FERONIA INC.

MANAGEMENT'S DISCUSSION AND ANALYSIS

Dated April 30, 2012

For the year ended December 31, 2011

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FOR THE YEAR ENDED DECEMBER 31, 2011

MANAGEMENT'S DISCUSSION AND ANALYSIS

This management's discussion and analysis ("MD&A") of financial condition and results of operations of Feronia Inc. ("Feronia" or the "Company") was prepared by management as at April 30, 2012. Throughout this MD&A, unless otherwise specified, "Feronia", "the Company", the "Group", "we", "us" or "our" refer to Feronia Inc. and its subsidiaries and should be read in conjunction with the audited consolidated financial statements and accompanying notes for the year ended December 31, 2011 (the "Financial Statements"). The results reported herein are presented 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 ("IASB"). Additional information relating to the Company may be found 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 (as defined below), termination or non-renewal of concession rights or expropriation of property rights, political instability and bureaucracy, limited operating history, lack of profitability, lack of infrastructure in the Democratic Republic of Congo ("DRC"), high inflation rates, limited availability of debt financing in the DRC, fluctuations in currency exchange rates, competition from other businesses, reliance on various factors (including local labour, importation of machinery and other key items and business relationships), the Company's reliance on two refining factories and 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.

BUSINESS OVERVIEW AND OVERALL PERFORMANCE

Feronia is a large-scale commercial oil palm plantation and arable farmland operator in 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 its ideal climate, excellent soil and highly skilled and experienced workforce. The Company's management team is comprised of experienced administrative executives 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.

The Company does not report its operations in either a business or geographical segment format as it operates in a single business segment that does not include products and services with significantly differing risks and returns. While there may be dissimilarities with respect to one or several of the factors in the definition of a business segment, the products and services included in the single business segment are expected to be similar with respect to a majority of the factors.

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.

As at December 31, 2011, PHC, being the main operating unit of Feronia, had concessions of 107,892 ha respectively located in the provinces of Equateur and Orientale in the DRC. In 2011, PHC accounted for 99.83% of Feronia's revenues.

As at December 31, 2011, the assets and operations of PHC consisted of the following**:**

(1) 12,753 ha of producing oil palms;

(2) 5,178 ha of immature oil palms;

(3) 48,145 ha of surveyed plantable reserves;

(4) two oil palm mills, one which produces crude palm oil ("CPO") only and the other which produces both CPO and palm kernel oil ("PKO");

(5) a workforce of 3,630 employees including 39 managers;

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

(7) three oil palm nurseries totalling 26.4 ha and containing an aggregate of 585,501 oil palm seedlings

In the quarter ended December 31, 2011, 342 ha of new oil palms were planted which increased the immature planted hectares to 5,178 ha from 4,836 ha as of September 30, 2011. The total for the year ended December 31, 2011 was 2,110 ha of new oil palms planted which exceeded the Company's previously disclosed objective to plant 2,000 ha of oil palms during 2011.

Since its acquisition of the shares of PHC, Feronia has embarked on a programme of rehabilitation of its oil palm mills and the internal road system, 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 the operation to barge fruit from the Yaligimba plantation to the oil palm mill at the Lokutu plantation is ongoing. Fruit production and the classification of palms by plantation are shown in the table below.

The Company currently has limited ability to evacuate fruit from the Yaligimba plantation by barge to the palm oil mill at the Lokutu plantation. As a result, because fruit has been left unharvested in the trees, the true yield per hectare as set out below is not reflected for this location. Management is working to improve the efficiency of the barging operation until the new oil palm mill under construction at Yaligimba is completed and the need for barging is eliminated.

Key Metrics:

	Year Ended December 31, 2011					
	Lokutu	**Yaligimba**	**Boteka**	**Total 2011**	**Total 2010**	**Total 2009**
Immature Hectares	2,227	1,815	1,136	**5,178**	3,183	3,149
Producing Hectares	6,319	4,343	2,091	**12,753**	13,338	13,110
Fruit Production (tonnes)	31,679	5,243	9,710	**46,632**	30,424	24,351
Oil Produced	5,664	623	1,694	**7,981**	4,951	3,773
Oil Extraction Rate	17.9%	11.9%	17.4%	**17.1%**	16.3%	15.5%
PKO Produced (tonnes)	99	-	-	**99**	-	-
FFB Yield/ha	5.01	1.21	4.64	3.66	2.28	1.86

As a result of the replanting programme and the focus on replacing older, lower yielding oil palms, there were fewer producing hectares in 2011 (12,753 ha) compared to 2010 (13,338 ha). Notwithstanding the reduced productive area, the total tonnage of fruit production increased by 53% on a year-over-year basis. This increase is attributed to improved harvesting and collection practices that have resulted in higher realized yields. The improved harvesting and collection can be attributed to investments made in road improvements and the introduction of additional vehicles.

During the third quarter of 2011, the Company's major CPO customer engaged in normal course maintenance at its plant which resulted in temporary closures and reduced operating capacity. As a result, CPO sold during the quarter ended September 30, 2011 was approximately 1,200 tonnes compared to 1,917 tonnes produced. Consistent with the Company's expectations, sales of CPO in the fourth quarter of 2011 exceeded production by 1,017 tonnes, thereby reducing the CPO inventory accumulated in the third quarter.

The new Palm Kernel Oil Mill was commissioned in July 2011 at the Lokutu plantation. The Company's PKO production in 2011 was 99 tonnes with an average extraction ratio of 39%. All of the PKO

production is expected to be sold into the domestic market to the Company's major CPO customer based in Kinshasa for onward processing.

Recent developments with respect to the oil palm operations include the following:

(1) first application of fertilizer to palms aged between 4 and 16 years, with 821 ha covered to date;

(2) 880 ha of oil palms replanted to date in 2012; and

(3) first stage of civil work completed for new palm oil mill at Yaligimba.

The palm oil mill that is expected to be commissioned in the fourth quarter of 2012 at the Yaligimba plantation will have an initial processing capacity of 30 tonnes per hour of FFB. The capacity is expected to be increased to 60 tonnes per hour in a phase 2 expansion which will be implemented as the mill is approaching full capacity utilization.

The aggressive planting programme and ongoing measures to increase yields from existing plantings is expected to allow the Company to leverage the excess capacity at the new Yaligimba mill and at the existing mills at Lokutu and Boteka plantations.

It is anticipated that under the current planting programme and internal forecasts for yields, there will be no requirement for additional processing capacity beyond the phase 2 expansion of the Yaligimba mill until 2021.

Arable Farmland

Feronia commenced arable farming operations in the DRC in late 2010 through its subsidiary Feronia PEK sprl (**"Feronia Arable"**). The associated agro-processing is operated through another subsidiary, Kimpese Agro Industries. The Company owns 80% of the shares of Feronia Arable and the remaining 20% of the shares are held by Plantations et Elevages de Kitomesa sarl ("**PEK sarl**"), a private DRC company owned by local residents. PEK sarl transferred the concession rights to a 10,000 hectare Bas Congo property to Feronia Arable in exchange for such 20% interest on the basis that the Company would provide the capital investment and services required to farm the concession area. In return, Feronia Arable is entitled to 100% of the farm-gate profits resulting from the operations on this property using a farm-gate sales price equal to 65% of the ultimate sales price realized by Kimpese Agro Industries. The Company, as the 100% beneficial owner of Kimpese Agro Industries, is entitled to 100% of the profits deriving from processing, storage, transport and marketing (sale) of the crops produced on such property.

Key Metrics:

Arable	**Year Ended December 31, 2011**	**Year Ended December 31, 2010**
Land Available (ha)	10,000	10,000
Land Cleared (ha)	2,000	200
Land Prepared (ha)	1,500	-
Land Planted (ha)	1,200	-

The first farm was established in the western region of the DRC in the third quarter of 2010. Land clearing continued throughout 2011 in preparation for the large scale sowing of rice in the last quarter of 2011. The Company's first commercial rice crop of 1,200 ha was sown in October and November 2011.

Due to shipping congestion in Pointe Noire, Republic of the Congo in the second half of 2011, there was a delay importing the Company's large horsepower tractors, resulting in the planting taking longer than planned due to reliance on smaller horsepower units. While germination was achieved across the entire planted area, the later plantings did not have the benefit of sufficient rainfall. This, together with an abnormally dry period in the DRC from late December 2011 to February 2012, meant that a significant area of the late sowings did not flower and therefore did not yield. While the harvest in February 2012 produced yields of up to 2.3 tonnes of paddy per ha on the early sown fields, the delay in planting and atypical adverse climate conditions resulted in only minimal yields.

In February 2012, with all the tractors now on site, 300 ha of rice were planted. In March 2012, rainfall was above average and the Company expects to harvest this crop in May 2012.

In April 2012, 200 ha of edible beans were sown as part of the Company's strategy of smaller scale proof of yield plantings. These will build on the Company's knowledge of local DRC conditions in preparation for future large-scale planting.

Work on the arable storage, drying and processing facilities is well advanced with the first stage of storage and drying commissioned in January 2012 and the processing capacity anticipated to be completed in the second quarter of 2012. Imports of fertiliser and equipment were in place on the farm before the current planting season commenced.

The Company's goal with respect to the production of staple crops is to substitute local production for expensive imports in local markets, to meet the growing demand for food in Sub-Saharan Africa with domestic supply.

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" for a discussion of the factors which could impact the Company's operations.

To the Company's knowledge, there has never been a large scale commercial rice planting programme 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 programme, the Company may be unable to achieve its growth objectives with respect to the arable farming operations due to the various factors discussed herein. 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 due to 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 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 local DRC market consists of two refining factories located in Kinshasa, one of which currently purchases 88% of the Company's CPO production.

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.

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 majority owned by the DRC government or by DRC citizens. Currently, Feronia's primary operating subsidiaries, PHC and PEK are owned 23.83% by the DRC government and 20% by a private DRC company, respectively.

The Company has initiated 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. It is not yet known whether Article 16 of the Agriculture Law will be interpreted to apply to existing agricultural concessions in the DRC, such as those held by Feronia, or only to concessions granted by the DRC government after the enactment of the Agriculture Law.

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 above under "Forward Looking Statements" and below under "Risks and Uncertainties" regarding the

Agriculture Law. The Agriculture Law will come into force on June 24, 2012 and, according to its terms, holders of concessions to agricultural lands have one year from that date to comply with its provisions.

UPDATE ON USE OF AVAILABLE FUNDS

The following table sets out a comparison of the disclosure regarding the Company's intended use of available funds as set out in the listing application of the Company dated August 27, 2010 (the "Listing Application") and the actual use of available funds as at December 31, 2011:

Anticipated Use of Funds	Estimated Use of Funds Over Next 18 Months (as of the date of the Listing Application)	Actual Use of Funds (as at December 31, 2011)
Rehabilitation of roads and other Infrastructure on oil palm estates	$2,400,000	$1,620,000
New planting on oil palm estates	$2,000,000	$1,989,000
Rehabilitation and new mill down payment	$3,100,000	$3,146,000
Acquisition of IT hardware and software	$200,000	$197,440
Purchase of farm machinery and equipment	$800,000	$881,046
Land acquisition and clearing	$600,000	$588,436
Planting of crops	$600,000	$647,130
Purchase of grain storage and processing plant	$1,300,000	$1,050,000
Purchase of miscellaneous operational equipment	$800,000	$760,000

The Company is currently on target or is above its original budget with respect to its anticipated expenses set out above. Other than as disclosed below under "Update on Objectives", there are no variances on uses of funds which have impacted the Company's ability to achieve its business objectives and milestones as outlined in the Listing Application.

UPDATE ON OBJECTIVES

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

Objectives	Status
Oil palm – 2010	
Rehabilitate two oil palm mills, restoring them back to their rated capacity of 10 tonnes of Fresh Fruit Bunches ("FFB") per hour.	Completed.
Rehabilitate the estate roads and engage additional transport contractors to transport the FFB to the mill for processing.	Completed.

Objectives	Status
Rehabilitate the plantations at the Yaligimba plantation and have equipment in place to enable FFB from the Yaligimba plantation, DRC to be transported by barge to Lokutu for processing (with an estimated 4,500 ha of mature plantations being brought back into production).	Completed.
Plant an additional 1,000 ha of new oil palms.	Completed.
Place an order for a new oil palm mill for the Yaligimba plantation.	Completed.
Produce approximately 8,500 tonnes of CPO.	Not completed due to delay in commencement of rehabilitation activities.
Oil palm – 2011	
Produce approximately 18,000 tonnes of CPO.	Not completed. The Company produced 7,981 tonnes of CPO and 100 tonnes of PKO in 2011. Funding restrictions which delayed the Company's mill refurbishment program in 2010, together with a delay in the delivery of fertilizer, impacted the fruit yield and oil extraction efficiencies. Mill refurbishment was completed in July 2011 and fertilizer arrived in November 2011. In addition, barging operations for the transport of fruit from Yaligimba to Lokutu did not commence until March 2011; further difficulties in logistics meant that only partial fruit transfer from Yaligimba plantation was realized.
Plant an additional 1,000 ha of new oil palms.	Objective was increased to 2,000 ha which was completed in the fourth quarter of 2011.
Arable – 2010	
Clear and plant 1,000 ha of rice in Bas Congo, DRC.	Objective completed in 2011.
Establish a drying and processing plant to process the crop in Bas Congo, DRC.	Not completed. Completion is now expected in the second quarter of 2012. The first stage storage silos and driers were commissioned in the first quarter of 2012**.**

Objectives	Status
Arable – 2011	
Harvest, process and sell approximately 4,000 tonnes of rice, 2,400 tonnes of edible beans and 800 tonnes of millet.	Not completed. The objective of harvesting, processing and selling approximately 4,000 tonnes of rice was not achieved. A total of 1,200 ha were planted in the fourth quarter of 2011 which were then harvested in the first quarter of 2012. As a result of a delay in planting and atypical adverse climate conditions, only minimal yields were achieved. Please see "Business Overview and Overall Performance – Arable Farmland" for further details. 300 ha of rice were sown in the first quarter of 2012 and 200 ha of edible beans were sown in April 2012; both are scheduled to be harvested in the second quarter of 2012. Millet crop is now not expected to be sown in 2012 in order to ensure seed bed preparation for rice crop in the fourth quarter of 2012.
Clear and plant an additional 1,000 ha of land with rice in Bas Congo, DRC to reach total production area of 2,000 ha.	Not completed. An additional 1,000 ha has been cleared in preparation for the next phase of rice planting scheduled for October 2012.

Certain information set out in the table above under "Status" is forward-looking information. Such forward-looking information is based on the assumptions and is subject to the material risks discussed above under "Forward-Looking Statements". Actual results may vary significantly from the forward-looking information in this MD&A.

SELECTED ANNUAL INFORMATION

The following selected financial information has been derived from the audited consolidated financial statements for the years ended December 31, 2011, 2010 and 2009 and our financial positions as at December 31, 2011, 2010 and 2009:

Years ended December 31,	2011 ($)	2010 ($)	2009[1] ($)
Operating Results			
Revenue	7,448,627	3,905,202	1,438,936
Net loss from continuing operations attributable to owners of the parent [2]	(5,714,250)	(6,877,492)	(10,872,281)
Loss per share from continuing operations attributable to owners of the parent			
Basic	(0.04)	(0.09)	(0.07)
Diluted	(0.04)	(0.09)	(0.07)
Financial Position			
Total assets	41,354,059	21,316,463	8,217,257
Total non-current financial liabilities	9,714,427	9,673,262	8,325,950
Cash dividends declared per share	-	-	-
Common shares outstanding	133,637,701	73,744,930	15,422,725

Notes:

(1) Information from 2009 is presented in accordance with Canadian GAAP and was not required to be restated to IFRS.
(2) The Company does not have any discontinued operations.

DISCUSSION OF OPERATIONS – Fourth quarter and year ended December 31, 2011

Revenue and Gross Margin

(Expressed in thousands of US dollars)	Three months ended Dec 31,			Year ended Dec 31,		
	2011	2010	% Change	**2011**	2010	% Change
Oil palm	**$ 2,518**	$ 875	188%	**$ 6,631**	$ 3,614	83%
Other	**493**	3	16333%	**818**	291	181%
Revenue	**3,011**	878	243%	**7,449**	3,905	91%
Cost of operations	**1,667**	(450)[1]	488%	**4,102**	2,348	75%
Gross Margin	**$ 1,344**	$ 1,328	(5)%	**$ 3,347**	$ 1,557	115%
Gross Margin %	**45%**	151%[1]		**45%**	40%	

Note:

(1) Cost of operations for the three months ended December 31, 2010 was negative due to an accounting adjustment related to the employee incentive liability scheme.

Revenues for the fourth quarter of 2011 increased 243%, or $2,133,000, to $3,011,000 compared to $878,000 for the fourth quarter of 2010. In the year ended December 31, 2011, revenues increased by 91%, or $3,544,000, to $7,449,000 compared to $3,905,000 for the year ended December 31, 2010. The 243% increase in the quarter and 91% increase for the year were driven by increases in the Company's oil palm segment of $1,643,000 and $3,017,000, respectively, and other revenue of $527,000 in the year ended December 31, 2011. Other revenue consists of cocoa sales, local and exported sale of seeds, rental income and sales of farm produce. In the core oil palm segment, fourth quarter of 2011 revenues improved by 188%, or $1,643,000, to $2,518,000 compared to the fourth quarter of 2010; for the year ended December 31, 2011, revenues increased by 83%, or $3,017,000, to $6,631,000 compared to the year ended December 31, 2010. The overall increase in revenues was driven by: (i) an increase in the realized price per tonne of oil palm to an average of $984 per tonne in the year ended December 31, 2011 from an average of $746 per tonne in the year ended December 31, 2010; and (ii) an increase in CPO production from 4,951 tonnes in 2010 to 7,981 tonnes in 2011. Total tonnes shipped in the quarter ended December 31, 2011 increased to 2,834 tonnes from 1,103 tonnes in the quarter ended December 31, 2010. In the fourth quarter of 2011, production of CPO was 1,769 tonnes compared to 1,187 tonnes in the fourth quarter of 2010. Gross margin improved to 45% in the year ended December 31, 2011 compared to 40% for the same period in 2010 due in part to fixed costs which are spread out over higher volumes produced and to increased revenues. As discussed above under "Business Overview and Overall Performance – Oil Palm Plantations", during the third quarter of 2011, the Company's major CPO customer engaged in normal course maintenance at its plant which resulted in temporary closures and reduced operating capacity. As a result, CPO sold during the quarter ended September 30, 2011 was approximately 1,200 tonnes compared to 1,917 tonnes produced. Consistent with the Company's expectations, sales of CPO in the fourth quarter of 2011 exceeded production by 1,017 tonnes, thereby reducing the CPO inventory accumulated in the third quarter.

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

	Three months ended Dec 31			Year ended Dec 31		
	2011	2010	% Change	**2011**	2010	% Change
Palm Fruit Production						
Total Tonnes	**10,270**	7,215	42%	**46,632**	30,424	53%
Crude Palm Oil (CPO)						
Total Tonnes	**1,769**	1,187	49%	**7,981**	4,951	61%
Oil Extraction Rate ("OER")	**17.2%**	16.5%		**17.1%**	16.3%	

In the fourth quarter of 2011, 10,270 tonnes of palm fruit produced 1,769 tonnes of CPO, resulting in an OER of 17.2%, compared to 7,215 tonnes of palm fruit producing 1,187 tonnes of CPO with an OER of 16.5% in the fourth quarter of 2010. In the year ended December 31, 2011, 46,632 tonnes of palm fruit produced 7,981 tonnes of CPO, resulting in an OER of 17.1% compared to 30,424 tonnes of palm fruit producing 4,951 tonnes of CPO with an OER of 16.3% for the year ended December 31, 2010. As additional hectares of new plantings commence production, harvesting practices improve, and fertilizer is applied on a regular basis, further improvement in OERs and oil production are anticipated.

Operating Costs

(Expressed in thousands of US dollars)	Three months ended Dec 31,			Year ended Dec 31,		
	2011	2010	% Change	**2011**	2010	% Change
Operating expenses	**$4,491**	$(533)	943%	**$8,525**	$2,517	239%
Selling, general and administration	**1,704**	2,202	(23)%	**5,255**	5,688	(8)%
Other gains and losses	**(44)**	7	(721)%	**26**	(229)	111%
	6,152	1,676	267%	**13,806**	7,976	73%
Less:						
Amortization	**(683)**	(21)	3190%	**(765)**	(133)	475%
Operating costs	**$ 5,468**	$1,655	230%	**$ 13,041**	$7,843	66%

Operating costs for the fourth quarter of 2011 were $6,152,000, an increase of $4,476,000, or 267%, compared to the fourth quarter of 2010. Operating costs were $13,806,000 for the year ended December 31, 2011, an increase of $5,830,000, or 73%, compared to the year ended December 31, 2010. The increase in the fourth quarter and year ended December 31, 2011 was primarily as a result of an increase in operating expenses of $5,084,000 and $6,008,000, respectively. General and operating expenses were re-categorized as operating expenses at year end, removing general costs and adding amortization. The increase in operating expenses for 2011 is primarily due to the following:

- Costs incurred in the preparation of arable land and the sowing of rice and beans in 2011 totaling $1,600,000. Land clearing and sowing accounted for approximately 71% and 29%, respectively, of these costs. Comparative costs were minimal in 2010 as the arable operations began in 2011.
- Expansion in oil palm and arable operations has led to an increase in salaries and wages, staff allowances and payroll taxes of $1,800,000, with a further increase in funding the employee incentive liability of $300,000,
- Increase in depreciation cost of $630,000 due to increased investment on fixed assets during 2011 with depreciation charged in year of acquisition.
- Termination payments in 2011 of $570,000 made to the former Chief Executive Officer and Chief Financial Officer of the Company. Similar costs were not incurred in 2010.

Professional fees were re-categorized as selling, general and administration costs at year end, adding general costs and share-based payments to professional and consultancy fees. For the year ended December 31, 2011, selling, general and administration costs were $5,255,000, a decrease of $433,000, or 8%, compared to the corresponding period in 2010. The listing expense of $1,344,000 incurred in 2010 and a reduction in share based payments of $766,000 between 2010 and 2011 were offset by increases in professional, consultancy and other general costs totaling $1,683,000. Included in increased professional and consultancy costs is accountancy fees of $564,000, legal fees of $177,000, recruitment fees of $174,000, audit fees of $118,000, and human resource and logistics consultancy fees of $120,000.

Other gains and losses were recalculated at year end removing amortization and interest received.

Gain on Biological Assets and Planting costs						
(Expressed in thousands of US dollars)	Three months ended Dec 31,			Year ended Dec 31,		
	2011	2010	% Change	**2011**	2010	% Change
Gain (loss) on biological assets	**$(4,932)**	-	-	**$2,107**	-	-
Planting costs	**(1,453)**	218	(767)%	**(1,453)**	(553)	163%
Gain on Biological Assets less Planting costs	**$(6,385)**	**$218**	(3029)%	**$654**	**$(553)**	218%

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

Current assets identified as inventory of CPO in prior quarters were re-categorized at year end and classified as inventory.

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 January 1, 2010 was $742 per metric tonne (mt). The price used at December 31, 2010 was $788 per mt, at March 31, 2011 was $800 per mt, at June 30, 2011 was $848 per mt, at September 30, 2011 was $861 per mt and at December 31, 2011 was $903 per mt.

In the three months and year ended December 31, 2011, the (loss) gain on the valuation of the plantations was $(4,932,000) and $2,107,000, respectively. This decrease in gain of $4,932,000 results from material adjustments which the Company has made to the model used to value biological assets for IFRS:

- a correction to the allocation of yield relative to the age of trees;
- inclusion of income taxes at a rate of 40%;
- inclusion of 2009 plantings for each plantation;
- updates to estimated production and cashflows; and
- inclusion of inflation at a rate of 20% to account for future cost increases

The plantation costs previously capitalised under Canadian GAAP have been expensed. No value was recognized for the biological assets in 2010.

Income taxes under IFRS

Under IFRS, the Company has a gain on valuation of biological assets of $2,107,000 for the year ended December 31, 2011 and $nil in the corresponding period in 2010. As a result of the valuation, there is a net provision of income tax of $843,000 for the year ended December 31, 2011. There were no deferred taxes payable in the corresponding period of 2010. The deferred tax provision is calculated at a rate of 40% on the biological gain. Due to the significant reduction in gain in Q4 2011, the tax provision decreased by $1,973,000.

Net Loss

(Expressed in thousands of US dollars)	Three months ended Dec 31,			Year ended Dec 31,		
	2011	2010	% Change	**2011**	2010	% Change
Net loss attributable to Feronia	$ (4,793)	$(2,097)	(129)%	$(5,714)	$(6,877)	17%

Net loss attributable to Feronia for the three months and year ended December 31, 2011 was $(4,793,000) and $(5,714,000), respectively, or $(0.04) and $(0.04) per share, respectively, compared to a net loss of $(2,097,000) and $(6,877,000), or $(0.03) and $(0.09) per share, in the three months and year ended December 31, 2010 respectively.

Net loss attributable to non-controlling interests

Net loss attributed to the non-controlling interests for year ended December 31, 2011 was $(1,115,000), and represents the non-controlling interests of the shareholders of PHC and PEK in the losses of Feronia as a result of their 23.87% and 20% holdings, respectively, of the total equity interest in the relevant period. The net loss attributed to non-controlling interests for the year ended December 31, 2010 was $(412,000) and represents the non-controlling interests of PHC and PEK in the losses of Feronia.

Cash used in operating activities

(Expressed in thousands of US dollars)	Three months ended Dec 31,			Year ended Dec 31,		
	2011	2010	% Change	**2011**	2010	% Change
Cash (used in)/from operating activities	$(992)	$(4,891)	(80)%	$(13,576)	$(7,821)	74%

Cash used in operating activities in the three months and year ended December 31, 2011 increased/(decreased) by (80)% and 74%, respectively, at $(992,000) and $(13,576,000), compared to cash used in operating activities of $(4,891,000) and $(7,821,000) for the three months and year ended December 31, 2010. The increase in cash used of $5,755,000 during 2011 is due to the significant investment in working capital during this year. The level of fixed asset acquisitions increased from $4,779,000 in 2010 to $9,380,000 in 2011.

SUMMARY OF QUARTERLY RESULTS

The following table provides summary financial data for the last eight quarters ended December 31, 2011:

(Expressed in thousands of US dollars, except per share amounts)	**Dec 31, 2011***	**Sep 30, 2011***	**Jun 30, 2011***	**Mar 31, 2011***
Revenues	$ 3,011	$ 1,345	$ 1,614	$ 1,479
Net Income (loss) from continuing operations attributable to owners of the parent[(1)]	$ (4,793)	$ (594)	$ 1,451	$ (1,298)
Net Income (loss) per share from continuing operations attributable to owners of the parent - Basic	$ (0.04)	$ (0.00)	$ 0.01	$ (0.01)
Net Income (loss) per share from continuing operations attributable to owners of the parent - Diluted	$ (0.04)	$ (0.00)	$ 0.01	$ (0.01)

	Dec 31, 2010*	Sep 30, 2010*	Jun 30, 2010*	Mar 31, 2010*
Revenues	$ 878	$ 1,291	$ 1,143	$ 593
Net Income (loss) from continuing operations attributable to owners of the parent	$ 2,575	$ (2,904)	$ (1,596)	$ (1,164)
Net Income (loss) per share from continuing operations attributable to owners of the parent - Basic	$ 0.03	$ (0.05)	$ (0.04)	$ (0.03)
Net Income (loss) per share from continuing operations attributable to owners of the parent - Diluted	$ 0.03	$ (0.05)	$ (0.04)	$ (0.03)

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

***Notice to Readers: As a result of the audit of the financial statements for the year ended December 31, 2011, the Company has determined that certain IFRS-determined information in its interim filings for each of the first three quarters of 2011 will require adjustments to correct for IFRS-related changes in the valuation model for the biological assets of the Company and the reclassification of the warrants as financial liabilities. Further, any adjustments made to such quarterly information may affect the figures presented for the three month period ended December 31, 2011. The Company is currently in the process of determining the required adjustments and will update its interim filings as soon as practicable. Readers are cautioned not to rely on the unaudited figures presented for the interim periods in the table above.**

Information in the above table is presented in accordance with IFRS.

Summary of Quarterly Results: Variations in the net loss for the above periods were affected primarily by the following factors:

• **Revenues**: The business of Feronia has some seasonality. While oil palms produce fruit throughout the year, production follows an annual cycle with the highest production typically around May and the lowest production around October. This annual production cycle has a limited effect on costs, as the only costs that vary directly with production are fuel and transport costs. The arable farming operations are more seasonal, as there are normally three distinct sowing and harvesting periods per year.

• **Operating expenses**: Operating expenses have increased in the year ended December 31, 2011 compared to the year ended December 31, 2010 for the reasons set out in "Discussion of Operations' – Operating Costs".

• **Amortization**: Increases in amortization costs are detailed in "Discussion of Operations – Operating Costs".

• **Costs for raising equity:** Certain professional costs incurred in connection with the Company's offering in March 2011 would have been expensed under Canadian GAAP, but are offset against capital under IFRS accounting standards.

CASH FLOWS AND LIQUIDITY

Cash balance of $13,521,000 as at December 31, 2011, compared to $8,908,000 as at December 31, 2010 and $478,000 as at January 1, 2010.

For 2011, working capital requirements resulted in cash outflows of $4,787,000 compared to cash outflows of $1,319,000 for 2010. For 2011, net cash outflows of $4,787,000 were driven by increases in payables of $1,171,000, prepaid expenses of $2,031,000, inventory of $3,511,000, and receivables of $416,000. Working capital outflows of $1,319,000 for 2010 were driven by lower receivables of $126,000 and payables of $332,000, but increases in inventory of $404,000 and prepaid expenses of $709,000.

Investing activities resulted in cash outflows of $9,376,000 for 2011, compared to cash outflows of $3,549,000 in 2010, due to capital spending for manufacturing equipment in order to build production capacity.

Financing activities resulted in cash inflows of $27,566,000 in 2011, compared to $19,800,000 in 2010. Financing activities in 2011 primarily represent units issued in March 2011 and options exercised for aggregate net proceeds of $27,566,000. Financing activities in 2010 primarily represent: (i) units issued in September 2010 for aggregate net proceeds of $16,826,000, (ii) proceeds from loans from a fund formerly managed by a director in the amount of $1,000,000, and a shareholder in the amount of $3,399,000, (iii) other loan proceeds of $61,000, and (iv) proceeds from the exercise of options in the amount of $14,000, offset by repayment of loans of $113,000, payment of interest of $93,000 and deferred financing costs of $1,387,000.

LIQUIDITY AND CAPITAL RESOURCES

At December 31, 2011, Feronia had cash, cash equivalents and short-term investments totaling $13,521,000. The Company intends to use these funds to meet funding requirements associated to 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, acquisition of land, purchase of grain storage and processing plant, planting of crops, acquisition of IT hardware and software and further development of business systems.

At this stage of Feronia’s growth, the Company will record net cash outflows in operations and investing activities for the 2012 calendar year and possibly for an additional few years as it 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.

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”.

Major outstanding anticipated cash requirements are related to:

i) the completion and construction of the new oil palm mill at Yaligimba (approximately $7,000,000; expected completion in the fourth quarter of 2012);

ii) the completion of the rice mill to service Feronia Arable (approximately $300,000; expected completion in the third quarter of 2012); and

iii) the completion of the storage and drying facilities to service the arable operations (approximately $800,000; expected completion in the third quarter of 2012).

OUTLOOK

The Company is continuing to invest in the rehabilitation of its oil palm plantation business, PHC, and expand it with new nursery and re-planting activity. The funding raised through the March 2011 equity financing is being used to accelerate the replanting programme at PHC and to construct a new oil palm mill at the Yaligimba estate. The Company had originally planned to commence construction of a 15 tonne-per-hour capacity oil palm mill at the Yaligimba plantation in 2013. Instead, the Company has embarked on a plan to construct a 60 tonne-per-hour capacity mill at the Yaligimba plantation in two phases of 30 tonne-per-hour capacity. Preparations for civils work and stripping out of old mill equipment commenced in the fourth quarter of 2011. The majority of costs in the PHC division are fixed. Management is optimistic that the new plantings and additional processing capacity will allow the Company to realize significant economies of scale and greater operating efficiencies leading to higher fruit production, higher oil extraction ratios, higher oil production, and lower per-unit production costs.

The oil palms at the Company's plantations in the DRC produce fruit year-round. There is seasonality to the production and the second and fourth quarters typically contribute more to annual production than the first and third quarters.

In 2012, the focus for Feronia Arable is to prove crop yields and build on the knowledge of local DRC conditions in preparation for the next commercial planting. To date, the Company has cleared 2,000 ha of land at its 10,000 hectare property at Lovo, Bas-Congo, DRC; sourced agricultural lime locally, imported fertilizers, imported the required mobile equipment, and is currently training employees on the operation of this equipment.

In summary, the key objectives for the Company in 2012 are:

i) commissioning the palm oil mill at the Yaligimba plantation, thereby enabling the Company to harvest all available fruit;
ii) completing up to 5,000 ha of re-planting across its oil palm plantations; and
iii) proving commercial yields of rice and beans at its arable farming division.

As discussed above under "Key Factors Affecting the Company's Business", certain agribusinesses in the DRC have raised concerns that 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. and the Agriculture Law is not amended, it could have a material and substantial adverse effect on the value of its 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 local ownership requirements. 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 above under "Forward Looking Statements" and below under "Risks and Uncertainties" regarding the Agriculture Law. The Agriculture Law will come into force on June 24, 2012 and, according to its terms, holders of concessions to agricultural lands have one year from that date to comply with its provisions.

CONTRACTUAL OBLIGATIONS

At December 31, 2011, Feronia had the following contractual obligations and commercial commitments:

- The Company leases its premises in the United Kingdom under an agreement which is classified as an operating lease. The future minimum payments under the lease are payable in the years ending December 31, 2012 through 2015.

The Company is, from time to time, involved in various claims, legal proceedings and complaints arising in the ordinary course of business. The Company cannot reasonably predict the likelihood or outcome of these actions. Management does not believe that adverse decisions in any other pending or threatened proceedings related to any matter, or any amount which may be required to be paid by reason thereof, will have a material effect on the financial condition or future results of operations.

RELATED PARTY TRANSACTIONS

Revenues and costs recognized from such transactions reflect the prices and terms of sale and purchase transactions with related parties, which are in accordance with normal trade practices.

The following transactions were carried out with related parties:

Purchase of services from key management personnel

Purchase of services:	**2011**	**2010**
includes the purchase of consultancy services, agency fees and property rental payments		
- Purchase of services from key management personnel	300,152	365,461
- Purchase of services from close family members of key management personnel	273	-
- Purchase of services from an entity controlled by key management personnel	332,662	389,117
- Purchase of services from an entity controlled by close family members of key management personnel	135,600	222,413
	768,687	976,992

Purchase of assets	**2011**	**2010**
includes the purchase of land and an non-controlling interest in a subsidiary		
- Purchase of assets and interests from an entity controlled by key management	-	2,223,586
	-	2,223,586

Purchase of services from key management personnel consists of $120,000 (2010 $120,000) paid to Mr bin Karubi, a current board member, in relation to rental payments for use of a building owned by Mr bin Karubi for use as office space and accommodations, $174,227 (2010 $129,629) paid to Mr R Batanga, the current COO, in relation to his services as COO, $5,923 (2010 $1,500) paid to Mr G Buse, a current board member of PHC, in relation to his services in that role. In 2010 $114,332 was paid to Mr W Dry , the current CEO, for the provision of services as the former COO.

Purchase of services from close family members of key management personnel consists of $273 paid to the spouse of Ms G Cotton, the former CFO, in relation to the provision of translation services.

Purchases of services from an entity controlled by key management personnel consists of $171,312 (2010 nil) paid to a company controlled by Mr D Varma, the current CFO of the company, in relation to his services as CFO and $11,679 (2010 nil) in relation to rent paid for use of a building as office space, $138,870 was paid to a company controlled by Ms G Cotton, a former CFO of the company, in relation to assistance provided after her departure as CFO, and in 2010 $175,916 was paid in respect of her role as CFO, during 2011 $10,800 was paid to a company controlled by Mr P Condon a current Board member, for the provision of business plans, In 2010 $161,332 was paid to a company controlled by Mr J Siggs, a former CEO of the company, in relation to his services as CEO and $51,870 was paid for the provision of administrative assistance and arable consultancy.

Purchase of services from an entity controlled by a close family member of key management personnel consists of $135,600 ($130,800) paid to a company controlled by the spouse of Mr Sood, the current chairman, in relation to the provision of corporate development services, and in 2010 $91,613 was paid in agency fees for the provision of equity financing services.

Purchase of assets and interests from an entity controlled by key management, in 2010 consist of $2,223,586 paid to a company controlled by Mr bin Karubi, in relation to the purchase of land and a 20% non-controlling interest in a subsidiary of Feronia CI.

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:

	2011	2010
- Salaries and short-term employee benefits	491,228	50,069
- Share-based payment	400,941	947,737
	892,169	997,806

Payables to related parties

	2011	2010
- Entities controlled by key management personnel	9,143	8,077
- An entity controlled by close family members of key management personnel	-	897
	9,143	8,974

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

Transfers under finance arrangements

	2011	2010
Loans received, interest accrued and promissory notes issued		
- Loans received from entities controlled or directed by an entity controlled by key management personnel (See Note 7)	-	1,126,499
- Monies from issuance of unsecured Non-Interest bearing promissory notes to entities controlled or directed by an entity controlled by key management personnel (See Note 7)	-	3,347,640
- Loans received from entities controlled by key management personnel (See Note 7)	-	49,000
- Interest on loans received from entities controlled or directed by an entity controlled by key management personnel (See Note 7)	-	43,479
	-	4,566,618
Conversion of Debt		
- Conversion of debt for shares & warrants to entities controlled or directed by an entity controlled by key management personnel (See Note 7)	-	1,038,794
- Conversion of debt for subscription receipts to entities controlled or directed by an entity controlled by key management personnel (See Note 7)	-	3,347,640
- Conversion of debt for shares & warrants to entities controlled by key management personnel (See Note 7)	-	49,000
- Purchase of assets and interests from an entity controlled by key management for shares & warrants (See Note 7)	-	2,223,586
- Issue of warrants to an entity controlled or directed by an entity controlled by key management personnel (See Note 10)	-	-
	-	6,659,020

Mr Ravi Sood, the chairman, was also the former Chief Executive Officer of Navina Asset Management Inc. Mr Ravi Sood left Navina Asset Management in October 2010. Navina Asset Management Inc., was an entity which exercised control or direction over the 35,839,090 common shares held by TriNorth Capital Inc., Global Agribusiness Trust, Lawrence Venture Fund, Lawrence Enterprise Fund Inc and Navina Opportunities Fund Inc and the 7,500,000 Warrants held by Global Agribusiness Trust, Navina Opportunities Fund Inc. and Lawrence Enterprises Fund Inc. (See Note 7)

The entities controlled by key management personnel include (i) a company controlled by Mr James Siggs, a former CEO of the Company; (ii) a company controlled by Mrs Georgina Cotton, a former CFO of the Company; and (iii) a company controlled by Mr bin Karubi, a current board member. (See Note 7)

SUMMARY OF OUTSTANDING SHARE DATA

The authorized share capital of the Company consists of an unlimited number of common shares, of which 145,064,764 common shares are issued and outstanding as of the date of this MD&A. In addition, the Company has warrants outstanding to purchase up to an aggregate of 49,359,262 common shares, broker warrants outstanding to purchase up to 4,943,191 common shares, and options outstanding to purchase up to 10,391,528 common shares. Assuming the exercise of all of the outstanding warrants, broker warrants and options, an aggregate of 209,758,745 common shares will be issued and outstanding on a fully diluted basis.

ADOPTION OF IFRS

The Company prepares its financial statements in accordance with Canadian generally accepted accounting principles as defined in the Handbook of the Canadian Institute of Chartered Accountants ("CICA Handbook"). In 2010, the CICA Handbook was revised to incorporate IFRS and to require publicly accountable enterprises to apply these standards effective for years beginning on or after January 1, 2011. Accordingly, these are the Company's first annual consolidated financial statements prepared in accordance with IFRS as issued by the IASB. In this MD&A, the term "Canadian GAAP" refers to Canadian GAAP before the adoption of IFRS.

The consolidated financial statements have been prepared in compliance with IFRS. Subject to certain transition elections and exceptions disclosed in note 20 to the Financial Statements, the Company has consistently applied the accounting policies used in the preparation of its opening IFRS statement of financial position at January 1, 2010 (the "Transition Date") throughout all periods presented, as if these policies had always been in effect. Note 20 discloses the impact of the transition to IFRS on the Company's reported financial position, financial performance and cash flows, including the nature and effect of significant changes in accounting policies from those used in the Company's consolidated financial statements for the year ended December 31, 2010 prepared under Canadian GAAP. These financial statements were approved by the board of directors for issue on April 30, 2012.

The significant accounting policies used in the preparation of the Financial Statements are as follows:

Basis of measurement

The consolidated financial statements have been prepared under the historical cost convention, except for items which are measured at fair value as indicated in the accounting policies.

Consolidation

The Group financial statements consolidate those of the Company and all of its subsidiaries. Subsidiaries are all entities over which the Group has the power to control the financial and operating policies. Subsidiaries are fully consolidated from the date on which control is obtained by Feronia Inc. and deconsolidated from the date that control ceases.

All transactions and balances between Group companies are eliminated on consolidation, including unrealized gains and losses on transactions between Group companies. Amounts reported in the financial statements of subsidiaries have been adjusted where necessary to ensure consistency with the accounting policies adopted by the Group.

Non-controlling interests, presented as part of equity, represent the portion of a subsidiary's profit or loss and net assets that is not held by the Group. The Group attributes total comprehensive income or loss of subsidiaries between the owners of the parent and the non-controlling interests based on their respective ownership interests.

Foreign currency translation

The consolidated financial statements are presented in United States Dollars ($). The functional currency of the parent is considered to be Canadian Dollars (CDN). The functional currencies of the subsidiaries are as follows:

Subsidiary name	*Country of incorporation*	*Functional currency*
Feronia CI	Cayman Islands	USD ($)
PHC	DRC	Congolese Franc (CDF)
Feronia JCA	DRC	CDF
Feronia PEK	DRC	CDF
KAI	DRC	CDF
BCF	DRC	CDF
FISL	England and Wales	GBP (£)

Foreign currency transactions are translated into the functional currency of the respective Group entity, using the exchange rates prevailing at the dates of the transactions (spot exchange rate). Foreign exchange gains and losses resulting from the settlement of such transactions and from the re-measurement of monetary items at period-end exchange rates are recognized in the consolidated statement of loss.

Non-monetary items measured at historical cost are translated using the exchange rates at the date of the transaction (not retranslated). Non-monetary items measured at fair value are translated using the exchange rates at the date when fair value was determined.

In the Group's financial statements, all assets, liabilities and transactions of Group entities with a functional currency other than the Group's presentation currency are translated into USD upon consolidation. The functional currency of the entities in the Group has remained unchanged during the reporting period.

On consolidation, assets and liabilities have been translated into USD at the closing rate at the reporting date. Income and expenses have been translated into the Group's presentation currency at the average rate over the reporting period (as this is considered a reasonable approximation of the actual rates prevailing at the transaction dates). Exchange differences are recognized in other comprehensive income as cumulative translation adjustments. On disposal of a foreign operation the cumulative translation differences recognized in equity are reclassified to the statement of comprehensive income and recognized as part of the gain or loss on disposal.

Segment reporting

The Company has only a single operating segment, and therefore one reportable segment.

The single operating segment is the Company’s foreign operations in DRC. The DRC operation is principally engaged in oil palm plantations and arable farming. Revenue from the oil palm plantations accounted for 99.83% of the Company’s revenue in 2011 and 88% of the Company’s crude palm oil production was sold to one customer.

The Company's non-current assets are located in DRC. Non-current assets located at the corporate offices in UK are not significant.

Revenue
Revenue represents the invoiced value of crops, livestock and produce sold during the period, excluding sales taxes. Revenue is recognized at the point of delivery.

Revenue is measured by reference to the fair value of consideration received or receivable by the Group for goods supplied, excluding sales tax, rebates, and trade discounts.

Sale of goods are recognized when the Group has transferred to the buyer the significant risks and rewards of ownership of the goods transferred. The Company retains no continuing managerial involvement associated with the ownership or effective control over the goods, the amount can be measured reliably, it is probable that the economic benefits with the transaction will flow to the Company and the costs incurred in respect of the transaction can be measured reliably. Significant risks and rewards are generally considered to be transferred to the buyer when the customer has taken delivery of the goods.

Loss per share
Basic loss per common share is calculated based on the weighted average number of common shares issued and outstanding during the year. Basic and diluted losses per share are the same, as the effect of potential issuances of shares from exercises of stock options would be anti-dilutive.

Borrowing costs
Borrowing costs directly attributable to the acquisition, construction or production of a qualifying asset are capitalized during the period of time that is necessary to complete and prepare the asset for its intended use or sale. Other borrowing costs are expensed in the period in which they are incurred and reported in 'finance costs'.

Property, plant and equipment
As no finite useful life for land can be determined, related carrying amounts are not depreciated.

Buildings, furniture and other equipment (comprising fittings and furniture) are carried at acquisition cost or manufacturing cost less subsequent depreciation and impairment losses.

Leased buildings and equipment are included in property, plant and equipment if entity is expected to consume substantially all of the risks and rewards of ownership of the asset. Finance leases are capitalized at the lease's commencement at the lower of the fair value of the leased asset and the present value of the minimum lease payments. Such assets are depreciated over their expected useful lives (determined by reference to comparable owned assets) or over the term of the lease, if shorter.

All other leases are treated as operating leases. Payments on operating lease agreements are recognized as an expense on a straight-line basis over the lease term. Associated costs, such as maintenance and insurance, are expensed as incurred.

Depreciation is recognized on a straight-line basis less the estimated residual value of plant and equipment as follows:
- Buildings: straight line basis over 33 years
- Materials, furniture and equipment: straight line basis over 3 to 10 years
- Motor vehicles: straight line basis over 4 years

The Company allocates the amount initially recognized in respect of an item of property, plant and equipment to its significant parts and depreciates separately each such part. The carrying amount of the replaced part is derecognized when replaced.

Residual value, methods of amortization and estimates of useful life are reviewed at least annually and adjusted if appropriate.

Gains or losses arising on the disposal of property, plant and equipment are determined as the difference between the disposal proceeds and the carrying amount of the assets and are recognized in profit or loss within 'other income' or 'other expenses'.

Assets under construction represent property and equipment under construction and are measured at cost. Cost comprises directly attributable costs of acquisition or construction, net of any income received towards the construction in progress. Assets under construction are not depreciated. Completed items are transferred from assets under construction to proper categories of property and equipment when they are ready for their intended use.

Biological assets
Biological gain or loss is measured in accordance with IAS 41 for bearer assets (oil-palm). Bearer assets, the Group's plantations, are non-current assets.

Plantation
The Group has valued its biological assets on the basis of the discounted net present value of cash flows arising in producing fresh fruit bunches (''FFB'') from oil palms using an expected economic life of 25 years. Areas are included in the valuation once they reach maturity. Immature trees are accounted for at replacement costs until maturity.

The valuation assumes that the concessions granted to exploit the land on which the biological assets are planted will be renewed when they expire. No account is taken in the valuation of future replanting. The Group estimates the future sales value of its crop production using the conditions precedent at the period end, namely, a three year rolling average.

Plantation costs are expensed as incurred.

Impairment testing of property, plant and equipment
For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are largely independent cash inflows (cash-generating units). Individual assets or cash-generating units are tested for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable.

An impairment loss is recognized for the amount by which the asset's or cash-generating unit's carrying amount exceeds its recoverable amount, which is the higher of fair value less costs to sell and value-in-use. Impairment losses are charged on a pro rata basis to the long-lived assets (excluding biological assets) in the cash-generating unit. All assets are subsequently reassessed for indications that an impairment loss previously recognized may no longer exist. An impairment charge is reversed if the cash-generating unit's recoverable amount exceeds its carrying amount.

Financial instruments
Financial assets and financial liabilities are recognized when the Group becomes a party to the contractual provisions of the financial instrument. Financial assets are derecognized when the contractual rights to the

cash flows from the financial asset expire, or when the financial asset and all substantial risks and rewards are transferred.

A financial liability is derecognized when it is extinguished, discharged, cancelled or expires.

Financial assets and financial liabilities are measured initially at fair value plus transactions costs, except for financial assets and financial liabilities carried at fair value through profit or loss, which are measured initially at fair value. Financial assets and financial liabilities are measured subsequently as described below.

Financial assets
Loans and receivables are reviewed for impairment at least each reporting date and are impaired when there is any objective evidence that a financial asset or a group of financial assets is impaired. All income and expenses relating to financial assets that are recognized in profit or loss are presented within 'finance costs', 'finance income' or 'other financial items', except for impairment of trade receivables which is presented within 'other gains and losses'.

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. After initial recognition these are measured at amortized cost using the effective interest method, less provision for impairment. Discounting is omitted where the effect of discounting is immaterial. The Group's cash and cash equivalents, trade and most other receivables fall into this category of financial instruments.

Individually significant receivables are considered for impairment when they are past due or when other objective evidence is received that a specific counterparty will default. Receivables that are not considered to be individually impaired are reviewed for impairment in groups, which are determined by reference to the industry and region of a counterparty and other shared credit risk characteristics. The impairment loss estimate is then based on recent historical counterparty default rates for each identified group.

Financial liabilities
The Group's financial liabilities include accounts payable, accrued liabilities, other financial liabilities, other long-term financial liabilities (including warrants that contain anti-dilutive provision). Financial liabilities are measured subsequently at amortized cost using the effective interest method. All interest-related charges and, if applicable, changes in an instrument's fair value that are reported in profit or loss are included within 'finance costs' or 'finance income'.

Inventories
Inventories are stated at the lower of cost and net realizable value. Cost includes the fair value of harvested Fresh Fruit Bunches (FFB), all expenses directly attributable to the manufacturing process as well as suitable portions of related production overheads, based on normal operating capacity. Costs of ordinarily interchangeable items are assigned using the first in, first out cost formula. Net realizable value is the estimated selling price in the ordinary course of business less any applicable selling expenses.

Income taxes
Tax expense recognized in profit or loss comprises the sum of deferred tax and current tax not recognized in other comprehensive income or directly in equity.

Current income tax assets and/or liabilities comprise those obligations to, or claims from, fiscal authorities relating to the current or prior reporting periods, that are unpaid at the reporting date. Current tax is payable on taxable profit, which differs from profit or loss in the financial statements. Calculation of

current tax is based on tax rates and tax laws that have been enacted or substantively enacted by the end of the reporting period.

Deferred income taxes
Deferred income taxes are calculated using the liability method on temporary differences between the carrying amounts of assets and liabilities and their tax bases. However, deferred tax is not provided on the initial recognition of an asset or liability unless the related transaction is a business combination or affects tax or accounting profit. Deferred tax on temporary differences associated with investments in subsidiaries and joint ventures is not provided if reversal of these temporary differences can be controlled by the Group and it is probable that reversal will not occur in the foreseeable future.

Deferred tax assets and liabilities are calculated, without discounting, at tax rates that are expected to apply to their respective period of realization, provided they are enacted or substantively enacted by the end of the reporting period. Deferred tax liabilities are always provided for in full.

Deferred tax assets are recognized to the extent that it is probable that they will be able to be utilized against future taxable income. For management's assessment of the probability of future taxable income to utilize against deferred tax assets, see the judgments and estimates policy below.

Deferred tax assets and liabilities are offset only when the Group has a right and intention to set off current tax assets and liabilities from the same taxation authority.

Changes in deferred tax assets or liabilities are recognized as a component of tax income or expense in profit or loss, except where they relate to items that are recognized in other comprehensive income or directly in equity, in which case the related deferred tax is also recognized in other comprehensive income or equity, respectively.

Cash
Cash includes cash on hand and demand deposits held with banks.

Equity and reserves
Incremental costs directly attributable to the issuance of shares are recognized as a deduction from share capital.

Deficit includes all current and prior period retained losses.

All transactions with owners of the Company are recorded separately within equity.

The share-based payment reserve represents equity-settled share-based employee remuneration until such stock options are exercised, forfeited, lapse or expire and warrant reserve includes broker warrants issued in connection with share offerings. At such time that the stock options are exercised, forfeited, lapse or expire the accumulated cost of the option is included released to retained earnings.

Share-based employee remuneration
The Group operates equity-settled share-based remuneration plans for its employees. None of the Group's plans feature any options for cash settlement.

All services received in exchange for the grant of any share-based payment are measured at their grant date fair values. Where employees are rewarded using share-based payments, the fair values of employees' services are determined indirectly by reference to the fair value of the equity instruments granted. This fair

value is measured at the grant date and excludes the impact of non-market vesting conditions (for example profitability and sales growth targets and performance conditions).

All share-based remuneration is ultimately recognized as an expense in profit or loss with a corresponding credit to share based payment reserves.

If vesting periods or other vesting conditions apply, the expense is allocated over the vesting period, based on the best available estimate of the number of stock options expected to vest. Non-market vesting conditions are included in assumptions about the number of options that are expected to become exercisable. Estimates are subsequently revised, if there is any indication that the number of stock options expected to vest differs from previous estimates. Any cumulative adjustment prior to vesting is recognized in the current period. No adjustment is made to any expense recognized in prior periods if stock options ultimately exercised are different to that estimated on vesting.

The employee share purchase plan (“ESPP’’) introduced in 2011 is an equity settled share option plan accounted for under IFRS 2. The ESPP share options are Zero Exercise Price Options and the fair value is the share price at the date of the share issue. The charge is accrued evenly over the life of the ESPP share options.

Employee incentive liability
The Company has an employee incentive plan covering substantially all of its employees in the DRC whereby the Group will pay a terminal bonus to all employees on reaching the age of 65, on retirement or on death. The employee incentive plan is unfunded. Employee incentive obligations are determined using the projected benefit method prorated on services and management’s best estimate of assumptions as future salary levels or cost escalation will affect the amount of employee future benefits. Net periodic benefit cost, which is included in cost of sales and general and operating expenses on the consolidated statements of operations, represents the cost of benefits earned by employees as services are rendered. The cost reflects management’s best estimates of the plan’s wage and salary escalation, mortality of members, terminations and the ages at which members will retire. Changes in these assumptions could impact future employee incentive expense and such changes could be material.

Management estimates the employee incentive liability annually with the assistance of independent actuaries. The estimate of its employee incentive liability is based on standard rates of inflation, medical cost trends and mortality in the DRC. It also takes into account the Group's specific anticipation of future salary increases. Discount factors are determined close to each period-end by reference to high quality corporate bonds that are denominated in the currency in which the benefits will be paid and that have terms to maturity approximating to the terms of the related pension liability.

Short-term employee benefits, including holiday entitlement, are current liabilities measured at the undiscounted amount that the Group expects to pay as a result of the unused entitlement.

Provisions, contingent liabilities and contingent assets
Provisions are recognized when present obligations as a result of a past event that will more likely than not lead to an outflow of economic resources from the Group and amounts can be estimated reliably. Timing or amount of the outflow may still be uncertain. A present obligation arises from the presence of a legal or constructive commitment that has resulted from past events, for example, legal disputes or onerous contracts.

Provisions are measured at the estimated expenditure required to settle the present obligation, based on the most reliable evidence available at the reporting date, including the risks and uncertainties associated with the present obligation. Where there are a number of similar obligations, the likelihood that an outflow will

be required in settlement is determined by considering the class of obligations as a whole. Provisions are discounted to their present values, where the time value of money is material.

Any reimbursement that the Group can be virtually certain to collect from a third party with respect to the obligation is recognized as a separate asset. However, this asset may not exceed the amount of the related provision.

All provisions are reviewed quarterly and adjusted to reflect the current best estimate.

In those cases where the possible outflow of economic resources as a result of present obligations is considered improbable or remote, no liability is recognized, unless it was assumed in the course of a business combination. In a business combination, contingent liabilities are recognized on the acquisition date when there is a present obligation that arises from past events and the fair value can be measured reliably, even if the outflow of economic resources is not probable. They are subsequently measured at the higher amount of a comparable provision as described above and the amount initially recognized, less any amortization.

Critical accounting judgements and key sources of estimation

The preparation of consolidated financial statements under IFRS requires the Group to make estimates and assumptions that affect the application of policies and reported amounts. Estimates and judgments are continually evaluated and are based on historical experience and other factors including expectations of future events that are believed to be reasonable under the circumstances. Actual results may differ from these estimates. The estimates and assumptions which have the most significant impact on the carrying amount of assets and liabilities are discussed below.

Valuation of biological assets

The key assumptions underlying the valuation of the biological assets are set out in note 5. These assumptions are reviewed at each reporting period (quarterly). Sensitivity analysis on the impact of a variation in the palm-oil price and discount rate used in the valuation is also shown in note 5.

Employee incentive liability

Management estimates the defined benefit liability annually with the assistance of independent actuaries; however, the actual outcome may vary due to estimation uncertainties. The defined benefit liability is based on standard rates of inflation, medical cost trends and mortality in the DRC. It also takes into account the Group's specific anticipation of future salary increases. Discount factors are determined close to each year-end by reference to high quality corporate bonds that are denominated in the currency in which the benefits will be paid and that have terms to maturity approximating to the terms of the related pension liability. Estimation uncertainties exist particularly with regard to medical cost trends, which may vary significantly in future appraisals of the Group's defined benefit obligations.

Standards, amendments and interpretations to existing standards that are not yet effective and have not been adopted early by the Group

At the date of approval of the Financial Statements, certain new standards, amendments and interpretations to existing standards have been published but are not yet effective, and have not been adopted early by the Group.

Management anticipates that all of the relevant pronouncements will be adopted in the Group's accounting policy for the first period beginning after the effective date of the pronouncement. Information on new standards, amendments and interpretations that are expected to be relevant to the Group’s financial statements is provided below. Certain other new standards and interpretations have been issued but are not expected to have a material impact on the Group's financial statements.

Unless otherwise noted, the following revised standards and amendments are effective for annual periods beginning on or after January 1, 2013 with earlier application permitted. Management anticipates that these standards will be adopted in the Company's financial statements for the period beginning January 1, 2013 and has not yet considered the impact of their adoption.

(a) IFRS 9, Financial Instruments, was issued in November 2009 and addresses classification and measurement of financial assets. It replaces the multiple category and measurement models in IAS 39 for debt instruments with a new mixed measurement model having only two categories: amortized cost and fair value through profit or loss. IFRS 9 also replaces the models for measuring equity instruments. Such instruments are either recognized at fair value through profit or loss or at fair value through other comprehensive income. Where equity instruments are measured at fair value through other comprehensive income, dividends are recognized in profit or loss to the extent that they do not clearly represent a return of investment; however, other gains and losses (including impairments) associated with such instruments remain in accumulated comprehensive income indefinitely.

(b) Requirements for financial liabilities were added to IFRS 9 in October 2010 and they largely carried forward existing requirements in IAS 39, Financial Instruments – Recognition and Measurement, except that fair value changes dueto credit risk for liabilities designated at fair value through profit and loss are generally recorded in other comprehensive income.

(c) IFRS 10, Consolidated Financial Statements, requires an entity to consolidate an investee when it has power over the investee, is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. Under existing IFRS, consolidation is required when an entity has the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities. IFRS 10 replaces SIC-12, Consolidation—Special Purpose Entities and parts of IAS 27, Consolidated and Separate Financial Statements.

(d) IAS 19, Employee Benefits, has been amended to make significant changes to the recognition and measurement of defined benefit pension expense and termination benefits and to enhance the disclosure of all employee benefits. The amended standard requires immediate recognition of actuarial gains and losses in other comprehensive income as they arise, without subsequent recycling to net income. This is consistent with the Company's current accounting policy. Past service cost (which will now include curtailment gains and losses) will no longer be recognized over a service period but instead will be recognized immediately in the period of a plan amendment. Pension benefit cost will be split between (i) the cost of benefits accrued in the current period (service cost) and benefit changes (past-service cost, settlements and curtailments); and (ii) finance expense or income. The finance expense or income component will be calculated based on the net defined benefit asset or liability. A number of other amendments have been made to recognition, measurement and classification including redefining short-term and other long-term benefits, guidance on the treatment taxes related to benefit plans, guidance on risk/cost sharing features, and expanded disclosures.

(e) IAS 1, Presentation of Financial Statements, has been amended to require entities to separate items presented in OCI into two groups, based on whether or not items may be recycled in the future. Entities that choose to present OCI items before tax will be required to show the amount of tax related to the two groups separately. The amendment

is effective for annual periods beginning on or after July 1, 2012 with earlier application permitted.

(f) IFRS 7, Financial Instruments: Disclosures, has been amended to include additional disclosure requirements in the reporting of transfer transactions and risk exposures relating to transfers of financial assets and the effect of those risks on an entity's financial position, particularly those involving securitization of financial assets. The amendment is applicable for annual periods beginning on or after July 1, 2011, with earlier application permitted.

(g) IFRS 1, First-time Adoption of International Financial Reporting Standards, has been amended for two changes. The first replaces references to a fixed date of January 1, 2004 with 'the date of transition to IFRSs'. This eliminates the need for entities adopting IFRSs for the first time to restate derecognition transactions that occurred before the date of transition to IFRS. The second amendment provides guidance on how an entity should resume presenting financial statements in accordance with IFRSs after a period when the entity was unable to comply with IFRSs because its functional currency was subject to severe hyperinflation. The amendment is effective for annual periods beginning on or after July 1, 2011 with earlier application permitted.

(h) IAS 12, Income Taxes, was amended to introduce an exception to the existing principle for the measurement of deferred tax assets or liabilities arising on investment property measured at fair value. As a result of the amendment, there is a rebuttable presumption that the carrying amount of the investment property will be recovered through sale when considering the expected manner or recovery or settlement. SIC 21, Income Taxes - Recovery of Revalued Non-Depreciable Assets, will no longer apply to investment properties carried at fair value. The amendment also incorporates into IAS 12 the remaining guidance previously contained in SIC 21, which is withdrawn. The amendment is effective for annual periods beginning on or after January 1, 2012 with earlier application permitted.

INITIAL ELECTIONS UPON ADOPTION OF IFRS

Set forth below are the IFRS 1 applicable exemptions and exceptions applied in the conversion from Canadian GAAP to IFRS.

IFRS Exemption Options

Currency translation differences - Retrospective application of IFRS would require the Company to determine cumulative currency translation differences in accordance with IAS 21, The Effects of Changes in Foreign Exchange Rates, from the date a subsidiary or equity method investee was formed or acquired. IFRS 1 permits cumulative translation gains and losses to be reset to zero at the Transition Date. The Company elected to reset all cumulative translation gains and losses to zero in opening retained earnings at its Transition Date.

Share-based payments - IFRS 2, Share-based Payments, encourages application of its provisions to equity instruments granted on or before November 7, 2002, but permits the application only to equity instruments granted after November 7, 2002 that had not vested by the Transition Date. The Company elected to avail itself of the exemption provided under IFRS 1 and applied IFRS 2 for all equity instruments granted after November 7, 2002 that had not vested by its Transition Date.

IAS 27 – Consolidated and Separate Financial Statements - In accordance with IFRS 1, if the Company elects to apply IFRS 3 Business Combinations retrospectively, IAS 27 Consolidated and Separate Financial Statements must also be applied retrospectively. As the Company elected to apply IFRS 3 prospectively, the Company has also elected to apply IAS 27 prospectively.

IFRS Mandatory Exceptions

Estimates - Hindsight is not used to create or revise estimates. The estimates previously made by the Group under Canadian GAAP were not revised for application of IFRS except where necessary to reflect any difference in accounting policies.

Non-controlling interest – Under Canadian GAAP, when the non-controlling interest is not obligated to fund its share of losses, the Company does not attribute losses to the non-controlling interest once the interest has been reduced to nil. Under IFRS prospectively from the transition date the non-controlling interests share of comprehensive losses are allocated based on their effective interest, even if this results in a deficit in the non-controlling interest balance.

RISKS AND UNCERTAINTIES

There are a number of risk factors that could cause future results to differ materially from those described herein. Readers should also carefully consider the risks and uncertainties described under "Risk Factors" in the Listing Application. The risks and uncertainties described in the Listing Application and herein are not the only ones the Company faces. Additional risks and uncertainties, including those that the Company does not know about now or that it currently deems immaterial, may also adversely affect the Company's business.

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", agricultural legislation promulgated by the DRC government on December 24, 2010 (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. In particular, the inauguration of the incumbent president may invoke localised reactions in non-Swahili speaking areas of the DRC, leading to further civil unrest.

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

Political bureaucracy may impede the progress of the business

The lengthy political process of local, regional and national bureaucracy in the DRC may hinder the Company's goal of rapidly expanding its business. For example, local level political bureaucracy may impede the progress of entering into land leasing agreements with local landowners. In addition, non-governmental organization ("**NGO**") pressure and influence over government decisions and initiatives may have a detrimental impact on the operations of the Company.

A lack of infrastructure in the DRC may adversely affect the business of the Company

Certain areas of the DRC and across Africa lack basic infrastructure, including transport and communications. As a consequence, the Company will need to invest in building and maintaining its own network of roads and satellite-based communications systems, which may require significant financing

and obtaining any necessary governmental approvals, neither of which can be assured. The inability to build such roads and establish appropriate communications systems may have an adverse effect on the operations of the Company and prevent the Company from achieving its stated business objectives.

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

To the Company's knowledge, there has never been a large scale commercial rice planting programme 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 as early as fiscal 2012 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.

The Company relies on the importation of machinery and other key items

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

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

Reliance on only two refining factories and one major customer makes the Company vulnerable
The local DRC market consists of two refining factories located in Kinshasa, one of which currently purchases 88% of the Company's CPO production. Reliance by the Company on only one refining factory makes it vulnerable to aggressive price negotiations and potential altercations regarding contractual obligations. The loss of this customer could have a detrimental impact on the Company's business, financial condition and results of operations.

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

The Company may not be able to meets its expectations for the yields of the plantations 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 (H1N1), severe acute respiratory syndrome or avian flu, may potentially result in a quarantine of infected employees and related persons, and if uncontrolled, may affect the operations and business of the Company. In addition, HIV/AIDS, malaria and other diseases are a major healthcare challenge in the DRC. There can be no assurance that the Company will not lose workforce hours or incur increased medical costs, which may have an adverse effect on the operations of the Company.

Risks Relating to the Industry

Agricultural production by its nature contains elements of risks and uncertainties
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. For example, Feronia was unable to meet its objectives in 2011 for its arable farming operations due to adverse weather conditions. 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.

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