year ended December 31, 2012: $7,130,000). This reduction is a result of the average net sale price of CPO of $768 per tonne during the year to December 31, 2013, 15% lower than for the year ended December 31, 2012 (year ended December 31, 2012: $906). The effect of this was partially offset by

a 6% increase in the volume of CPO sold in the year ended December 31, 2013 of 7,404 tonnes (year ended December 31, 2012: 6,993 tonnes); and

- A reduction in PKO revenues from $468,000 in 2012 to $273,000 in 2013 due, in the main, to a 30% fall in the net sale price of PKO during 2013 with 362 tonnes of PKO sold at an average net sale price of $756 per tonne (2012: 431 tonnes at $1,084 per tonne).

Cost of sales for Q4 2013 was $2,790,000 (Q4 2012: $2,609,000), an increase of $181,000. This increase was largely due to the amortisation charge arising from the new Yaligimba mill which started production in the last quarter of 2013.

Cost of sales for the year ended December 31, 2013 were $9,583,000, a reduction of $99,000 on the prior year (year ended December 31, 2012: $9,682,000). The reduction was a result of:

- An increase in the volume of CPO sold in the year, when compared with 2012 at 7,404 tonnes (2012: 6,993 tonnes);
- An increase in amortisation of $238,000 largely due to the Yaligimba mill becoming operational in the last quarter of 2013; and
- A reduction in the net realisable value stock provision amounting to $300,000.

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

Selling, General and Administrative Costs

(Expressed in thousands of US dollars)	Three months ended December 31,			Year ended December 31,		
	2013	2012	*% Change*	**2013**	2012	*% Change*
Selling, general and admin	**3,216**	2,562	*26%*	**10,649**	9,825	*8%*
Other losses (gains)	**(48)**	123	*n/a*	**47**	61	*(23%)*
	3,168	2,685	*18%*	**10,696**	9,886	*8%*

Selling, general and administrative ("SG&A") costs for Q4 2013 of $3,216,000 were $654,000 higher than in Q4 2012 (Q4 2012: $2,562,000), an increase of 26%. $432,000 of the increase was due to a credit in Q4 2012 from a provision made in 2011 and released in 2012, $84,000 was for non-recoverable tax on management fees and $213,000 was due to increases in employment costs.

SG&A costs for the year ended December 31, 2013 of $10,649,000 were $824,000 higher than in the same period in 2012, an 8% increase (year ended December 31, 2012: $9,825,000). The increase comprises:

- $432,000 from the release of a provision in 2012 (noted above), $400,000 of additional retirement benefits provided in 2013, $202,000 of non-recoverable tax on management fees, $370,000 increase in employment costs including costs of

recruitment and employment of the Managing Director of Oil Palm and Chief Financial Officer and $202,000 increase in provisions; This is partially offset by:

- A $679,000 savings on legal and professional fees; and
- The implementation of a revision to 1AS 19 Employee Benefits, which requires actuarial gains to be recognised in *'Other Comprehensive Income'* in 2013 and 2012. The impact on SG&A costs in the year ended December 31, 2013 was $278,000 and $629,000 for the year ended December 31, 2012, therefore reducing costs in 2013 by $351,000.

Gain (Loss) on Biological Assets and Planting Costs

(Expressed in thousands of US dollars)	Three months ended December 31			Year ended December 31		
	2013	2012	% change	**2013**	2012	% change
Gain (loss) on Biological Assets	**3,614**	1,235	292%	**3,514**	5,120	(31%)

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

The three-year rolling average price of CPO used at December 31, 2012 was $1,009 per metric tonne, decreasing to $994 per metric tonne as at December 31, 2013.

In 2013, the gain on biological assets is $3,514,000 compared to a gain of $5,120,000 in 2012. This reflects a decrease in the rolling average price of CPO of $15 per metric tonne during 2013 offset by a net increase of 1,729ha of producing trees.

During the year ended December 31, 2013, $3,819,000 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 year ended December 31, 2012, these costs were $3,009,000.

Income Taxes Under IFRS

Under IFRS the Company has a fair value gain on non-current bearer assets of $5,620,000 for the year ended December 31, 2013 and $6,350,000 in the year ended December 31, 2012. As a result of the valuation, there is a net provision of deferred income tax of $1,967,000 for the year ended December 31, 2013 compared to $2,223,000 in the year ended December 31, 2012. The deferred tax is calculated at a rate of 35% on the biological gain.

Net Loss

(Expressed in thousands of US dollars)	Three months ended December 31			Year ended December 31		
	2013	2012	% change	**2013**	2012	% change
Net loss	**(2,551)**	(2,436)	5%	**(10,116)**	(6,661)	52%

The net loss attributable to Feronia for Q4 2013 was $2,551,000 (Q4 2012: $2,436,000) which is equivalent to $0.01 per share (Q4 2012: $0.01). For the year ended December 31, 2013, the net loss was $10,116,000 (year ended December 31, 2012: $6,661,000) which is equivalent to $0.02 per share (year ended December 31, 2012: $0.04).

Net Loss Attributable to Non-controlling Interests

The net loss attributable to non-controlling interests for the quarter ended December 31, 2013 was $1,029,000 (Q4 2012: $1,468,000) 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 year ended December 31, 2013 was $2,624,000 (year ended December 31, 2012: $2,042,000).

COMPARISON OF FINANCIAL CONDITION

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

(Expressed in US dollars)	**December 31**	December 31	
	2013	2012	% Change
Total current assets	**23,904,000**	6,768,000	253%
Total current liabilities	**5,569,000**	7,777,000	(28)%
Working capital	**18,335,000**	(1,009,000)	n/a
Total shareholder's equity	**49,322,000**	22,901,000	115%

SUMMARY OF QUARTERLY RESULTS

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

(Expressed in thousands of US dollars, except per share amounts)	**Dec 31 2013**	**Sep 30 2013**	**Jun 30 2013**	**Mar 31 2013**
Revenues	1,012	2,282	2,182	1,212
Net Income (loss) attributable to owners of the parent	(2,551)	(2,970)	(1,988)	(2,606)
Net Income (loss) per share attributable to owners of the parent – Basic	(0.01)	(0.01)	(0.01)	(0.01)
Net Income (loss) per share attributable to owners of the parent - Diluted	(0.01)	(0.01)	(0.01)	(0.01)
	Dec 31 2012	**Sep 30 2012**	**Jun 30 2012**	**Mar 31 2012**
Revenues	1,029	2,143	2,025	1,934
Net Income (loss) attributable to owners of the parent	(2,436)	(1,842)	19	(2,403)
Net Income (loss) per share attributable to owners of the parent – Basic	(0.01)	(0.01)	0.00	(0.02)
Net Income (loss) per share attributable to owners of the parent - Diluted	(0.01)	(0.01)	0.00	(0.02)

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 December 31, 2013 was $18,252,000 compared to $1,260,000 as at December 31, 2012. The increase in the cash balance of $16,992,000 was a result of a net cash loss from operations (excluding non-cash items) of $11, 970,000, capital expenditure of $8,059,000 and a decrease in working capital of $1,801,000 offset by the issue of shares for cash of $38,735,000.

The cash outflow attributable to the increase in working capital during the year ended December 31, 2013 of $1,801,000 (year ended December 31, 2012: Cash inflow of $3,986,000) comprised of an increase in accounts receivable of $101,000, an increase in inventory of $336,000, a decrease in accounts payable of $1,657,000 and a decrease in prepayments of $294,000.

Cash inflows from financing activities during Q4 2013 were $24,540,000 (Q4 2012: $6,964,000). Financing activities for the year ended December 31, 2013 totalled $38,735,000 (year ended December 31, 2012: $6,964,000).

Investing activities resulted in cash outflows of $8,059,000 for the year ended December 31, 2013 (year ended December 31, 2012: $13,646,000).

LIQUIDITY AND CAPITAL RESOURCES

The Company recorded net cash outflows in operations and investing activities for the 2013 calendar year and it is probable that this will continue for an additional few years as the Company continues to make significant investments in equipment and infrastructure activities necessary to commercialize its products. Feronia's actual funding requirements will vary based on the factors noted above and its relationships with lead customers and strategic partners.

On January 15, 2013 and April 4, 2013, the Company completed the first and second tranches, respectively, of a non-brokered private placement financing of Common Shares for aggregate gross proceeds of $14.4 million. Pursuant to the financing, the Company issued an aggregate of 121,110,229 Common Shares at a price of CDN$0.12 per share. The proceeds are being used by the Company for working capital and capital expenditure purposes.

On November 8, 2013 and November 15, 2013, the Company completed the first and second tranches, respectively, of a non-brokered private placement financing of Common Shares for aggregate gross proceeds of $25 million. Pursuant to the financing, the Company issued an aggregate of 261,195,050 Common Shares at a price of CDN$0.10 per share. The proceeds are being used by the Company for working capital and capital expenditure purposes.

On November 8, 2013, the Company also entered into a convertible loan facility with CDC Group plc. ("CDC"), pursuant to which CDC will make available an unsecured non-revolving term loan (the "ESG Facility") in the maximum amount of $3.6 million at an annual interest rate of 12% for a term of five years. The funds available under the ESG Facility are required to be used by the Company to support the implementation of an Environmental and Social Action Plan developed jointly with CDC. The principal under the ESG Facility will be convertible into Common Shares on the maturity date and in certain other circumstances at a rate of CDN$0.24 per common share (subject to customary adjustment provisions). Subject to the approval of the TSX Venture Exchange (the "TSXV"), the interest payable under the ESG Facility will be convertible into Common Shares at a rate equal to the greater of CDN$0.24 and the Discounted Market Price (as defined in TSXV policy) at the time of conversion. As of the date of this MD&A, no funds have been advanced to the Company under the ESG Facility and, as a result, no Common Shares are issuable thereunder.

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

OUTLOOK

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

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

Having met and surpassed its annual 5,000 hectare replanting target for 2013 in October 2013, the Company is confident that it can continue to meet its replanting objectives. The new Yaligimba palm oil mill commenced production of CPO in October 2013 and now provides the Company with access to an additional 3,757 hectares of mature oil palms for the production of CPO, an increase of 63.1% on the area previously available for commercial production. The Yaligimba mill allows the Company to maximise production from legacy plantings and provides substantial excess processing capacity and expansion potential to accommodate anticipated production from its current aggressive replanting programme.

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

(i) refine FFB harvest and evacuation procedures at Yaligimba to enable FFB production and mill utilisation to be maximised following the resumption of harvesting 3,757 ha of producing palms;

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

(iii) prudently advance arable farming operations.

KEY FACTORS AFFECTING THE COMPANY'S BUSINESS

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

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

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

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

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

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

The Company relies on relationships with national and local governments in the DRC, local land owners, key customers, suppliers and third party service providers for the plantation, farming and trading activities. Feronia relies to a significant extent on third party service

providers for day-to-day transport on the Congo River to and from the Company's oil palm plantations.

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

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

As previously reported, on December 24, 2011, the government of the DRC promulgated a new law, "Loi Portant Principes Fondamentaux Relatifs A L'Agriculture" (the "Agriculture Law"), for the stated purposes of developing and modernizing the country's agricultural sector. The Agriculture Law has garnered some controversy with respect to various provisions, including a provision which purports to limit the rights of foreign corporations to farmland in the DRC. Certain agribusinesses in the DRC have raised concerns that this provision may impede existing and new foreign investment in the agricultural sector. In particular, Article 16 of the Agriculture Law appears to impose a requirement that a holder of farmland in the DRC be either a DRC citizen or, in the case of a corporation, that such corporation be incorporated in the DRC and be majority owned by the DRC government and/or by DRC citizens. Currently, Feronia's primary operating subsidiaries, PHC and Feronia Arable are owned 23.83% by the DRC government and 20% by a private DRC corporation, respectively.

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

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

RELATED PARTY DISCLOSURES

The following transactions were carried out with related parties:

Purchase of services from key management personnel **Purchase of services:**	**December 31, 2013**	**December 31, 2012**
Board fees		
Barnabe Kikaya-Bin-Karubi	20,000	10,000
David White	35,311	-
Nigel Gourlay	50,000	32,391
Joel Strickland	45,069	34,596
Philip Condon	26,140	10,000
Anders Einarsson	25,693	-
Vincent McAleer	6,501	-
Keith Alexander	2,880	-
	211,594	**86,987**

Purchase of consultancy services, and property rental payments	**December 31, 2013**	**December 31, 2012**
Barnabe Kikaya-Bin-Karubi (1)	150,000	149,100
Raymond Batanga (2)	10,000	174,559
Danesh Varma (3)	34,718	68,281
	194,718	**391,940**

Notes:

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

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

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

Purchase of service from an entity controlled by close family member of key management personnel	**December 31, 2013**	**December 31, 2012**
Sangeet Sood	-	80,000

Purchase of services from an entity controlled by a close family member of key management personnel consists of payment to a company controlled by the spouse of Mr. Ravi Sood, the current 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:

	December 31, 2013	**December 31, 2012**
Salaries and short-term employee benefits	840,913	427,999

Change in fair value of share-based payments	**December 31,**	**December 31,**

	2013	2012
Change in fair value of share-based payments	93,135	214,281

Payables to related parties	**December 31, 2013**	**December 31, 2012**
Board of Directors fees	60,005	68,750
Other Consultancy fees	25,000	1,114
	85,005	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 552,050,512 Common Shares are issued and outstanding as of the date of this MD&A. In addition, the Company has CDN$5,363,000 principal amount of Debentures which are convertible into 30,645,714 Common Shares, warrants outstanding to purchase up to an aggregate of 8,940,121 Common Shares, broker warrants outstanding to purchase up to 2,729,785 Common Shares and options outstanding to purchase up to 9,786,283. Common Shares. Assuming the exercise or conversion of all of the outstanding Debentures, warrants, broker warrants and options, an aggregate of 604,152,415 Common Shares will be issued and outstanding on a fully diluted basis. As of the date of this MD&A, no funds have been advanced to the Company under the ESG Facility and, as a result, no Common Shares are issuable thereunder.

CHANGES IN ACCOUNTING POLICIES

New accounting standards adopted during the year

The Company has adopted a number of new and revised standards, along with consequential amendments, effective January 1, 2013. These changes were made in accordance with the applicable transitional provisions. Information on all new, revised and amended standards can be found at Note 2 in the Company’s audited consolidated financial statements and accompanying notes for the year ended December 31, 2013.

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.

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 Company is currently defending certain lawsuits where the actual outcome may vary from the amount recognized in the financial statements.

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 and arable farmland 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 and arable farmland 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.

As discussed above under "Key Factors Affecting the Company's Business", 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 of the Agriculture Law may impede existing and new foreign investment in the agricultural sector. Feronia will continue to seek clarification on the implications of this legislation from local counsel and government in the DRC. If the Agriculture Law is interpreted by the DRC government to apply to the existing concession rights held by the Company, it could deprive the Company of its ability to conduct its operations in the DRC as currently conducted, hinder the Company's anticipated growth objectives in the DRC and affect the ability to attract capital if required. As a result, such occurrences could have a material and substantial adverse effect on the value of its business and its share price.

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.

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.

To the Company's knowledge, there has never been a large scale commercial rice planting program in the DRC. The Company commenced its arable farming operations in Q1 2011 and may be unable to achieve its growth objectives with respect to the arable farming operations. For example, the Company was unable to meet its objectives in 2011 for its arable farming operations due to adverse weather conditions. Feronia Arable is subject to certain operational risks discussed herein, including the risk of decreased productivity and those risks set out below under "Risks Relating to the Industry".

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; access to capital may be limited

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. Furthermore, if the Agriculture Law is interpreted by the DRC government to apply to the existing concession rights held by the Company, it could affect the ability of the Company to attract capital if required.

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 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. 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.

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.

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.

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.

Reliance on one major customer makes the Company vulnerable

A refining factory owned by Marsavco currently purchases the majority of the Company‛s crude palm oil production. Reliance by the Company on one primary refining factory makes it vulnerable to aggressive price negotiations and potential altercations regarding contractual obligations. The Company does not have a written agreement with Marsavco and relies upon the terms of the verbal arrangement summarized above under "Key Factors Affecting the Company's Business". As a result, the Company is also vulnerable to the termination or amendment of this arrangement by Marsavco with little or no advance notice. Although the Company has a good business relationship with Marsavco, there is no guarantee that the Company will be able to continue this relationship or enter into a written agreement with Marsavco on terms acceptable to the Company or at all. The loss of this customer could have a detrimental impact on the Company‛s business, financial condition and results of operations.

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 or be imported on a timely basis, 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 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.

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 and arable farming operations

The success of the Company's business depends on the productivity of its plantations and arable farming operations, and its ability to realize yields at estimated levels. 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. See also below under "Risks Relating to the Industry" regarding risks applicable to the agricultural industry in general.

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, 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

As an agriculture company, adverse weather conditions represent a significant operating and financial risk to the Company, affecting the quality and quantity of production and the levels of farm inputs. See above under "Key Factors Affecting the Company's Business" for additional details regarding the significance of weather conditions to the Company.

Agricultural production is also subject to other significant operational 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. To date, the Company has not achieved its growth objectives relating to its arable farming operations and there is no assurance that the Company will be able to realize commercially viable yields in its arable farming operations or maintain such commercially viable yields from season to season.

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, including the products produced by Feronia Arable, 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

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.

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.