FERONIA INC.

CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

(Unaudited)

For the three months ended March 31, 2015 and 2014

(Expressed in United States Dollars – except where otherwise noted)

NOTICE TO READER

The accompanying unaudited condensed consolidated interim financial statements of Feronia Inc. for the three months ended March 31, 2015 and 2014 have been prepared by management and approved by the Audit Committee and the Board of Directors of the Company. These condensed consolidated interim financial statements have not been reviewed by the Company's external auditors.

FERONIA INC.

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(Unaudited)

For the three months ended March 31, 2015 and 2014

(Expressed in United States Dollars – except where otherwise noted)

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Condensed consolidated interim statements of financial position
Expressed in United States Dollars
(unaudited)

	Notes	March 31, 2015	December 31, 2014
Assets			
Current assets			
Cash		3,336,833	793,187
Receivables		1,471,398	685,360
Inventories		5,363,676	5,745,590
Prepaid expenses and other current assets		1,660,397	1,450,494
		11,832,304	8,674,631
Non-current assets			
Non-current biological assets	5	35,798,244	22,123,581
Property plant and equipment	4	24,826,910	24,924,894
		60,625,154	47,048,475
Total assets		72,457,458	55,723,106
Liabilities			
Current liabilities			
Accounts payable and accrued liabilities	8	8,736,049	6,753,628
Provisions	19	268,933	268,933
Other financial liabilities	10	914,859	746,569
		9,919,841	7,769,130
Long-term Liabilities			
Borrowings	9	11,206,081	5,504,009
Other long-term financial liabilities	10	4,346,549	4,343,353
Deferred tax liabilities		10,610,219	6,181,508
		26,162,849	16,028,870
Total liabilities		36,082,690	23,798,000
Shareholder's equity			
Share capital	6	91,425,364	91,425,364
Share-based payment reserve	7	2,847,540	2,843,617
Accumulated other comprehensive income		690,187	732,962
Deficit		(49,025,536)	(52,861,634)
Owners of the parent		45,937,555	42,140,309
Non-controlling interest	11	(9,562,787)	(10,215,203)
Total equity		36,374,768	31,925,106
Total equity and liabilities		72,457,458	55,723,106

Contingent Liabilities (note 19)

The accompanying notes are an integral part of these consolidated financial statements.

On behalf of the Board:

'Ravi Sood'', Director

'Xavier de Carniere'', Director

Condensed consolidated interim statements of income (loss)
For the three months ended March 31, 2015 and 2014

Expressed in United States Dollars
(unaudited)

	Notes	Three months ended March 31, 2015	Three months ended March 31, 2014
Revenue		2,493,113	1,620,834
Cost of sales	13	(3,873,168)	(1,772,523)
Gross loss		(1,380,055)	(151,689)
Expenses			
Selling, general and administrative	12	(3,161,604)	(2,785,403)
Other income (losses)		68,770	(85,760)
Operating loss		(4,472,889)	(3,022,852)
Gain (loss) on biological assets	5	12,653,637	(2,238,367)
Income (loss) before finance costs and taxes		8,180,748	(5,261,219)
Finance costs	14	(943,898)	(250,814)
Finance Income	15	1,664,147	-
Income (loss) before income tax		8,900,997	(5,512,033)
Income tax (expense) recovery	16	(4,531,649)	752,492
Net income (loss) for the period		4,369,348	(4,759,541)
Income (loss) attributable to:			
Owners of the parent		3,749,998	(3,818,971)
Non-controlling interest		619,350	(940,570)
Net income (loss)		4,369,348	(4,759,541)
Income (loss) per share			
Basic (dollars per share)		0.08	(0.09)
Diluted (dollars per share)		0.06	(0.09)
Weighted average number of shares outstanding:			
Basic		55,231,085	55,205,051
Diluted		76,064,055	55,205,051

The accompanying notes are an integral part of these consolidated financial statements.

Condensed consolidated interim statements of comprehensive loss
For the three months ended March 31, 2015 and 2014

Expressed in United States Dollars
(unaudited)

	Notes	Three months ended March 31, 2015	Three months ended March 31, 2014
Net Income (loss)		4,369,348	(4,759,541)
Other comprehensive income (loss)			
Cumulative translation adjustment		(36,646)	(79,161)
Actuarial gain on employment benefit, net of tax		113,037	365,361
Comprehensive Income (loss)		4,445,739	(4,473,341)
Income (loss) attributable to:			
Owners of the parent		3,793,323	(3,619,836)
Non-controlling interest	11	652,416	(853,505)
		4,445,739	(4,473,341)

The accompanying notes are an integral part of these consolidated financial statements.

Condensed consolidated interim statements of changes in equity
For the three months ended March 31, 2015 and 2014
Expressed in United States Dollars
(unaudited)

	Attributable to owners of the parent							
	Share capital	Warrant reserve	Share-based payment and other reserves	Accumulated other comprehensive income	Retained earnings (Deficit)	Total	Non-controlling interest	Total equity
Balance, January 1, 2014	91,420,003	36,322	2,818,984	691,473	(39,296,722)	55,670,060	(6,348,149)	49,321,911
Net loss for the period	-	-	-	-	(3,818,971)	(3,818,971)	(940,570)	(4,759,541)
Other comprehensive income (net of tax)	-	-	-	(79,161)	-	(79,161)	-	(79,161)
Actuarial gain on employment benefit, net of tax	-	-	-	-	278,295	278,295	87,065	365,360
Comprehensive income (loss) for the period	-	-	-	(79,161)	(3,540,676)	(3,619,837)	(853,505)	(4,473,342)
Share-based compensation	-	-	7,429	-	-	7,429	-	7,429
Balance, March 31, 2014	91,420,003	36,322	2,826,413	612,312	(42,837,398)	52,057,652	(7,201,654)	44,855,998
Balance, January 1, 2015	91,425,364	-	2,843,617	732,962	(52,861,634)	42,140,309	(10,215,203)	31,925,106
Net income for the period	-	-	-	-	3,749,998	3,749,998	619,350	4,369,348
Other comprehensive income (net of tax)	-	-	-	(42,775)	-	(42,775)	6,129	(36,646)
Actuarial gain on employment benefit, net of tax	-	-	-	-	86,100	86,100	26,937	113,037
Comprehensive income (loss) for the period	-	-	-	(42,775)	3,836,098	3,793,323	652,416	4,445,739
Shares issued for cash (net of share issue costs)	-	-	-	-	-	-	-	-
Share-based compensation	-	-	3,923	-	-	3,923	-	3,923
Balance, December 31, 2014	91,425,364	-	2,847,540	690,187	(49,025,536)	45,937,555	(9,562,787)	36,374,768

The accompanying notes are an integral part of these consolidated financial statements.

Condensed consolidated interim statements of cash flows
For the three months ended March 31, 2015 and 2014
Expressed in United States Dollars
(unaudited)

	Three months ended March 31, 2015	Three months ended March 31, 2014
Cash provided by (used for):		
Operating activities:		
Loss from operating activities	4,369,348	(4,759,541)
Items not affecting cash:		
Share-based compensation	3,923	7,429
Amortisation	514,148	597,898
Employee incentive liability	107,483	(184,023)
Fair value (gain) loss on biological assets	(12,653,637)	2,238,367
Deferred tax on biological asset	4,428,773	(783,428)
Deferred tax adjustment	(63)	(715)
Change in warrant and derivative liability	(1,664,147)	-
Debenture accretion expense	564,711	53,134
Interest on convertible loan	33,816	-
Loss on disposal of fixed assets	168	-
Actuarial gain on employment benefit, net of tax	113,037	365,361
	(4,182,440)	(2,465,518)
Changes in non-cash working capital:		
Receivables	(786,038)	(158,704)
Prepaid expenses and other current assets	(209,904)	161,302
Inventories	381,914	(1,987,797)
Accounts payable and accrued liabilities	1,982,421	679,333
	1,368,393	(1,305,866)
Cash used in operating activities	(2,814,047)	(3,771,384)
Financing activities:		
Issuance of Debentures & warrants for cash (net of costs)	6,831,695	-
Cash from financing activities	6,831,695	-
Investing activities:		
Acquisition of assets	1,437,356	924,093
Cash used in investing activities	1,437,356	924,093
Foreign exchange gain on currency translation	(36,646)	(79,161)
Increase (decrease) in cash	2,543,646	(4,774,638)
Cash, beginning of year	793,187	18,252,307
Cash, end of the period	3,336,833	13,477,669
Cash paid for income tax	324,986	43,483

1. Nature of operations

Feronia Inc. (the "Company") operates through its subsidiaries in the business of agriculture, producing rice, palm oil and palm kernel oil in the Democratic Republic of Congo (the "DRC").

Feronia CI Inc. ("Feronia CI"), a wholly owned subsidiary of the Company, was incorporated under the laws of the Cayman Islands by Memorandum and Articles of Association dated July 30, 2008.

The wholly owned subsidiaries of Feronia CI, being Feronia JCA Limited ("Feronia JCA") and Feronia Incorporated Services Limited ("FISL"), were incorporated under the laws of the Cayman Islands by Memorandum and Articles of Association dated June 5, 2009 and under the laws of England and Wales by the Memorandum and Articles of Association dated March 29, 2010, respectively.

Plantations Et Huileries du Congo S.A ("PHC"), a private company incorporated under the laws of the DRC, is 76.17% owned or controlled by the Company.

Feronia PEK sprl. ("Feronia PEK"), a private company incorporated under the laws of the DRC on October 1, 2010, is 80% owned by Feronia JCA.

Kimpese Agro Industrie sprl (''KAI''), a private company incorporated under the laws of the DRC on April 4, 2011, is 99% owned by Feronia JCA and 1% owned by Feronia CI.

Bas – Congo Ferti sprl (''BCF''), a private company incorporated under the laws of the DRC on June 16, 2011, is 99% owned by Feronia JCA and 1% owned by Feronia CI.

Feronia RDC sarl (''FRDC''), a private company incorporated under the laws of the DRC on February 5, 2014, is 99% owned by Feronia JCA and 1% owned by Feronia CI.

Collectively, the Company and its subsidiaries referred to above are known as "the Group".

The assets of the Group that are located in the DRC are subject to a number of risks, including but not limited to the risk of foreign investment, including increases in taxes and royalties, renegotiation of contracts, legislative changes (including the interpretation of existing legislation in a manner adverse to the Group's interests), political uncertainty and currency exchange fluctuations and restrictions.

The Company's registered office is 181 Bay Street, Ste 1800, Toronto, Ontario, Canada, M5J 2T9. The Company is incorporated and domiciled in Canada.

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 PEK 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, the Company 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. 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.

2. Basis of presentation and significant accounting policies

A. Statement of Compliance

These condensed interim consolidated financial statements have been prepared in accordance with International Accounting Standard 34 Interim Financial Reporting ("IAS 34") as issued by the International Accounting Standards Board ("IASB"). These interim financial statements should be read in conjunction with Feronia's most recently issued financial statements for the year ended December 31, 2014 and the related management's discussion and analysis which includes information necessary or useful to understanding the Company's business and financial statement presentation. In particular, the Company's significant accounting policies were presented in Note 2 of the consolidated financial statements for the year ended December 31, 2014, and have been consistently applied in the preparation of these interim financial statements. The consolidated financial statements have been prepared in compliance with International Financial Reporting Standards as issued by the International Accounting Standards Board ("IFRS"). These financial statements were approved by the board of directors of the Company for issue on May 29, 2015.

B. Changes in Accounting Policies

Accounting standards issued but not yet adopted

Unless otherwise noted, the following revised standards and amendments are effective for annual periods beginning on or after January 1, 2015, with earlier application permitted. The Company reviewed the new and revised accounting pronouncements that have been issued but are not yet effective and determined that the following may have an impact on the Company:

The final version of IFRS 9, Financial Instruments, was issued the IASB in July 2014 and will replace IAS 39, Financial Instruments: Recognition and Measurement. IFRS 9 introduces a model for classification and measurement, a single, forward looking "expected loss" impairment model and a substantially reformed approach to hedge accounting. The new single, principle based approach for determining the classification of financial assets is driven by cash flow characteristics and the business model in which an asset is held. The new model also results in a single impairment model being applied to all financial instruments, which will require more timely recognition of expected credit losses. It also includes changes in respect of own credit risk in measuring liabilities elected to be measured at fair value, so that gains caused by the deterioration of an entity's own credit risk on such liabilities are no longer recognized in profit and loss. IFRS 9 is effective for annual periods beginning on or after January 1, 2018, however it is available for early adoption. In addition, the own credit changes can be adopted early in isolation without otherwise changing the accounting for financial instruments. The Company has yet to assess the full impact of IFRS 9 and has not yet determined when it will adopt the new standard.

In May 2014, the IASB issued IFRS 15, Revenue from Contracts with Customers, supersedes IAS 18, Revenue, IAS 11 Construction Contracts and other interpretive guidance associated with revenue recognition. IFRS 15 provides a single model to determine how and when an entity should recognize revenue, as well as requiring entities to provide more informative, relevant disclosures in respect of its revenue recognition criteria. IFRS 15 is to be applied prospectively and is effective for annual periods beginning on or after January 1, 2017, with earlier application permitted. The Company is in the process of evaluating the impact that IFRS 15 may have on the Company's consolidated financial statements.

In June 2014, the IASB issued amendments to IAS 16 and IAS 41which require biological assets that meet the definition of a bearer plant to be accounted for as property, plant and equipment in accordance with IAS 16. The amendments are to be applied prospectively and are effective for annual periods beginning on or after January 1, 2016, with earlier application permitted. The Company is in the process of evaluating the impact of adopting this amendment to its consolidated financial statements.

Expressed in United States Dollars, except where otherwise noted

3. Segment reporting and economic dependence

Management has determined the operating segments based on the information reviewed by the Group's chief operating decision-maker. With the commencement of commercial sales of rice during Q2 2013, for management purposes, the Group's operations have been split into two segments:

- Oil Palm Plantations (Palm Oil) – large scale oil palm plantations;
- Arable – arable farming operations.

Each segment is considered to be a distinct strategic operating unit and the segments are organised and managed separately. Performance is evaluated based on revenue and operating income. Corporate costs represent primarily professional and legal fees, board of directors' expenses and securities regulatory and stock exchange filing and listing fees that are not allocated to the operations. During the three months ended March 31, 2015, Palm Oil had sold to two customers representing 95% of total sales within the segment, with sales to the Company's biggest customer representing 76% of total sales. No external sales were made by Arable during the quarter ended March 31, 2015.

Three months ended March 31, 2015:	**Palm Oil**	**Arable**	**Corporate**	**Total**
Revenue	2,493,113	-	-	2,493,113
Operating loss	(3,326,679)	(869,567)	(276,641)	(4,472,888)
Gain on biological assets	12,653,637	-	-	12,653,637
Finance costs	(43,826)	(10,578)	(889,494)	(943,898)
Finance Income	-	-	1,664,147	1,664,147
Income tax expense	(4,456,195)	(68,981)	(6,474)	(4,531,649)
Net loss for period	4,826,937	(949,126)	491,537	4,369,348

Three months ended March 31, 2014:	**Palm Oil**	**Arable**	**Corporate**	**Total**
Revenue	1,551,946	68,888	-	1,620,834
Operating loss	(2,000,404)	(620,076)	(402,372)	(3,022,852)
Loss on biological assets	(2,238,367)	-	-	(2,238,367)
Finance costs	(33,544)	(15,515)	(201,755)	(250,814)
Income tax recovery	755,700	-	(3,208)	752,492
Net loss for period	(3,516,615)	(635,591)	(607,335)	(4,759,541)

As at March 31, 2015:	**Palm Oil**	**Arable**	**Corporate**	**Total**
Total assets	62,382,325	7,306,721	2,768,412	72,457,458
Total liabilities	(23,004,319)	(821,505)	(12,256,866)	(36,082,690)

As at March 31, 2014:	**Palm Oil**	**Arable**	**Corporate**	**Total**
Total assets	47,479,519	7,575,382	668,205	55,723,106
Total liabilities	(16,762,466)	(776,958)	(6,258,576)	(23,798,000)

Expressed in United States Dollars, except where otherwise noted

4. Property, plant and equipment

	Land	Buildings	Furniture and equipment	Motor vehicles	Assets under construction	Total
At December 31, 2014						
Cost	2,894,616	5,279,209	19,274,826	1,300,228	3,300,116	32,048,995
Accumulated depreciation	-	(692,271)	(4,729,235)	(1,205,883)	-	(6,627,389)
Impairment	(496,712)	-	-	-	-	(496,712)
Net book value	2,397,904	4,586,938	14,545,591	94,345	3,300,116	24,924,894
Three months ended March 31, 2015						
At January 1, 2015	2,397,904	4,586,938	14,545,591	94,345	3,300,116	24,924,894
Additions	-	-	1,550	-	1,435,806	1,437,356
Disposals	-	-	(168)	-	-	(168)
Transfers	-	-	-	-	(1,021,026)	(1,021,026)
Impairment						-
Depreciation	-	(38,240)	(457,229)	(18,677)	-	(514,146)
At March 31, 2015	2,397,904	4,548,698	14,089,744	75,668	3,714,896	24,826,910
At March 31, 2015						
Cost	2,397,904	5,279,209	19,276,208	1,300,228	3,714,896	31,968,445
Accumulated depreciation	-	(730,511)	(5,186,464)	(1,224,560)	-	(7,141,535)
Net book value	2,397,904	4,548,698	14,089,744	75,668	3,714,896	24,826,910

During the three months ended March 31, 2015, nursery costs and costs incurred in the replanting and maintenance of immature trees amounting to $1,021,026 (2014: $911,935) were transferred from assets under construction to non-current biological assets.

5. Biological assets

Non-current biological assets comprise plantation bearer assets. The Group values these plantation assets using a discounted cash flow over the expected 25-year economic life of the asset. The discount rate used in this valuation is 22% (2014 – 22%). The price of the crop (oil-palm FFB) is taken to be the 12 months average based on historic selling prices.

Assumptions

The long-term average prices used in determining the calculations were as follows:

Expressed in United States Dollars, except where otherwise noted

	March 31, 2015	**December 31, 2014**
Price of crude palm oil ($/t)	857	892
Price of palm kernel ($/t)	1,015	1,042
Direct selling costs ($/t) (i)	-	150

(i) Direct selling costs were steadily reduced during the year through the improvement in sales terms and have now been eliminated altogether.

Non-current Biological assets	**March 31, 2015**	**December 31, 2014**
Current year (loss) gain on biological assets	12,653,637	(1,687,839)
Cost of immature plants	1,021,026	3,640,734
Total change in value	13,674,663	1,952,895
Beginning balance	22,123,581	20,170,686
Ending balance	35,798,244	22,123,581

6. Share capital

	Shares #	**Shares (amount)**
Balance, December 31, 2014	55,231,085	91,425,364
Balance, March 31, 2015	55,231,085	91,425,364

7. Share-based payment, other and warrant reserves

Share-based payment and other reserves

Balance, December 31, 2014	2,843,617
Employee share-based compensation	3,923
Balance, March 31, 2015	2,847,540

A continuity of the Company's stock options issued and outstanding is as follows:

Expressed in United States Dollars, except where otherwise noted

	Number of Options	Weighted Average Exercise Price
	#	$
Balance, December 31, 2014	943,761	2.85
Issued/forfeited	-	-
Balance, March 31, 2015	943,761	2.85

As at March 31, 2015, the Company had the following outstanding options to purchase common shares:

Date of Grant	Remaining Contractual Life (Years)	Expiry Date	Number of Stock Options Outstanding	Number of Stock Options Exercisable	Weighted Average Exercise Price $	Grant date fair value of Options Outstanding $
September 9, 2010	4.95	March 10, 2020 (1)	190,500	190,500	1.00	424,730
September 9, 2010	4.95	March 10, 2020 (1)	190,500	190,500	2.50	352,721
September 9, 2010	4.95	March 10, 2020 (1)	211,000	211,000	5.00	351,326
September 9, 2010	0.95	March 10, 2016 (2)	16,500	16,500	1.00	34,650
September 9, 2010	0.95	March 10, 2016 (2)	16,500	16,500	2.50	20,700
September 9, 2010	0.95	March 10, 2016 (2)	17,000	17,000	5.00	25,670
September 9, 2010	5.45	September 9, 2020 (3)	50,000	50,000	3.44	113,000
September 23, 2010	5.498	September 23, 2020 (4)	55,261	55,261	5.16	202,312
November 30, 2011	6.67	November 30, 2021 (5)	146,500	146,500	2.15	390,394
June 17, 2013	8.22	June 17, 2023 (6)	50,000	33,333	1.03	34,398
Unamortized portion of options						68,363
Total Options			943,761		2.85	2,018,264
Convertible debt - equity component						829,276
Total						2,847,540

The fair value of these options at the date of grant was estimated using Black-Scholes option pricing model based on the following assumptions:

(1) expected dividend yield of 0%; risk-free interest rate of 3.51%; expected life of 10 years; and expected volatility of 60.84%.

(2) expected dividend yield of 0%; risk-free interest rate of 3.51%; expected life of 6 years; and expected volatility of 60.84%.

(3) expected dividend yield of 0%; risk-free interest rate of 2.80%; expected life of 10 years; and expected volatility of 58.36%.

(4) expected dividend yield of 0%; risk-free interest rate of 2.87%; expected life of 10 years; and expected volatility of 58.33%.

(5) expected dividend yield of 0%; risk-free interest rate of 2.15%; expected life of 10 years; and expected volatility of 85.02%.

(6) expected dividend yield of 0%; risk-free interest rate of 2.32%; expected life of 10 years; and expected volatility of 63.88%.

The Company has used historical and index volatility to estimate the volatility of the share price.

Expressed in United States Dollars, except where otherwise noted

8. Accounts payable and accrued liabilities

	March 31, 2015	December 31, 2014
Trade payables	2,844,045	2,728,331
Accrued expenses	3,603,414	2,686,264
Other payables	2,288,590	1,339,033
	8,736,049	6,753,628

9. Borrowings

	March 31, 2015	December 31, 2014
Debentures issued during 2012 (a)	4,403,681	4,346,645
Debentures issued during the period (b)	5,611,220	-
Convertible Loan agreement (c)	1,191,180	1,157,364
	11,206,081	5,504,009

(a) Debentures issued during 2012

	March 31, 2015	December 31, 2014
Debentures, beginning of year	4,346,645	4,122,277
Debenture accretion expense	57,036	224,368
Debentures, as at March 31, 2015	4,403,681	4,346,645

As part of the first tranche of a brokered private placement completed on July 24, 2012, the Company received gross proceeds of CDN$3,679,000 pursuant to the issuance of 3,679 units (each, a "Debenture Unit"), with each Debenture Unit consisting of one CDN$1,000 principal amount 12.0% convertible unsecured subordinated debenture (a "2012 Debenture") and certain common share purchase warrants, which expired on July 24, 2014 (each, a "Warrant"). The purchase price for each Debenture Unit was CDN$1,000. Also as part of the second tranche of the 2012 offering completed on August 8, 2012, the Company received gross proceeds of CDN$1,684,000 pursuant to the issuance of 1,684 Debenture Units. The 2012 Debentures bear interest from July 24, 2012 at 12.0% per annum, payable commencing on December 31, 2012, and are due and payable on July 24, 2017 (the "Maturity Date"). The principal amount of the 2012 Debentures is convertible at the holder's option into common shares at any time prior to the close of business on the Maturity Date, at a conversion price of CDN$1.75 (post-consolidation) per share, being a ratio of 571 common shares (post-consolidation) per CDN$1,000 principal amount. The 2012 Debentures are governed by a trust indenture which includes customary adjustment provisions to the conversion price.

On the date of issuance, the gross proceeds in the amount of CDN$3,679,000 for the first tranche and CDN$1,684,000 for the second tranche were first allocated to the 2012 Debentures (CDN$3,647,059 for the first tranche and CDN$1,671,557 for the second tranche) and the Warrants (CDN$31,941 for the first tranche and CDN$12,443 for the second tranche). The value of the 2012 Debentures was then allocated between the convertible debt (CDN$2,994,876 for the first tranche and CDN$1,379,268 for the second tranche) and the holders' option to convert the principal balance into common shares (CDN$652,183 for the first tranche and CDN$292,289 for the second tranche) (the "Conversion Option").

Expressed in United States Dollars, except where otherwise noted

The value of the 2012 Debentures is classified as a liability, and will be accreted to the face value through a periodic charge to accretion expense, with a corresponding credit to the liability component over the five-year term. This accretion is based on the effective interest method. As of March 31, 2015, the carrying value of the 2012 Debentures (including foreign currency and accretion) was $4,403,681. The fair value of the Warrant component is also classified as a liability given certain anti-dilution clauses exist in the contract which resulted in the instrument being classified as a derivative which is fair valued at each reporting date. The amount allocated to the Conversion Option is classified as a separate component within shareholders' equity. The Company incurred transaction costs of $655,494 specifically allocated to the issuance of the Debenture Units. These costs were allocated among debenture issuance costs, warrant issuance costs and equity issuance costs, based on the values of the debt and equity components at the date of issuance. The portion of transaction costs allocated to the convertible debt has been set off against the initial value of the convertible debt and the transaction costs allocated to the conversion option has been set off within equity as part of the initial value allocation. The transaction costs allocated to the warrant liability have been expensed to the statement of income (loss).

(b) Debentures issued during the year

	March 31, 2015	December 31, 2014
Debentures issued on January 22, 2015	5,103,545	-
Debenture accretion expense	507,675	-
Debentures, as at March 31, 2015	5,611,220	-

On January 22, 2015, the Company entered into subscription agreements for private placement (secured convertible debentures) of up to $16.325 million of 12% secured convertible debentures led by CDC Group plc, the UK Government's Development Finance Institution. On January 22, 2015, the Company closed the first tranche of the private placement, issuing $7.15 million principal amount of debentures (the "2015" Debentures"). CDC Subscribed for US$7,078,500 principal amount of 2015 Debentures and Mr. Ravi Sood (Executive Chairman) subscribed for the remaining US$71,500 amount of 2015 Debentures. Each subscriber of the 2015 Debentures shall receive a 2% placement fee on the amount purchased.

The Canadian dollar equivalent of the principal amount of the 2015 Debentures is convertible into units of the Company (each, a "Unit") at a rate of Cdn$0.80 per Unit. Each Unit consists of one common share in the capital of the Company (each, a "Common Share") and one transferable common share purchase warrant (each, a "Warrant"). Each Warrant shall be exercisable into one Common Share at an exercise price of Cdn$0.80 per share for a period of five years from the closing date of the first tranche of the Offering. If the Company does not complete a Qualifying Debt Financing (as such term is defined in the 2015 Debentures) prior to September 30, 2015, the conversion price of the 2015 Debentures shall be reduced to Cdn $0.45 per Unit and the exercise price of the Warrants shall be reduced to Cdn$0.45 per share.

Interest on the 2015 Debentures shall be 12% per annum, compounded semi-annually, and shall accrue and be payable upon maturity, unless converted earlier. A minimum of one year's interest shall accrue on the First Tranche of 2015 Debentures, regardless of when such 2015 Debentures are repaid or converted. The interest payable on a subsequent closing of 2015 Debentures shall be a minimum of the interest for the portion of the fiscal quarter up to the date that such subsequent 2015 Debentures are repaid or converted plus interest for one additional fiscal quarter. Notwithstanding the foregoing, the guaranteed interest provisions above shall not apply if the Qualifying Debt Financing is not completed by September 30, 2015. Upon conversion, the Canadian dollar equivalent of the accrued interest on the 2015 Debentures shall, subject to the approval of the TSXV, be convertible into Common Shares at a per share price equal to the greater of Cdn.$0.80 and the Discounted Market Price (as defined in the policies of the TSXV) at the time of conversion. If the Qualifying Debt Financing is not completed by September 30, 2015, the interest on the 2015 Debentures shall convert at a price equal to the greater of Cdn$0.45 and the Discounted Market Price of the Common Shares at the time of conversion

The 2015 Debentures will mature on 22 January 2016. Upon maturity, the Company shall pay the principal outstanding plus all accrued and unpaid interest. At any time prior to maturity, the Debentures may be converted at the option of the holder. The 2015 Debentures shall automatically convert in the event that the Company draws down on a Qualifying Debt Financing. The 2015 Debentures shall be secured by way of a pledge by the Company of the outstanding shares of its wholly-owned Cayman Islands subsidiary, Feronia CI Inc.

The secured convertible debentures, warrants liability and derivative liability have been valued using the Cox Ross-Rubenstein (CRR) binomial tree method to model the underlying stock price. The main inputs for valuation obtained from Bloomberg are:

(a) Underlying stock;

(b) Underlying stock volatility – The stock volatility calculated at the valuation date is 58.77%;

(c) CAD discount curve;

(d) USD/CAD FX rate;

(e) Credit spread – The credit spread obtained at the date of inception is 12.62% and at the valuation date is 17.09%;

On the date of issuance, the fair value of convertible debt without conversion option is estimated at $5,421,850 and the fair value after deducting the issuing cost ($175,305) and placement fees ($143,000), is $5,103,545. Using the effecting interest method the interest accretion as of March 31, 2015 is $ 507,674. As of March 31, 2015, the carrying value of the 2015 Debentures (including accretion) was $5,611,219.

The value of the 2015 Debentures is classified as a liability, and will be accreted to the face value through a periodic charge to accretion expense, with a corresponding credit to the liability component over the one-year term. This accretion is based on the effective interest method. As the “warrants” and “convertible options” are denominated in US dollars and is convertible into common shares denominated in Canadian dollars, the conversion feature is a derivative liability (the “Derivative Component”). The derivative liability is measured at fair value at recognition with changes in fair values included in net income (loss).

(c) Convertible loan agreement

	March 31, 2015	December 31, 2014
Convertible Loan agreement - Debt	1,126,394	1,126,394
Convertible Loan agreement - Embedded Derivatives	11,615	11,615
Convertible Loan agreement - Interest	53,931	19,355
Convertible loan, as at March 31, 2015	1,191,940	1,157,364

On November 7, 2013, the Company entered into a convertible loan agreement with CDC Group plc (“CDC”), pursuant to which CDC will make available an unsecured non-revolving term loan in the maximum amount of $3.6 million at an interest rate of 12% per annum for a term of five years. As at March 31, 2015, $1,138,009 of the loan had been drawn down and the interest accrued on the loan is $53,171. The loan includes an option at the maturity date and in certain other circumstances to convert the principal amount outstanding into common shares at CDN$2.40 per share (post-consolidation) and the accrued and unpaid interest outstanding into common shares at the greater of CDN$2.40 per share (post-consolidation) and the discounted market price (as determined pursuant to the policies of the TSX Venture Exchange).

The convertible loan agreement contains an embedded derivative related to foreign currency. This derivative is marked to its market value at each reporting date and adjustments to the fair value are included in the consolidated statements of loss within other gains and losses.

Expressed in United States Dollars, except where otherwise noted

10. Other financial liabilities

	March 31, 2015	December 31, 2014
Employee incentive liability (a)	4,282,546	6,406,324
Warrant Liability (b)	40,136	-
Derivative Liability (c)	23,867	-
	4,346,549	6,406,324

(a) Employee Incentive Liability:

Through its acquisition of PHC in the year ended December 31, 2009, the Company assumed PHC's employee incentive plan. The liability associated with the plan is based on a function of compensation levels, benefit formulas and years of service. The measurement dates used for the accounting valuation for the defined benefit plan were March 31, 2015 and December 31, 2014. Information about the employee incentive plan for the three months ended March 31, 2015 and at December 31, 2014 is as follows:

Benefit liability	March 31, 2015 $	December 31, 2014 $
Accrued benefit obligation, beginning of the year	5,089,922	6,990,532
Current service cost	34,059	138,659
Interest cost	195,821	1,115,670
Benefit paid during the year	-	(303,300)
Effect of foreign exchange	(9,360)	(154,362)
Actuarial gains	(113,037)	(2,697,277)
Accrued benefit obligation, end of the year	5,197,405	5,089,922

	March 31, 2015	December 31, 2014
Current portion	914,859	746,569
Non-current portion	4,282,546	4,343,353
Accrued benefit obligation, end of period	5,197,405	5,089,922

The weighted average assumptions in measuring the accrued employee incentive liability for the three months ended March 31, 2015 and March 31, 2014 use the Canadian 3 to 10 year bond yield rate of 1.3%.

	March 31, 2015	March 31, 2014
Discount rates	16.3%	16.3%
Salary increase rate (administrative)	8.0%	17.0%
Salary increase rate (operation)	7.0%	12.0%

Expressed in United States Dollars, except where otherwise noted

(b) Warrant Liability:

	Warrants #	Amount $
Warrants issued on January 22, 2015	10,725,000	982,382
Change in fair value of warrants		(942,246)
Balance, March 31, 2015	10,725,000	40,136

As described in Note 9 (b) a derivative liability relating to the 2015 Debentures was recognized on issuance. Assuming the Company will complete the Qualifying Debt Financing prior to September 30, 2015, the number of warrants issued is calculated using conversion rate of Cdn$0.80 and exchange rate of $1: Cdn$1.20. The fair value of warrant was calculated at the date of inception (January 22, 2015) was $982,382 and the fair value of warrants was calculated as at March 31, 2015 was $40,136.

(c) Derivative liability:

	Amount $
Options issued on January 22, 2015	745,768
Change in fair value of Options	(721,901)
Balance, March 31, 2015	23,867

As described in Note 9 (b) a warrant liability relating to the 2015 Debentures was recognized on issuance.
The fair value of derivative liability was calculated at the date of inception (January 22, 2015) was $745,768 and the fair value of derivative liability was calculated as at March 31, 2015 was $23,867.

11. Non-controlling interest

Non-controlling interest includes the DRC government's 23.83% interest in PHC and Plantations Elevages Kitomesa sarl's 20% interest in Feronia PEK. Percentage of profit on each component of other comprehensive income is attributed to the owners of the non-controlling interests.

	March 31, 2015	December 31, 2013
Non-controlling interest, beginning of year	10,215,203	6,348,149
Share of (income) loss	(652,416)	3,867,054
Non-controlling interest, end of period	9,562,787	10,215,203

Expressed in United States Dollars, except where otherwise noted

12. Selling, General and Administration costs

	March 31, 2015	March 31, 2014
Professional fees	250,257	368,228
Consultancy fees	137,334	92,906
Share based payment	3,923	7,429
Amortisation	1,292	6,343
Employee Incentive Liability	114,794	184,161
Salaries and wages	1,514,763	1,162,327
Other general and administrative	1,139,241	964,010
	3,161,604	**2,785,404**

13. Cost of sales

	March 31, 2015	March 31, 2014
Direct operating costs	3,245,226	1,057,237
Employee incentive liability	115,086	123,731
Amortisation	512,856	591,555
	3,873,168	**1,772,523**

14. Finance cost

	March 31, 2015	March 31, 2014
Interest and bank charges	380,034	199,690
Accretion expense	564,711	53,134
Interest Income	(847)	(2,010)
	943,898	**250,814**

Expressed in United States Dollars, except where otherwise noted

15. Finance Income

	March 31, 2015	March 31, 2014
Change in warrant liability fair value (Note 10)	942,246	-
Change in derivative liability fair value (Note 10)	721,901	-
	1,664,147	**-**

16. Income Taxes

Income tax expenses are recognized based on management's best estimate of the weighted annual income tax rate expected for the full financial year. The estimated average annual rate used for the year ended December 31, 2014 and the three months ended March 31, 2015 was 35%.

17. Financial instruments

Details of the significant accounting policies and methods adopted (including the criteria for recognition, the bases of measurement, and the bases for recognition of income and expenses) for each class of financial asset and financial liability are disclosed in note 2 of the annual financial statements of the Company for the year ended December 31, 2014.

Financial assets and financial liabilities illustrating with in fair value hierarchy as at March 31, 2015 and December 31, 2014 were as follows:

	Hierarchy level	March 31, 2015	December 31, 2014
Assets			
Cash		3,336,833	793,187
Trade receivables	Level 2	1,471,398	685,360
		4,808,231	1,478,547
Liabilities			
Amortized cost			
Trade payables	Level 2	2,844,045	2,728,331
Warrants liability	Level 3	40,136	-
Derivative liability	Level 3	23,867	-
Borrowings	Level 2	11,206,081	5,504,009
		14,114,129	8,232,340

The carrying values of cash, trade receivables and trade payables approximate their fair value.

The Company measures certain of its financial assets and liabilities at fair value on a recurring basis and these are classified in their entirety based on the lowest level of input that is significant to the fair value measurement. Certain non-financial assets and liabilities may also be measured at fair value on a non-recurring basis. There are three levels of the fair value hierarchy that prioritize the inputs to valuation techniques used to measure fair value, with Level 1 inputs having the highest priority. The three levels of the fair value hierarchy are: Level 1, which are inputs that are unadjusted quoted prices in active markets for identical assets or liabilities; Level 2, which are inputs other than Level 1 quoted prices that are observable for the asset or liability, either directly or indirectly; and Level 3, which are inputs for the asset or liability that are not based on observable market data.

Fair value hierarchy:
The financial assets and liabilities that are recognized on the consolidated statements of financial position at fair value in a hierarchy that is based on significance of the inputs used in making the measurements. The levels in the hierarchy are:

- Level 1 - Quoted prices (unadjusted) in active markets for identical assets or liabilities
- Level 2 - Inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices)
- Level 3 - Inputs for the asset or liability that are not based on observable market data (that is, unobservable inputs).

Financial risk factors:
The Company's activities expose it to a variety of financial risks: market risk (including currency risk, interest rate risk, and other price risk), credit risk and liquidity risk. The Company's overall risk management program seeks to minimize potential adverse effects on the Company's financial performance.

(a) Market risk

(i) Foreign exchange risk

The Company's presentation currency is the U.S. dollar and major purchases are transacted in United States dollars. The Company funds certain operations using the Congolese Franc currency from its bank accounts held in the DRC. Management closely monitors the foreign exchange risk derived from currency conversions but does not hedge its foreign exchange risk. Foreign exchange risk arises on recognized assets and liabilities, principally trade payables, cash and investments in foreign operations.

Foreign exchange risk arises when future recognized assets or liabilities are denominated in a currency that is not the subsidiary's functional currency.

(**ii) Interest rate risk**

The Group's interest rate risk arises from the debentures. Changes in interest rates related to fixed debentures would not have impacted net earnings or comprehensive income in the current year. Cash has limited interest rate risk due to its short-term nature

(b) Credit risk

The Company's credit risk is primarily attributable to receivables. Two customers purchase 95% of the Company's crude palm oil production, with a refining factory owned by Marsavco currently purchasing the majority of such production. The Company does not have a written agreement with either customer and relies upon the terms of verbal arrangements. Although the Company has a good business relationship with both of the customers, there is no guarantee that the Company will be able to continue these relationships or enter into written agreements on terms acceptable to the Company or at all.

Financial instruments included in receivables consist of receivables from unrelated companies.

Management believes that the credit risk concentration with respect to financial instruments included in accounts receivable is remote.

(c) Liquidity risk

Expressed in United States Dollars, except where otherwise noted

Cash flow forecasting is performed in the operating entities of the Company and aggregated in head office which monitors rolling forecasts of the Company's liquidity requirements to ensure it has sufficient cash to meet operational needs at all times.

The Company's approach to managing liquidity risk is to provide reasonable assurance that it can provide sufficient capital to meet liabilities when due. The group maintains sufficient cash and cash equivalents in order to meet short term business requirements. The group's ability to settle other long term liabilities when due is dependent upon future liquidity from capital sources or positive cash flows form business operations.

As at March 31, 2015, the Company had net working capital of $1,912,462 including a cash balance of $3,336,833. The majority of the Company's financial liabilities have contractual maturities of less than 30 days and are subject to normal trade terms. An exception to this is the employee incentive liability that falls due over the anticipated qualifying leaving date, which will frequently be the retirement date. As a guide to liquidity requirements, management considers that less than 10% of the liability will fall due within five years.

The table below analyses the Group's non-derivative financial liabilities into relevant maturity groupings based on the remaining period from the date of the consolidated statements of financial position to the contractual maturity date.

	March 31, 2015			
	Less than 3 Months	**3 months to 1 year**	**1-5 years**	**Over 5 years**
Trade payables	2,844,045	-	-	-
Accrued expenses	3,603,414	-	-	-
Other payables	2,288,590	-	-	-
Debt	374,975	1,124,924	12,315,070	-

	December 31, 2014			
	Less than 3 Months	**3 months to 1 year**	**1-5 years**	**Over 5 years**
Trade payables	2,728,331	-	-	-
Accrued expenses	2,686,264	-	-	-
Other payables	1,339,034	-	-	-
Debt	159,578	478,735	4,857,023	-

Capital management

The Company considers its capital structure to consist of shares, stock options, warrants and convertible debt. The Company manages its capital structure and makes adjustments to it, based on the funds available to the Company, in order to support its ongoing operations.

The Company's objectives when managing capital are to maintain financial flexibility in order to preserve its ability to meet financial obligations, including potential obligations arising from additional acquisitions, maintain a capital structure that allows the Company to favor the financing of its growth strategy using internally generated cash flows and optimize the use of capital to provide an appropriate investment return to its shareholders. In order to maintain or adjust its capital structure, the Company may raise new debt or issue new shares.

Expressed in United States Dollars, except where otherwise noted

There were no changes to the Group's capital management approach during the period ended March 31, 2015. The Group entered into a debt arrangement during 2012 as detailed in note 10.

18. Related party disclosures

The following transactions were carried out with related parties.

Purchase of services from key management personnel **Purchase of services:**	**March 31, 2015**	**March 31, 2014**
Board fees *(1)*	61,250	56,250
Purchase of consultancy services, and property rental payments *(2)*	-	37,500
	61,250	**93,750**

(1) Board fees paid to non-executive directors
(2) In relation to rental payment for use of a building owned by Mr. Bin Karubi for office space and accommodation

Key management compensation

Key management includes the Chief Executive Officer, the Chief Financial Officer, the Chief Operating Officer and the directors of the Company. The compensation paid or payable to key management for employee services is as follows:

	March 31, 2015	**March 31, 2014**
Salaries and short-term employee benefits	242,668	231,936

Change in fair value of share-based payments	**March 31, 2015**	**March 31, 2014**
Change in fair value of share-based payments	3,604	6,760

Payables to related parties	**March 31, 2015**	**December 31, 2014**
Board of Directors fees	61,250	125,136
Other Consultancy fees	-	-
Key management compensation	30,000	91,458
	91,250	216,594

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

19. Contingent liabilities

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. The board of directors of the Company 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. As at March 31, 2015, provisions related to such matters totalled $268,933 (December 31, 2014: $268,933).

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