FERONIA INC.
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE THREE AND NINE MONTHS ENDED SEPTEMBER 30, 2014

November 28, 2014

This Management's Discussion and Analysis ("MD&A") should be read in conjunction with the unaudited consolidated financial statements and accompanying notes for the quarter ended September 30, 2014 of Feronia Inc. ("Feronia" or the "Company"). Throughout this MD&A, unless otherwise specified, "Feronia", the "Company", "we", "us" or "our" refer to Feronia Inc. and its subsidiaries.

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

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

The Company began segmental reporting in Q3 2013 following the commencement of rice sales by its arable farming operation in the period.

BUSINESS OVERVIEW

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

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

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

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

BUSINESS PERFORMANCE: Oil Palm Plantations

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

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

As at September 30, 2014, PHC, being the main operating unit of Feronia, had concessions of 107,892 ha located in the provinces of Equateur and Orientale in the DRC.

PHC accounted for 90% of Feronia's revenues in Q3 2014 (Q3 2013: 94.03%) and 94% for the nine months ended September 30, 2014 (nine months ended September 30, 2013: 92.69%).

Oil Palm Plantations: Q3 2014 performance and recent developments

The following table shows key data relating to PHC's operations for the nine months ended September 30, 2014:

	Nine months ended September 30, 2014			**Total (as at and for the nine months ended September 30)**		
	Lokutu	**Yaligimba**	**Boteka**	**2014**	**2013**(1)	**2012**(1)
Production						
Fresh Fruit Bunch ('FFB') production (tonnes)	31,087	15,692	5,435	**52,214**	34,374	30,079
Crude Palm Oil ('CPO') produced (tonnes)	5,701	2,859	1,022	**9,582**	6,371	5,444
Oil Extraction Rate ('OER') (%)	18.33	18.22	18.80	**18.35**	18.53	18.10
FFB Yield/Hectare (tonnes)	6.88	4.66	3.16	**5.43**	5.78	4.76
CPO Yield/Hectare (tonnes)	1.26	0.85	0.59	**1.00**	1.07	0.86
Palm Kernel Oil ('PKO') Produced (tonnes)	458	204	-	**662**	272	335

Note:

(1) Yaligimba did not contribute to FFB or CPO production in the nine months ended September 30, 2013 and 2012.

During Q3 2014, the Company produced 16,725 tonnes of FFB and 3,071 tonnes of CPO, representing increases on Q3 2013 production levels of 80% and 81% respectively. For the nine months ended September 30, 2014 the Company produced 52,214 tonnes of FFB and 9,582 tonnes of CPO, representing increases on the corresponding period in 2013 of 52% and 50% respectively.

The majority of the increases relate to Yaligimba production during the three and nine month periods which did not take place in 2013.

The Company is now beginning to see the benefits of the rehabilitation work being carried out at Yaligimba, which includes extensive weeding of mature hectares, with Yaligimba's CPO production per hectare for Q3 2014 broadly in line with that at Lokutu.

Whilst the Company realised lower FFB yields for the nine months ended September 30, 2014 (5.4 tonnes/ha) than during the nine months ended September 30, 2013 (5.8 tonnes/ha), quarter on quarter improvements are being derived from the rehabilitation work being undertaken at Yaligimba and the Company expects Yaligimba to soon be operating on par with Lokutu. The following are the three factors which currently have a negative impact on overall performance although these are being addressed and are expected to be overcome in the short to medium term:

i) Young age profile of plantation.
10.7% of the palms harvested in the 6-months ended September 30, 2014 were in their first year of production and therefore low yielding. The large percentage of immature palms in our plantations will continue to negatively impact our average yield for the next several years. Normal course maturation of our plantations will result in substantially improving yields over time. Moreover, management is increasing its focus on fertilisation of young palms to improve early yields.

ii) Processing capacity limitations at the Lokutu mill.
The bottleneck will be removed by the installation of a new boiler in the first half of 2015.

iii) Nutrient deficiencies at Boteka Plantation continued to impact yields. Fertiliser, ground limestone, and guano are being applied to correct the deficiencies and, combined with a normal course fertiliser and soil maintenance regime, we anticipate improvements in yields in 2015.

The quality of the CPO sold in Q3 2014 remained high with an average Free Fatty Acid ("FFA") content of oil sold in the three months ended September 30, 2014 of 2.5% (Q3 2013: 2.4%). CPO with a FFA level of less than 5% is considered of a premium quality and can be used in food production. Low FFA levels are achieved through good harvesting and fruit evacuation practices.

The following table shows PHC's plantation profile as at September 30, 2014:

Plantations (Hectares)	As at September 30, 2014 Lokutu	Yaligimba	Boteka	Total as at September 30 2014	2013	2012
Immature						
Year 0	1,788	1,152	315	**3,255**	4,448	2,786
Year 1	2,200	2,132	675	**5,007**	3,924	2,110
Year 2	1,707	1,447	770	**3,924**	2,110	1,027
Year 3	1,065	545	500	**2,110**	1,027	713
	6,760	5,276	2,260	**14,296**	11,509	6,636
Producing						
4 - 7 Years	1,538	1,595	808	**3,941**	3,149	2,469
8 – 18 Years	233	361	604	**1,198**	1,515	2,273
19 – 25 Years	2,747	1,412	310	**4,469**	5,045	5,471
	4,518	3,368	1,722	**9,608**	9,709	10,213
Total Planted	11,278	8,644	3,982	**23,904**	21,218	16,849

The total number of producing hectares at September 30, 2014 was 9,608 ha (September 30, 2013: 9,709 ha). The number of producing hectares being harvested at September 30, 2013 was limited to 5,952 ha as the Yaligimba mill was under construction and the 3,757 ha of mature oil palm at Yaligimba were not being harvested. The net year-on-year decrease of 101 ha is a result of 1,027 ha of young palms coming into production in Q1 2014 and 1,128 ha of old palms being removed during the period.

Replanting of oil palms commenced in March 2014 in line with rainfall patterns, with 1,396 ha planted in Q3 2014 (Q3 2013: 1,996 ha) and 3,255 ha replanted as at September 30, 2014 (September 30, 2013: 4,448 ha). As at the date of this MD&A, the Company had replanted 4,536 ha in the current year and in excess of 15,000 ha since it acquired PHC in 2009. As at the date of this MD&A, Feronia's oil palm nurseries were sufficiently stocked to complete the Company's planned 2015 replanting target of 3,500 hectares.

Due to the additional rehabilitation work required at Yaligimba and the resulting redeployment of the workforce, the Company has revised its replanting target for 2014 from 5,000 hectares to 4,500 hectares. Having met the target, replanting has now stopped.

When Feronia acquired PHC in 2009, approximately 47% of planted hectares were over 19 years old and past their peak producing age. In addition, few trees in the optimal producing age range of eight to 18 years had ever received fertilizer. Both of these factors contribute to the current average yield per hectare which is lower than industry standards.

The extensive replanting programme over the last five years is beginning to reduce the average age of planted hectares and the Company believes that, with best practice planting and fertiliser regimes and a normalised plantation age profile, it will achieve FFB yields in the longer term closer to those achieved in Southeast Asia.

The brownfield nature of Feronia's replanting programme, where old palm trees are replaced with new, means the Company has no reliance on deforestation for the future growth of its three plantations and is able to increase its future producing hectares at far lower cost than if it were a greenfield operation.

Feronia is committed to achieving environmental and social good practice international standards across its operations, including achieving Roundtable of Sustainable Palm Oil (RSPO) certification.

Since Feronia acquired PHC, its priority has been to maximise production from existing plantings, rehabilitate processing operations, replant at scale and create a platform on which to rebuild the business. Having made considerable progress in these areas, the Company is implementing good practice international standards across its operations and is working with CDC Group plc ("CDC"), the UK Government's Development Finance Institution, to this objective.

Supported by the $3.6 million ESG Facility (as described below under "Liquidity and Capital Resources"), the Company has an extensive Environmental and Social Action Plan in place which covers areas including workers' housing, sanitation, schools, medical facilities, health and safety and environmental good practices. Whilst there is still considerable work required in order to bring the 103 year old business up to modern standards, the process to achieve these objectives is well underway.

The following table shows PHC's operational and social infrastructure as at September 30, 2014:

	As at September 30, 2014				**Total as at December 31**	
	Lokutu	**Yaligimba**	**Boteka**	**Total**	**2013**	**2012**
Palm Nurseries						
Total Hectares	24	20	6	**50**	50	40
Seedlings	328,633	345,465	26,039	**700,137**	844,235	998,637
Hectares plantable from seedlings	1,643	1,727	130	**3,500**	4,221	4,993
Palm Oil Mills						
Palm Oil Mills / Oil Produced	1 / CPO & PKO	1 / CPO & PKO	1 / CPO	3	3	2
Palm Oil Mill Capacity (tonnes/hour)	15	23	10	48	48	25
Infrastructure						
Operational Roads (Km)	934	632	355	**1,921**	1,670	1,428
Employees	-	-	-	**3,632**	3,474	3,503
Houses	1988	1095	640	**3,723**	3,730	3,725
Schools	60	21	10	**91**	90	86
Hospitals	2	1	1	**4**	4	4
Dispensaries	7	3	4	**14**	14	14
Health Centres	2	1	1	**4**	4	4

As at September 30, 2014, the Company employed 3,632 permanent staff in its palm oil operations (December 31, 2013: 3,474). Having an experienced and knowledgeable workforce is a key asset for the Company. It is proving a significant advantage in the rehabilitation process and in the operation of its three plantations and is a major factor in the Company's ability to replant at a lower cost than its peers.

On November 14, 2014, the Company announced that a new collective agreement (the "Collective Agreement") had been signed with the six unions which represent more than 3,600 employees of its palm oil business.

The formal negotiation commenced in October and was the culmination of several months of preparation, consultation, and preliminary discussions amongst the Company, the representatives of the six unions and their members. The negotiation process focused on achieving common ground on pay, benefits and general terms of employment for both the immediate future and longer term and a number of revisions to the Collective Agreement were agreed including increases in pay from January 1, 2015.

In a joint statement the Company and unions highlighted that the negotiations had been characterized by a strong sense of common purpose and that all parties acknowledge the progress the business has made since Feronia acquired PHC in 2009 and the extensive rehabilitation of company operations to date.

The willingness of all parties to work together has been a critical factor in progress up to this point and will continue to be an important factor in the building of a sustainable business.

When Feronia acquired the business from Unilever in 2009, the plantations and their infrastructure were in a state of distress after years of underinvestment and disruption caused by war. Feronia made a commitment then to honour the existing workforce's contracts, pay all retirement benefits, and make the necessary long-term investments to return the business to profitability. In return, its employees, and the six unions that represent them, have shown great loyalty and together the Company and its employees have made considerable progress in establishing a commercially viable business able to secure employment, provide benefits to its communities, and help improve the food security of the DRC for years to come.

Feronia is committed to continuously improving pay, benefits and conditions as its operational performance improves and, to this end, also announced on November 20, 2014, that it has engaged MASS Design Group, a pioneering design company, to conduct a comprehensive assessment of the plantations' existing social infrastructure and to engage with local communities in the development of new facilities which answer their everyday needs. MASS has a proven track record of innovative design as well as considerable experience in Africa, including in the DRC. Its approach is to maximize the use of locally available materials and to develop skills amongst local people, encouraging community engagement and helping develop long-term employment prospects. This project will run alongside an extensive and ongoing maintenance and repair program the Company already has in place.

The Company also has in place a Management Training Programme to develop management capabilities and skills across four areas - agronomy, finance, technical (engineering) and personnel. The predecessor of this programme produced many of the Company's senior executives and many other talented managers working throughout the DRC and overseas. The Company believes this is essential to ensure the development of skills through the organisation and is a key part of the Company's succession planning. The two year programme is open to Congolese nationals under 33 years of age with relevant qualifications and experience with successful applicants required to pass a technical examination and interview with participants subject to ongoing assessment. The 2014 recruitment and selection process commenced in May 2014 and eleven successful candidates commenced the training programme in August 2014.

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

During Q2 2014, the Company commenced a programme to install fibre boilers at all three of its plantations. The first new boiler, for Lokutu, is now on order and is expected to be operational in 2015. These boilers use the fibre by-product of the palm oil production process as fuel. The energy produced will be used to power turbines that will generate enough electricity to power the mills and, as production levels increase, other parts of the plantations including hospitals. The installation of fibre boilers is expected to greatly reduce the Company's reliance on expensive, imported, fossil fuels and becomes viable as the Company's production levels increase thereby creating sufficient fibre for its power requirements.

The savings generated through reducing the Company's fossil fuel requirement mean that the payback on this investment is expected to be between one and two years. Additionally, moving from fossil fuel to a free, sustainable, fuel source such as fibre forms part of the Company's commitment towards environmental and sustainability good practice.

BUSINESS PERFORMANCE: Arable Farming

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

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

Feronia Arable receives 65% of the retail sales price with KAI receiving the balance for processing, storage, transport and sale of the crops.

Since 2011, the Company has been undertaking a program of trial plantings of rice and bean crops in order to establish which seed varieties, nutrients and planting/harvesting regimes will be best suited for large scale, mechanized agriculture in the Bas Congo region of the DRC. The trials have also allowed the Company to identify and address issues with seed stock, nutrients, machinery and the scheduling of planting and harvesting. The Company demonstrated commercial yields from its mechanized harvesting during both the Q1 2013 and Q1 2014 harvests and believes that the land it is farming will support rice crops with yields at commercial levels.

The Company has a five tonne per hour rice mill and associated drying facilities which is the only industrial-scale rice mill in the region. These facilities allow the Company to process its own crop and that produced by other local small-holder farmers. Storage of dried paddy rice is currently undertaken using a grain bag storage system which is an acceptable interim solution for storing current volumes and allows the Company to continue to dry and mill crop.

The Company sells its rice to Bralima, Heineken's wholly-owned DRC subsidiary, food wholesalers and a number of counterparties involved in the domestic food market with a pricing structure whereby the price it charges for rice is determined by the quality of the product sold, specifically, the percentage of broken grains. The prices that the Company is achieving are at a significant premium to global rice prices.

Since it commenced the sale of its rice, the Company has experienced considerable interest in its produce and has received order enquiries far in excess of the production levels it can achieve under its current trial planting program.

Key Metrics:

Period of planting	Ha Planted	Period of harvest	Ha Harvested	Rice Harvested (Tonnes)	Tonnes/Ha
Q1 2011	172	Q2 2011	48	8.07	0.17
Q4 2011	1200	Q1 2012	313	231	0.737
Q1 2012	330	Q2 2012	330	524.7	1.59
Q4 2012	700	Q1 2013	396	711.03	1.798
Q1 2013	21	Q2 2013	21	59.15	2.817
Q4 2013	200	Q1 2014	200	535	2.600
Q1 2014	200	Q2 2014	188	238	1.266
Q4 2014	70	Q1 2015	TBC	TBC	TBC

Arable Farming: Q3 2014 Performance and recent developments

A 200 hectare trial planting of rice planted in March and April 2014 was harvested in June and July 2014. Planted without the use of fertiliser, this harvest establishes a baseline yield per hectare with mechanised harvesting and achieved an average yield of 1.26 tonnes of paddy rice per hectare over the 188 hectares that were harvested and a total of 238 tonnes of paddy rice were harvested and processed for sale into the domestic market.

A further trial planting of rice was made in October 2014, totalling 70 hectares which is due for harvest in February 2015.

Management believes that the market for domestically produced rice in and around the Bas Congo region of the DRC is considerable. The Company continues to believe in the immense agricultural potential of the DRC and continues to investigate mechanisms to fund the growth of its arable farming operation without diluting shareholders.

DISCUSSION OF OPERATIONS – Three and nine months ended September 30, 2014

Revenue and Gross Margin

(Expressed in thousands of US dollars)	Three months ended September 30			Nine months ended September 30		
	2014	2013	% Change	**2014**	2013	% Change
Revenues						
Oil Palm Plantations	**2,640**	2,146	23%	**8,018**	5,261	52%
Arable Farming	**288**	136	112%	**507**	415	22%
	2,928	2,282	28%	**8,526**	5,676	50%
Cost of sales						
Oil Palm Plantations	**4,728**	2,487	90%	**10,186**	5,072	101%
Arable Farming	**558**	801	(30%)	**1,675**	1,873	(11%)
	5,286	3,288	61%	**11,861**	6,945	71%
Gross Profit (Loss)						
Oil Palm Plantations	**(2,088)**	(341)	512%	**(2,168)**	189	n/a
Arable Farming	**(270)**	(665)	(59%)	**(1,168)**	(1,458)	(20%)
	(2,358)	(1,006)	134%	**(3,336)**	(1,269)	163%
Gross Margin(1)						
Oil Palm Plantations	**(79%)**	(16%)		**(27%)**	4%	

Note:

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

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

Total revenues for Q3 2014 were $2,928,000, 28% higher than Q3 2013 revenues of $2,282,000 and arose because of:

- Oil Palm revenues of $2,328,000 being 10% higher than the prior year (Q3 2013: $2,118,000). This was a result of the volume of CPO sold in Q3 2014 of 3,040 tonnes being 19% higher than in the same period last year (Q3 2013: 2,560 tonnes), offset by a 7% reduction in the average CPO price achieved of $766 per tonne compared to $827 per tonne in Q3 2013; and

- PKO sales represent only 7% of total revenue and were broadly in line with the same period in 2013.

Total revenues for the nine months ended September 30, 2014 were $8,526,000, 50% higher than the same period in 2013 (nine months ended September 30, 2013: $5,676,000) and arose because of:

- Oil Palm revenues of $7,355,000 being 51% higher than the prior year (nine months ended September 30, 2013: $4,881,000). This was a result of the volume of CPO sold in the period of 9,039 tonnes being 43% higher than the 6,313 tonnes in the same period in 2013. Revenues also benefitted from a 1% increase in the average CPO price achieved during the period, $782 per tonne (nine months ended September 30, 2013: $773 per tonne); and

- 491 tonnes of PKO at an average price of $1,385 per tonne (nine months ended September 30, 2013: 313 tonnes at $729 per tonne) contributed to 8% of the total revenue for the nine months ended September 30, 2014 (nine months ended September 30, 2013: 4%)

Cost of sales for Q3 2014 were $5,286,000 (Q3 2013: $3,288,000), an increase of 61%. Excluding the impact of an inventory provision write back of $1,200,000 in Q3 2013, this is in line with the 19% increase in the amount of CPO sold in the quarter.

Cost of sales for the nine months ended September 30, 2014 were $11,861,000 (nine months ended September 30, 2013: $6,945,000), an increase of 71%. Excluding the impact of an $850,000 credit to cost of sales in the same period in 2013, this is in line with a 43% increase in the amount of CPO sold in the period.

Gross losses in the quarter were up $1,352,000 compared to the same period last year. This increase was largely due to cost of sales in 2013 benefitting from a credit of $1,200,000 resulting from the reversal of a CPO inventory provision. In the nine months ended September 30, 2014 gross losses increased $2,067,000 to $3,336,000 (nine months ended September 30, 2013: $1,269,000). Of this $850,000 was due to 2013 benefitting from a credit from the reversal of the inventory provision made at the end of 2012. The remainder of the increase was driven by higher production levels in 2014 which is largely due to the re-commencement of production from the Company's Yaligimba plantation. As a result of the high percentage of immature and young palms in the Company's plantations, the average yield per hectare is low and the cost of production currently exceeds revenue. As the plantations mature and more hectares come into production, the Company's cost of production on a per tonne basis is expected to decline substantially.

Selling, General and Administrative Costs

(Expressed in thousands of US dollars)	Three months ended September 30			Nine months ended September 30		
	2014	2013	*% Change*	**2014**	2013	*% Change*
Selling, general and admin	**3,211**	2,265	*42%*	*8,578*	*7,610*	*13%*
Other losses (gains)	**171**	77	*121%*	*193*	*95*	*103%*
	3,382	2,342	*44%*	*8,771*	*7,705*	*14%*

Selling, General and Administrative (SG&A) costs increased by $945,000 to $3,211,000 in Q3 2014 (Q3 2013: $2,265,000). Of this increase $380k was due to additional headcount and salary increases awarded in April but paid in Q3 with the remainder being a result of:

- an increase in professional fees of $318,000 to $622,514 (Q3 2013: $303,958) which was largely driven by implementation of the company's ESAP plan, the transition to OHADA ("Organisation pour l'Harmonisation en Afrique du Droit des Affaires") in the DRC and legal costs in the successful defence of a tax claim;

- one-off costs relating to bringing back in-house previously outsourced medical services at the Lokutu plantation in line with management's objective to improve healthcare for employees;

- recruitment fees relating to the appointment of the new CEO; and

- Q3 2013 also benefitting from a $70,000 credit from the reversal of an over provision on audit fees accrued in 2012.

SG&A costs for the nine months ended September 30, 2014 were $8,578,000 (nine months ended September 30, 2013: $7,610,000). The increase of $968,000 is largely as per the items listed above for Q3.

Gain (Loss) on Biological Assets and Planting Costs

(Expressed in thousands of US dollars)	Three months ended September 30			Nine months ended September 30		
	2014	2013	% change	**2014**	2013	% change
Loss on Biological Assets	**(1,865)**	(306)	n/a	**(5,958)**	(100)	n/a

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

The three-year rolling average price of CPO used at September 30, 2014 was $918 per metric tonne, a decrease from $994 per metric tonne as at December 31, 2013.

In Q3 2014, the loss on biological assets was $1,865,000 compared to a loss of $306,000 in Q3 2013. This reflects a decrease in the rolling average price of CPO of $26 per metric tonne during the quarter.

For the nine months to September 30, 2014, the loss on biological assets was $5,958,000 compared to a loss of $100,000 in for the nine months to September 30, 2013. This reflects a decrease in the rolling average price of CPO of $76 per metric tonne during the nine month period.

During Q3 2014, $1,009,000 of nursery costs and costs incurred in the replanting and maintenance of immature trees were transferred from 'Assets Under Construction' to 'Non-current Biological Assets'. For the nine months ended September 30, 2014, these costs were $2,744,000 (nine months ended September 30, 2013: $3,819,000).

Income Taxes Under IFRS

Under IFRS the Company has a fair value loss on non-current biological assets of $1,865,000 for Q3 2014 (Q3 2013: $306,000) and a loss of $5,958,000 for the nine months to September 30, 2014 (nine months ended September 30, 2013: $100,000). As a result of the valuation there is a released provision for deferred tax of $653,000 for Q3 2014 (Q3 2013: $107,000) and $2,085,000 for the nine months ended September 30, 2014 (nine months ended September 30, 2013: $35,000). Deferred tax is calculated at a rate of 35% on the biological gain or loss.

Net Loss

(Expressed in thousands of US dollars)	Three months ended September 30			Nine months ended September 30		
	2014	2013	% change	**2014**	2013	% change
Net loss	**5,604**	2,852	96%	**13,031**	7,815	67%

The net loss attributable to Feronia for Q3 2014 was $5,604,000 (Q3 2013: $2,852,000) which is equivalent to $0.10 per share (Q3 2013: $0.10). The net loss attributable to Feronia for the nine months ended September 30, 2014 was $13,031,000 (nine months ended September 30, 2013: $7,815,000), which is equivalent to $0.24 per share (nine months ended September 30, 2014: $0.29).

Net Loss Attributable to Non-controlling Interests

The net loss attributable to non-controlling interests for the quarter ended September 30, 2014 was $1,697,000 (Q3 2013: $857,000) which represents the share of losses attributable to the 23.83% and 20% holdings in PHC and Feronia Arable respectively. The net loss attributable to non-controlling interests for the nine months ended September 30, 2014 was $3,746,000 (nine months ended September 30, 2013: $1,720,000).

COMPARISON OF FINANCIAL CONDITION

The following table provides a comparison of the Company's financial condition as at September 30, 2014 compared to December 31, 2013:

(Expressed in US dollars)	**September 30**	December 31	
	2014	2013	% Change
Total current assets	**11,600,000**	23,904,000	(50%)
Total current liabilities	**7,081,000**	5,569,000	34%
Net current assets	**4,519,000**	18,335,000	(75%)
Total shareholder's equity	**32,988,000**	49,322,000	(33%)

SUMMARY OF QUARTERLY RESULTS

The following table provides summary financial data for the Company's last eight quarters ended September 30, 2014:

(Expressed in thousands of US dollars, except per share amounts)	**Sep 30 2013**	**Jun 30 2014**	**Mar 31 2014**	**Dec 31 2013**
Revenues	2,928	3,977	1,621	1,012
Net Income (loss) attributable to owners of the parent	(5,604)	(3,608)	(3,819)	(2,551)
Net Income (loss) per share attributable to owners of the parent – Basic	(0.13)	(0.07)	(0.07)	(0.05)

Net Income (loss) per share attributable to owners of the parent - Diluted	(0.13)	(0.06)	(0.06)	(0.04)

	Sep 30 2013	**Jun 30 2013**	**Mar 31 2013**	**Dec 31 2012**
Revenues	2,282	2,182	1,212	1,029
Net Income (loss) attributable to owners of the parent	(2,970)	(2,245)	(2,717)	(2,436)
Net Income (loss) per share attributable to owners of the parent – Basic	(0.05)	(0.08)	(0.09)	(0.08)
Net Income (loss) per share attributable to owners of the parent - Diluted	(0.05)	(0.06)	(0.07)	(0.06)

Notes:

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

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

CASHFLOWS AND LIQUIDITY

The cash balance at September 30, 2014 was $3,513,000 compared to $18,252,000 as at December 31, 2013. The decrease in the cash balance of $14,739,000 was a result of a net cash loss from operations (excluding non-cash items) of $10,534,000, capital expenditure of $3,200,000 and an increase in working capital of $1,043,000.

The cash outflow attributable to the increase in non-cash working capital during the nine months to September 30, 2014 of $1,043,000 (nine months ended September 30, 2013: Cash outflow of $1,008,000) comprised of an increase in accounts receivable of $227,000, an increase in inventory of $1,865,000 and an increase in prepayments of $343,000, offset by an increase in accounts payable of $1,392,000.

Cash inflows from financing activities during Q3 2014 were $nil (Q3 2013: nil).

Investing activities in Q3 2014 related, in the main, to replanting costs and resulted in cash outflows of $1,314,000. Cash outflows for investing activities in Q3 2013 were $1,835,000 which included a similar level of replanting costs and $1,090,000 of capital expenditure on the new Yaligimba mill.

LIQUIDITY AND CAPITAL RESOURCES

The Company recorded net cash outflows in operations and investing activities for the quarter ended September 30, 2014 and it is probable that this will continue for an additional few years as the Company continues to make significant investments in equipment and infrastructure activities necessary to commercialize its products. Feronia's actual funding requirements will vary based on the factors noted above and its relationships with lead customers and strategic partners.

On November 8, 2013, the Company entered into a convertible loan facility with CDC, pursuant to which CDC has made available an unsecured non-revolving term loan (the "ESG Facility") in the maximum amount of US$3.6 million at an annual interest rate of 12% for a term of five years. The funds available under the ESG Facility are required to be used by the Company to support the implementation of an Environmental and Social Action Plan developed jointly with CDC. The principal under the ESG Facility will be either repaid or converted into common shares on the maturity date and in certain other circumstances at a rate of CDN$2.40 per common share (subject to customary adjustment provisions). Subject to the approval of the TSX Venture Exchange (the "TSXV"), the interest payable under the ESG Facility will be convertible into common shares at a rate equal to the greater of CDN$2.40 and the Discounted Market Price (as defined in TSXV policy) at the time of conversion. As of the date of this MD&A, US$100,605 had been advanced to the Company under the ESG Facility and, as a result, 47,314 common shares are issuable thereunder at current exchange rates and assuming a conversion rate of CDN$2.40.

The Company is in discussions relating to its funding requirements for 2015 and beyond. Continuing operations of Feronia are dependent upon its ability to continue to raise adequate financing and to commence profitable operations in the future. There can be no assurance that the Company will be able to continue raising adequate financing or commence profitable operations in the future. See "Risks and Uncertainties" below.

OUTLOOK

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

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

Having met and surpassed its annual replanting targets for 2013 and 2014, the Company is confident that it can continue to meet its replanting objectives.

With the new Yaligimba palm oil mill now operational, the Company has access to an additional 3,368 hectares of mature oil palms for the production of CPO. The Yaligimba mill allows the Company to maximise production from legacy plantings and provides substantial excess processing capacity and expansion potential to accommodate anticipated production from its current aggressive replanting programme.

In summary, the key objectives of the Company for the remainder of 2014 are to:

(i) continue rehabilitation work at Yaligimba to enable FFB production and mill utilisation to be maximised following the resumption of harvesting 3,368 ha of producing palms;

(ii) prepare for new Lokutu boiler; and

(iii) secure future funding.

KEY FACTORS AFFECTING THE COMPANY'S BUSINESS

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

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

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

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

The local DRC palm oil market consists of a small number of refining factories located in Kinshasa. A refining factory owned by Marsavco currently purchases the majority of the Company's crude oil production. The Company and its predecessors have been selling crude palm oil and palm kernel oil to the refinery operated by Marsavco and its predecessors for over 20 years. Pursuant to the terms of a verbal arrangement between the Company and Marsavco, Feronia notifies Marsavco on a monthly basis regarding the product tonnage that will be made available for sale and the applicable price of the product based on the international CIF Rotterdam prices for crude palm oil and palm kernel oil. The value of the cargo is calculated based on the product tonnage and price. Although the Company has a good business relationship with Marsavco, there are risks associated with the existing arrangement. See under "Risk Factors" in the Company's annual Management's Discussion and Analysis for the year ended December 31, 2013, available at www.sedar.com

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

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

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

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

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

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

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

RELATED PARTY DISCLOSURES

The following transactions were carried out with related parties in Q3 2014:

Purchase of services from key management personnel **Purchase of services:**	**Three months ended September 30,** **2014**	 **2013**	**Nine months ended September 30,** **2014**	 **2013**
Board fees *(1)*	56,250	50,964	172,651	151,589
Purchase of consultancy services, and property rental payments *(2)*	25,000	37,500	100,000	157,218
	81,250	**88,464**	**272,651**	**308,807**

(1) Board fees paid to non-executive directors
(2) Purchase of services in relation to rental accommodation and consultancy service

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:

	Three months ended September 30, **2014**	 **2013**	**Nine months ended September 30,** **2014**	 **2013**
Salaries and short-term employee benefits	173,937	231,584	577,194	540,312

Change in fair value of share-based payments	**Three months ended September 30,** **2014**	 **2013**	**Nine months ended September 30,** **2014**	 **2013**
Change in fair value of share-based payments	7,474	23,431	21,161	93,233

SUMMARY OF OUTSTANDING SHARE DATA

Effective September 23, 2014, the Company completed the consolidation of its issued and outstanding common shares on the basis of ten pre-consolidation common shares for one post-consolidation common share. All information in this MD&A with respect to the number of common shares and issuance prices is presented on a post-consolidation basis. The Company's outstanding options, warrants to purchase common shares and listed convertible debentures were adjusted on the same basis.

As at the date of this MD&A, the authorised share capital of the Company consists of an unlimited number of common shares, of which 55,220,656 common shares are issued and outstanding. In addition, the Company has CDN$5,363,000 principal amount of Debentures which are convertible into 3,064,571 common shares and options outstanding to purchase up to 956,261 common shares. As of the date of this MD&A, $100,605 had been advanced to the Company under the ESG Facility and, as a result, 47,314 common shares are issuable thereunder at current exchange rates and assuming a conversion rate of CDN$2.40. Assuming the exercise or conversion of all of the outstanding Debentures, options and principal amount under the ESG Facility, an aggregate of 59,241,488 common shares will be issued and outstanding on a fully diluted basis.

CHANGES IN ACCOUNTING POLICIES

For information regarding changes in accounting policies including initial adoption, please refer to the sections "Changes In Accounting Policies" in the Company's annual management's discussion and analysis for the year ended December 31, 2013, available at www.sedar.com

NON-GAAP FINANCIAL MEASURES

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

RISKS AND UNCERTAINTIES

The Company is subject to various business, financial and operational risks that could materially adversely affect the Company's future business, operations and financial condition and could cause such future business, operations and financial condition to differ materially from the forward-looking statements and information contained in this MD&A. For a more comprehensive discussion of the risks faced by the Company, please refer to the Company's annual management's discussion and analysis for the year ended December 31, 2013, available at www.sedar.com.

FORWARD-LOOKING STATEMENTS

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

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

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

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