Amended and Restated July 4, 2012

FERONIA INC.
(formerly G.T.M. Capital Corporation)
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE THREE MONTHS ENDED MARCH 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") for the three months ended March 31, 2011 was prepared by management as at June 29, 2011, as amended and restated on July 4, 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 unaudited consolidated interim financial report for the three months ended March 31, 2011, as amended and restated on July 4, 2012. 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.

NOTE TO READER:

The unaudited consolidated interim financial report and MD&A for the three months ended March 31, 2011 have been amended and restated to reflect the following changes:

(1) Non-current biological asset valuation

As a result of the adoption of IFRS in 2011, management was required to apply the accounting standard IAS 41, Biological Assets (IAS 41) for each interim period from the transition date, being January 1, 2010. In preparing the 2011 year-end consolidated financial statements, management realized that on adoption, IAS 41 was not correctly applied during the interim periods. This was a result of formula errors noted in the valuation models and errors in the valuation methodology. As a result, the Q1 2011 unaudited consolidated interim financial report has been amended and restated as follows:

As at/Period ended	Effect of Restatement

March 31, 2011	• elimination of gain on biological assets of $2,053,700
	• reduction of income tax expense by $821,480
	• effects on Consolidated Statements of Financial Position included the following:
	  • reduction in the valuation of non-current biological assets of $8,536,465
	  • reduction in the deferred tax liability of $3,364,574
	  • previously recognized current biological assets totaling $1,595,332 were reclassified to inventories as this balance is finished goods palm oil inventory

March 31, 2010	• elimination of gain on biological assets of $1,285,184 • elimination of non-current biological assets of $1,668,317 • reduction in income tax expense by $514,074 • decrease in deferred tax liabilities of $667,327 • the Company previously reported current biological assets of $838,740 which related to finished goods palm oil and were appropriately reclassified as inventories
December 31, 2010	• reversal of the gain on biological assets of $6,790,973, reversal of the non-current biological asset value of $7,174,105, and resulting reduction of income tax expense by $2,389,833 and deferred tax liabilities of $2,543,086

As at/Period ended	Effect of Restatement
	• the Company previously reported current biological assets of $772,287 which related to finished goods palm oil and were appropriately reclassified as inventories
January 1, 2010	• reversal of the previously reported $383,132 non-current biological assets and decrease in the previously reported corresponding deferred tax liability relating to the gain on biological assets • the Company previously reported current biological assets of $574,720 which related to finished goods palm oil and were appropriately reclassified as inventories

(2) Warrant liability

As a result of the adoption of IFRS, the Company was required to record certain non-broker warrants as financial liabilities based on the fact that the warrants have anti-dilution clauses which did not meet the “fixed-for-fixed” rule set out in IAS 32. In preparing the 2011 year-end consolidated financial statements, management noted that the valuation of warrants was not correctly applied during previous interim periods. As result, the Q1 2011 unaudited consolidated interim financial report has been amended and restated as follows:

Period ended	Effect of Restatement
Three months ended March 31, 2011	• recognized a fair value loss of $4,838,359 as part of finance costs
Twelve months ended Dec. 31, 2010	• recognized a fair value gain of $245,516 as part of finance costs

(3) Arable and other adjustments

In preparing the 2011 year-end consolidated financial statements, management noted that certain transactions were not accounted for correctly during the interim periods, which resulted in the following adjustments:

Period ended	Effect of Restatement
Three months ended March 31, 2011	• an increase in selling, general and administrative expenses of $428,644 • property, plant and equipment decreased by $166,212 as a result of the correction to amortization expense • share capital, warrant reserves, share-based payment reserves, retained earnings (deficit) and accumulated other comprehensive income were all impacted as a result of adjusting entries with the net impact being a decrease in equity totaling $8,644,458 • as a result of the aforementioned adjustments, losses attributable to the owners of the parent increased by $5,794,863 and on the statement of financial position the impact was a decrease in shareholders’ equity attributable to the owners of the parent of $8,644,458. Losses attributable to the non-controlling interest

Period ended	Effect of Restatement
	changed by $308,392 in the statement of loss and by $1,334,145 in the statement of financial position
Three months ended March 31, 2010	• an increase in selling, general and administrative expenses of $673,513 as a result of expensing previously deferred costs relating to arable land preparation • share capital, equity reserves, retained earnings (deficit) and accumulated other comprehensive income were all impacted as a result of adjusting entries with the net impact being a decrease in equity totaling $756,574 • as a result of the aforementioned adjustments, losses attributable to the owners of the parent increased by $551,938 and on the statement of financial position the impact to the owners of the parent was a decrease in shareholders' equity attributable to the owners of the parent of $756,574. Losses attributable to the non-controlling interest changed by $181,915 in the statement of loss and by $236,696 in the statement of financial position
Twelve months ended Dec. 31, 2010	• share capital, share-based payment reserves, retained earnings (deficit) and accumulated other comprehensive income were all impacted as a result of adjusting entries with the net impact being a decrease in equity totaling $3,359,750 • as a result of the aforementioned adjustments, losses attributable to the owners of the parent increased by $3,228,233 and on the statement of financial position, the impact to the owners of the parent was a decrease in shareholders' equity attributable to the owners of the parent of $3,359,750. Losses attributable to the non-controlling interest changed by $970,974 in the statement of loss and by $1,025,753 in the statement of financial position

Please refer to Note 2 of the amended and restated consolidated interim financial report for the three months ended March 31, 2011 for a detailed breakdown of the adjustments associated with the foregoing items.

FORWARD-LOOKING STATEMENTS

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

Additional factors that could cause actual results, performance or achievements to differ materially include, but are not limited to, those discussed under "Risk Factors" in the listing application of the Company dated August 27, 2010 (the "Listing Application") and the risk factors discussed under "Risk Factors Affecting Future Results" in the Company's management's discussion and analysis dated May 2, 2011 relating to the audited consolidated financial statements and notes thereto for the year ended December 31, 2010. Management provides

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

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

Some of the risks which could affect future results and could cause results to differ materially from those expressed in the forward-looking statements contained herein include: risks related to foreign operations (including various political, economic and other risks and uncertainties), termination or non-renewal of concession rights or expropriation of property rights, political instability and bureaucracy, limited operating history, lack of profitability, lack of infrastructure in the Democratic Republic of Congo ("DRC"), high inflation rates, limited availability of debt financing in the DRC, fluctuations in currency exchange rates, competition from other businesses, reliance on various factors (including local labour, importation of machinery and other key items, business relationships, and two refining factories), a shift in commodity trends and demands, vulnerability to fluctuations in the world market, the lack of availability of qualified management personnel and stock market volatility.

BUSINESS OVERVIEW

Feronia is a large-scale commercial farmland and plantation operator in the DRC. The Company uses modern agricultural practices to operate and develop its oil palm plantations and arable farming business division. Feronia believes in the immense agricultural potential of the DRC for high-quality foodstuffs and edible oils given its ideal climate, excellent soil and highly skilled and experienced workforce. The Company's management team is comprised of senior agriculturalists with extensive experience in managing both plantations and large-scale mechanized farming operations in emerging markets. Feronia is committed to sustainable agriculture, environmental protection and providing support for local communities.

Palm Oil Plantations

Feronia currently operates palm oil 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. The assets of the Company that are located in the DRC are subject to the risk of foreign investment, including increases in taxes and royalties, renegotiation of contracts, currency exchange fluctuations, legislative changes, political uncertainty and currency exchange fluctuations and restrictions.

As at March 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.

As at March 31, 2011, PHC consisted of the following**:**

(1) 12,753 ha of oil palms in production;

(2) 3,233 ha of immature palms;

(3) 49,033 ha of surveyed plantable reserves;

(4) two working palm oil mills;

(5) a workforce of 3,777 employees including 35 managers; and

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

When mature palms are at the end of their productive lifecycle it is necessary to replant them. In the quarter 700 ha reached the end of their productivity and therefore were classified as not in production. Meanwhile 115 ha of new palms that were planted three years ago were classified as productive palms. The net result of this classification is that mature hectares were reduced by 585 ha in the quarter.

Since its acquisition of the shares of PHC, Feronia has embarked on a program of rehabilitation of the palm oil mills and the internal road system, with the objective of increasing production annually at the plantations. In the first quarter of 2011, PHC produced 2,063 tonnes of Crude Palm Oil ("CPO"), compared with 1,114 tonnes in the first quarter of 2010 and produced approximately 4,952 tonnes in fiscal year 2010

Arable Farmland

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

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

KEY FACTORS AFFECTING THE COMPANY'S BUSINESS

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

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

- changes in domestic and international economic conditions;
- changes in market prices of commodities;
- interest rates;
- government regulations and policies;
- population growth and changing demographics; and

- seasonal weather cycles (e.g. dry or hot summers, wet or cold winters)

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

The Company relies on relationships with local land owners, key customers, suppliers and third party service providers for the plantation, farming and trading activities. We rely to a significant extent on third party service providers for day-to-day transport on our oil palm plantations.

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

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

UPDATE ON USE OF AVAILABLE FUNDS

The following table sets out a comparison of the disclosure regarding the Company's intended use of available funds as set out in the Listing Application and the actual use of available funds as at March 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 March 31, 2011)**
Rehabilitation of roads and other Infrastructure on oil palm estates	$2,400,000	$560,143
New planting on oil palm estates	$2,000,000	$834,144
Rehabilitation and new palm oil mill down payment	$3,100,000	$1,804,670
Acquisition of IT hardware and software	$200,000	$170,464
Purchase of farm machinery and equipment	$800,000	$864,042
Land acquisition and clearing	$600,000	$208,145
Planting of crops	$600,000	$539,487
Purchase of grain storage and processing plant	$1,300,000	$308,463

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 March 31, 2011)
Purchase of miscellaneous operational equipment	$800,000	$70,482

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

UPDATE ON OBJECTIVES

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

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

Objectives	**Status**
Arable – 2010	
Clear and plant 1,000 ha of rice in Bas Congo, DRC	Not completed. Completion is expected in 2011.
Establish a drying and processing plant to process the crop in Bas Congo	Not completed. Completion is expected in 2011.
Arable – 2011	
Harvest, process and sell approximately 4,000 tonnes of rice, 2,400 tonnes of edible beans and 800 tonnes of millet	Completion is expected in 2012 as rice will be sown in Q4, 2011 and harvested in Q1, 2012. Beans to be sown Q1, 2012, harvested in Q2/Q3, 2012 and millet to be sown and harvested in Q3, 2012.
Clear and plant an additional 1,000 ha of land with rice in Bas Congo to reach total production area of 2,000 ha	Objective has not changed.

DISCUSSION OF OPERATIONS – First Quarter of 2011

Revenue and Gross Margin

(Expressed in thousands of US dollars)	Three months ended March 31,			
	2011[(1)]	2010[(1)]	$ Change	% Change
Palm Oil	**$ 1,355**	$ 581	$ 774	133%
Other	**123**	12	111	925%
Revenues	**1,478**	593	885	149%
Cost of Goods sold	**968**	600	368	61%
Gross Margin[(2)]	**$ 510**	$ (7)	$ 517	7386%
Gross Margin[(2)]%	**35%**	(1)%	n/a	n/a

Notes:

(1) Certain figures have been restated and reflect adjustments as discussed in Note 2 of the condensed consolidated interim financial statements.

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

Our revenues for the first quarter of 2011 increased 149%, or $885,000, to $1,478,000 compared to $593,000 for the first quarter of 2010. The 149% increase was driven by increases in our palm oil segment of $774,000, and other revenue of $111,000. Other revenue consists of cocoa sales, rental income and sales of farm produce. In our core palm oil segment, first quarter of 2011 revenues improved by 133%, or $774,000, to $1,355,000 compared to the first quarter of 2010. The overall increase in revenues was driven by higher tonnage sold and an increase in the price per tonne of palm oil. In the first quarter of 2011, production of CPO was 2,063 tonnes compared to 1,114 tonnes in the first quarter of 2010. Our gross margin improved to 35% in 2011 compared to -1% in 2010 due in part to costs which are spread out over a higher quantity produced and due to higher sales.

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

Palm Fruit Production and CPO

	Palm Fruit Three months ended March 31,			CPO Three months ended March 31,		
	2011	2010	% Change	**2011**	2010	% Change
Total Tonnes	**11,911**	6,795	75%	**2,063**	1,114	85%

In the first quarter of 2011, 11,911 tonnes of palm fruit produced 2,063 tonnes of CPO, resulting in an oil extraction rate (OER) of 17.3%, compared to 6,795 tonnes of palm fruit producing 1,114 tonnes of CPO with an OER of 16.4% in the first quarter of 2010. As additional hectares commence production, FFB production is increased, and harvesting practices are improved, we anticipate further improvement in OERs and oil production.

Operating Costs

(Expressed in thousands of US dollars)	First quarter ended March 31,			
	2011[(1)]	2010[(1)]	$ Change	% Change
Selling, general and administrative	$1,296	$841	$455	54%
Operating expenses	$1,753	$1,135	$618	54%
Other gains and losses	$3	($121)	$124	-102%
Operating costs	**$3,052**	**$1,855**	$1,197	65%

Note:

(1) Certain figures have been restated and reflect adjustments as discussed in Note 2 of the condensed consolidated interim financial statements.

Operating costs for the first quarter of 2011 were $3,052,000, an increase of $1,197,000, or 65%, compared to the first quarter of 2010. The increase in the first quarter of 2011 was primarily as a result of an increase in selling, general and administrative expenses of $455,000 and operating expenses of $618,000.

The increase in selling, general and administrative expenses in the first quarter of 2011 compared to the first quarter of 2010 was mainly due to the following:

- Professional fees increased by $660,000, of which $600,000 related to audit and accounting costs incurred for the year-end audit, IFRS transition and work on the equity issuance in the first three months of 2011.

- An increase in professional fees was offset by a reduction in share-based payments of $400,000, with the remaining balance due to an increase in other general costs of $170,000.

The increase in operating expenses in the first quarter of 2011 compared to the first quarter of 2010 was mainly due to the following:

- The expansion of the oil palm and arable operations led to an increase in salaries and wages, staff allowances and payroll taxes of $351,000 in the first quarter of 2011.

- A termination payment of $211,000 in the first quarter of 2011 made to the former Chief Executive Officer and Chief Financial Officer of the Company. Similar costs were not incurred in 2010.

- An increase in depreciation cost of $50,000 due to an increased investment in fixed assets during 2011 with depreciation charged in the year of acquisition.

The decrease in other gains and losses of $124,000 for the first quarter of 2011 compared to the first quarter of 2010 was as a result of movement in foreign exchange.

Net Loss

(Expressed in thousands of US dollars)	First quarter ended March 31,			
	2011[1]	2010[1]	$ Change	% Change
Net Loss attributable to Feronia	$(7,158)	$(1,668)	$(5,490)	(329)%

Note:

(1) Certain figures have been restated and reflect adjustments as discussed in Note 2 of the condensed consolidated interim financial statements.

Net loss attributable to Feronia for the first quarter of 2011 was ($7,158,000), or ($0.07) per share, compared to a net loss of ($1,668,000), or ($0.05) per share, in the first quarter of 2010.

Cash used in operating activities

(Expressed in thousands of US dollars)	First quarter ended March 31,			
	2011[1]	2010[1]	$ Change	% Change
Cash used in operating activities	$(1,643)	$(881)	$(762)	(86)%

Note:

(1) Certain figures have been restated and reflect adjustments as discussed in Note 2 of the condensed consolidated interim financial statements.

Cash used in operating activities in the first quarter of 2011 increased by $762,000 to $1,643,000, compared to $881,000 for the first quarter of 2010. The increase of cash used in operating activities in the first quarter of 2011 was primarily a result of additional professional fees and working capital impacts related to an increase in inventory to support anticipated higher product shipments in the second and third quarters of 2011.

Income taxes under IFRS

There was no gain in the biological assets for the three months ended March 31, 2011 and 2010 under IFRS and no corresponding tax liability

Net loss attributable to non-controlling interests

Net loss attributed to non-controlling interests for the three months ended March 31, 2011 was $243,000 and represents the non-controlling interests of Plantations et Huileries du Congo (PHC)

and Feronia PEK sprl (PEK) in the losses of Feronia as a result of their 23.83% and 20% holdings, respectively, of the total equity interest in the quarter. The net loss attributed to non-controlling interests for the three months ended March 31, 2010 was $230,000 and represents the non-controlling interests of PHC and PEK in the losses of Feronia.

SUMMARY OF QUARTERLY RESULTS

The following table provides summary financial data for our last eight quarters:[(1)]

(Expressed in thousands of US dollars, except per share amounts)	**Mar 31, 2011**	**Dec 31, 2010**	**Sep 30, 2010**	**Jun 30, 2010**
Revenues	$1,479	$878	$1,291	$1,143
Net income (loss) from continuing operations attributable to owners of the parent[(2)]	$(7,158)	$(861)	$(6,194)	$(918)
Net income (loss) per share from continuing operations attributable to owners of the parent – Basic	$(0.07)	$(0.01)	$(0.11)	$(0.02)
Net income (loss) per share from continuing operations attributable to owners of the parent - Diluted	$(0.07)	$(0.01)	$(0.11)	$(0.02)

	Mar 31, 2010	**Dec 31, 2009**	**Sep 30, 2009**	**Jun 30, 2009**
Revenues	$593	$1,079	$360	-
Net income (loss) from continuing operations attributable to owners of the parent	(1,668)	$634	$(11,024)	$(240)
Net income (loss) per share from continuing operations attributable to owners of the parent – Basic	$(0.05)	$0.04	$(1.10)	$(0.18)
Net income (loss) per share from continuing operations attributable to owners of the parent - Diluted	$(0.05)	$0.04	$(1.10)	$(0.18)

Notes:

(1) Certain figures have been restated and reflect adjustments as discussed in Note 2 of the condensed consolidated interim financial statements.

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

Information for 2009 is presented in accordance with Canadian GAAP and was not required to be restated to IFRS. 2010 and 2011 figures are 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 three distinct sowing and harvesting periods per year.

• **Operating costs**: Operating costs have increased in the first quarter of 2011 compared to 2010 primarily due to an increase in operating expenses and professional fees. The increase in professional fees was due to the Company's reliance on outside consultants with respect to the preparation of year end data.

• **Depreciation**: Increase in depreciation cost of $50,000 due to increased investment on fixed assets during 2011 with depreciation charged in year of acquisition.

• **Costs for raising equity:** Certain professional costs incurred in the offering completed in March 2011 were expensed under GAAP, but were offset against capital under IFRS accounting standards.

CASH FLOWS AND LIQUIDITY

Cash balance was $32,672,000 as at March 31, 2011, compared to $8,908,000 as at December 31, 2010 and $291,000 as at March 31, 2010. The increase in cash balance of $23,764,000 was a result of the public offering and issuance of shares and warrants for cash of $27,062,000 in the three months ended March 31, 2011, net loss (excluding non-cash items) of $2,185,000, an increase in working capital of $542,000 and capital expenditure of $1,655,000.

For the three months ended March 31, 2011, working capital requirements resulted in cash inflows of $542,000 compared to $243,000 for the corresponding period in 2010. In 2011, net cash inflows of $542,000 were driven by an increase in payables of $681,000 and a decrease in prepaid expense of $473,000, offset by an increase in inventory of $541,000 to support expected higher product shipments in the second and third quarters of 2011, and higher accounts receivable of $71,000. Working capital inflows of $243,000 for the first quarter of 2010 were driven by lower receivables of $342,000 and prepaid expenses of $25,000, and higher payables of $107,000 offset by higher inventory of $231,000.

Investing activities resulted in cash outflows of $1,655,000 for the first quarter of 2011, compared to cash outflows of $410,000 in the first quarter of 2010, due to capital spending for manufacturing equipment in order to build production capacity.

Financing activities resulted in cash inflows of $27,062,000 in the first quarter of 2011, compared to cash inflows of $1,105,000 in the first quarter of 2010. Financing activities in 2011 represent shares and warrants issued in March for aggregate proceeds of $27,062,000. Financing activities in the first quarter of 2010 primarily represent proceeds from loans from a fund managed by a director of $1,000,000 and from a shareholder of $113,000, less deferred financing costs of $46,099.

LIQUIDITY AND CAPITAL RESOURCES

At March 31, 2011, Feronia had cash totaling $32,672,000. The Company intends to use the funds to meet net funding requirements for the commercialization of products in our target markets. 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 our growth, we may record net cash outflows in operations and investing activities for at least the next few years as we continue to make significant investments in equipment and infrastructure activities necessary to commercialize our products. Our actual

funding requirements will vary based on the factors noted above, our relationships with our lead customers and strategic partners.

The continuing operations of Feronia are dependent upon its ability to continue to raise adequate financing and to commence profitable operations in the future. There can be no assurance that the Company will be able to continue raising adequate financing or commence profitable operations in the future.

OUTLOOK

The Company is continuing to invest in the rehabilitation of its oil palm plantation business, Feronia PHC. The funding raised through the March 2011 financing is being used to accelerate the replanting programme at Feronia PHC and to construct a new palm oil mill at the Yaligimba plantation. The Company had planned to commence construction of a 15 tonne-per-hour capacity palm oil mill at Yaligimba in 2013. Post financing the Company has embarked on a plan to construct a 60 tonne-per-hour capacity mill at Yaligimba in two phases of 30 tonne-per-hour capacity, commencing in 2011. The majority of costs in the Feronia 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 our locations in the DRC produce fruit year-round. There is seasonality to the production and the second and third quarters typically contribute more to annual production than the first and fourth quarters.

In 2011, the focus for Feronia Arable, the Company's arable farming division, is to source fertilizers, agricultural lime, seed, sprays, mobile and fixed equipment necessary to operate a highly-mechanized arable farming operation in the Bas Congo province of the DRC. The company has cleared 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.

CONTRACTUAL OBLIGATIONS

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

The Company leases its premises under an agreement, which is classified as an operating lease. The future minimum payments under the lease is payable in the year ending December 31, 2011.

As at March 31, 2011, there were no other significant changes in our contractual obligations and commercial commitments from those reported in our Management's Discussion and Analysis for the year ended December 31, 2010.

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

Related parties include shareholders with a significant ownership interest in Feronia, together with the subsidiaries and affiliates, the Company's key management personnel, equity-accounted investees and minority interest partners in the DRC.

Purchase of services from key management personnel

Purchase of services: *includes the purchase of consultancy services, agency fees and property rental payments*	**March 31, 2011**	**March 31, 2010**
- Purchase of services from key management personnel	74,997	54,163
- Purchase of services from close family members of key management personnel	273	-
- Purchase of services from an entity controlled by key management personnel	12,594	109,402
- Purchase of services from an entity controlled by close family members of key management personnel	33,900	31,500
	121,764	195,065

Purchases of services from key management personnel in the first quarter of 2011 consists of: (i) $30,000 (2010 $20,000) 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; (ii) $43,518 (2010 $29,204) paid to Mr R Batanga, the current COO, in relation to his services as COO; and (iii) $1,479 (2010 nil) paid to Mr G Buse, a current board member of PHC, in relation to his services in that role. In the first quarter of 2010, $4,959 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 in the first quarter of 2011 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 in the first quarter of 2011 consists of $12,594 paid to a company controlled by Ms G Cotton, the former CFO, in relation to assistance provided after her departure as CFO. In the first quarter of 2010, $42,318 was paid in respect of her role as CFO. In the first quarter of 2010, $49,917 was paid to a company controlled by Mr J Siggs, the former CEO, in relation to his services as CEO and $17,167 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 in the first quarter of 2011 consists of $33,900 (2010 $31,500) paid to a company controlled by the spouse of Mr R Sood, the current Chairman, in relation to the provision of corporate development services.

Key management compensation

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

	March 31, 2011	**March 31, 2010**
Salaries and short-term employee benefits	200,165	-

	March 31, 2011	**March 31, 2010**
Change in fair value of share-based payments	263,980	375,852

Payables to related parties

	2011	2010
- Entities controlled by key management personnel	29,481	8,077
- An entity controlled by close family members of key management personnel	-	897
	29,481	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	-	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	-	3,347,640
- Loans received from entities controlled by key management personnel	-	49,000
- Interest on loans received from entities controlled or directed by an entity controlled by key management personnel	-	43,479
	-	4,566,618

	2011	2010
Conversion of Debt		
- Conversion of debt for shares & warrants to entities controlled or directed by an entity controlled by key management personnel	-	1,038,794
- Conversion of debt for subscription receipts to entities controlled or directed by an entity controlled by key management personnel	-	3,347,640
- Conversion of debt for shares & warrants to entities controlled by key management personnel	-	49,000
- Purchase of assets and interests from an entity controlled by key management for shares & warrants	-	2,223,586
	-	6,659,020

Mr R Sood, the current Chairman, was also the former Chief Executive Officer of Navina Asset Management Inc. (“Navina”) and subsequently left Navina in October 2010. Navina was an entity which exercised control or direction over 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 7,500,000 Warrants held by Global Agribusiness Trust, Navina Opportunities Fund Inc. and Lawrence Enterprise Fund Inc.

The entities controlled by key management personnel consist of a company controlled by Mr J Siggs, the former CEO of the Company; a company controlled by Ms G Cotton, the former CFO of the Company; and a company controlled by Mr K bin Karubi, a current board member.

SUMMARY OF OUTSTANDING SHARE DATA

The authorized share capital of the Company consists of an unlimited number of Common Shares, of which 144,901,500 Common Shares are issued and outstanding as of the original date of this MD&A. In addition, the Company has warrants outstanding to purchase up to an aggregate of 51,359,262 common shares, broker warrants outstanding to purchase up to 4,943,191 common

shares, and options outstanding to purchase up to 8,251,528 common shares. Assuming the exercise of all of the outstanding warrants, broker warrants and options, an aggregate of 209,455,481 common shares will be issued and outstanding on a fully diluted basis.

CHANGES IN ACCOUNTING POLICIES INCLUDING INITIAL ADOPTION

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 International Financial Reporting Standards as issued by the International Accounting Standards Board ("IFRS") and to require publicly accountable enterprises to apply these standards effective for years beginning on or after January 1, 2011. Accordingly, the condensed consolidated interim financial statements for the period ended March 31, 2011 are the Company's first consolidated interim financial statements prepared in accordance with IFRS as issued by the IASB. All references to the term "Canadian GAAP" refers to Canadian GAAP before the adoption of IFRS.

The condensed consolidated interim financial statements have been prepared in accordance with IFRS applicable to the preparation of interim financial statements, including IAS 34 and IFRS 1. Subject to certain transition elections and exceptions disclosed in note 17 of the condensed consolidated interim 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 throughout all periods presented, as if these policies had always been in effect. Note 17 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.

The significant accounting policies used in the preparation of the condensed consolidated interim financial statements for the period ended March 31, 2011 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
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. For more information see Note 3 of the condensed consolidated interim financial statements.

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 the 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 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.

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 reviewed at each reporting period (quarterly).

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

As of the date of this MD&A, 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.

(i) 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.

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 due to credit risk for liabilities designated at fair value through profit and loss are generally recorded in other comprehensive income.

(ii) 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.

(iii) 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.

(iv) 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.

(v) 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.

(vi) 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.

(vii) 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.

NON-GAAP FINANCIAL MEASURES

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

RISKS & UNCERTAINTIES

There are a number of risk factors that could cause future results to differ materially from those described herein. Readers should carefully consider the risks and uncertainties described under "Risk Factors" in the Listing Application and under "Risk Factors Affecting Future Results" in the Company's management's discussion and analysis dated May 2, 2011 (the **"Annual MD&A"**) relating to the audited consolidated financial statements and notes thereto for the year ended December 31, 2010, which remain substantively unchanged. The risks and uncertainties described in the Listing Application and the Annual MD&A are not the only ones we face. Additional risks and uncertainties, including those that we do not know about now or that we currently deem immaterial, may also adversely affect our business. For a more complete discussion of the risks and uncertainties which apply to our business and our operating results, please see the Listing Application, Annual MD&A and other Company filings available at www.sedar.com.