

**FERONIA INC.**

**CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS**

**(Unaudited)**

**For the three and six months ended June 30, 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 and six months ended June 30, 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.

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

	Notes	June 30, 2015	December 31, 2014
<b>Assets</b>			
<b>Current assets</b>			
Cash		6,622,238	793,187
Receivables		1,912,832	685,360
Inventories		5,982,175	5,745,590
Prepaid expenses and other current assets		<u>2,717,510</u>	<u>1,450,494</u>
		17,234,755	8,674,631
<b>Non-current assets</b>			
Non-current biological assets	5	33,114,263	22,123,581
Property plant and equipment	4	<u>24,902,814</u>	<u>24,924,894</u>
		58,017,077	47,048,475
Other financial assets	6	<u>7,415,967</u>	<u>-</u>
<b>Total assets</b>		<u><u>82,667,799</u></u>	<u><u>55,723,106</u></u>
<b>Liabilities</b>			
<b>Current liabilities</b>			
Accounts payable and accrued liabilities	9	8,563,912	6,753,628
Provisions	20	268,933	268,933
Other financial liabilities	11	<u>1,235,471</u>	<u>746,569</u>
		10,068,316	7,769,130
<b>Long-term Liabilities</b>			
Borrowings	10	21,193,288	5,504,009
Other long-term financial liabilities	11	4,880,644	4,343,353
Deferred tax liabilities		<u>11,126,470</u>	<u>6,181,508</u>
		<u>37,200,402</u>	<u>16,028,870</u>
<b>Total liabilities</b>		<u><u>47,268,718</u></u>	<u><u>23,798,000</u></u>
<b>Shareholder's equity</b>			
Share capital	7	91,425,364	91,425,364
Share-based payment reserve	8	2,850,263	2,843,617
Accumulated other comprehensive income		389,101	732,962
Deficit		<u>(48,078,247)</u>	<u>(52,861,634)</u>
Owners of the parent		46,586,481	42,140,309
Non-controlling interest	12	<u>(11,187,400)</u>	<u>(10,215,203)</u>
<b>Total equity</b>		<u><u>35,399,081</u></u>	<u><u>31,925,106</u></u>
<b>Total equity and liabilities</b>		<u><u>82,667,799</u></u>	<u><u>55,723,106</u></u>
<b>Contingent liabilities</b>			

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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 loss**  
**For the three and six months ended June 30, 2015 and 2014**

**Expressed in United States Dollars**  
**(unaudited)**

	Notes	Three months ended June 30		Six months ended June 30	
		2015	2014	2015	2014
<b>Revenue</b>		3,462,580	3,976,925	5,955,692	5,597,759
Cost of sales	14	<u>(2,832,390)</u>	<u>(4,802,997)</u>	<u>(6,705,557)</u>	<u>(6,575,521)</u>
Gross profit (loss)		630,190	(826,072)	(749,865)	(977,762)
<b>Expenses</b>					
Selling, general and administrative	13	(2,777,940)	(2,581,806)	(5,939,544)	(5,367,209)
Other income (losses)		<u>(58,705)</u>	<u>64,162</u>	<u>10,065</u>	<u>(21,598)</u>
<b>Operating loss</b>		(2,206,455)	(3,343,716)	(6,679,344)	(6,366,569)
Gain (loss) on biological assets	5	<u>(3,784,208)</u>	<u>(1,854,136)</u>	<u>8,869,429</u>	<u>(4,092,503)</u>
<b>Income (loss) before finance costs and taxes</b>		(5,990,663)	(5,197,852)	2,190,085	(10,459,072)
Finance costs	15	(1,087,384)	(285,893)	(2,031,282)	(536,707)
Finance Income	16	<u>4,573,570</u>	<u>-</u>	<u>6,237,717</u>	<u>-</u>
<b>Income (loss) before income tax</b>		(2,504,477)	(5,483,745)	6,396,520	(10,995,779)
Income tax (expense) recovery	17	<u>(583,687)</u>	<u>617,086</u>	<u>(5,115,337)</u>	<u>1,369,578</u>
<b>Net income (loss) for the period</b>		<u>(3,088,164)</u>	<u>(4,866,659)</u>	<u>1,281,183</u>	<u>(9,626,201)</u>
Income (loss) attributable to:					
Owners of the parent		(1,354,026)	(3,608,198)	2,145,443	(7,427,170)
Non-controlling interest		<u>(1,734,138)</u>	<u>(1,258,461)</u>	<u>(864,260)</u>	<u>(2,199,031)</u>
<b>Net income (loss)</b>		<u>(3,088,164)</u>	<u>(4,866,659)</u>	<u>1,281,183</u>	<u>(9,626,201)</u>
<b>Income (loss) per share</b>					
Basic (dollars per share)		<u>(0.06)</u>	<u>(0.09)</u>	<u>0.02</u>	<u>(0.17)</u>
Diluted (dollars per share)		<u>(0.06)</u>	<u>(0.09)</u>	<u>0.01</u>	<u>(0.17)</u>
Weighted average number of shares outstanding:					
Basic		<u>55,232,158</u>	<u>55,207,959</u>	<u>55,231,624</u>	<u>55,206,513</u>
Diluted		<u>55,232,158</u>	<u>55,207,959</u>	<u>92,397,459</u>	<u>55,206,513</u>

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

**Condensed consolidated interim statements of comprehensive loss  
For the three and six months ended June 30, 2015 and 2014**

**Expressed in United States Dollars  
(unaudited)**

	Notes	Three months ended June 30		Six months ended June 30	
		2015	2014	2015	2014
<b>Net Income (loss)</b>		<u>(3,088,164)</u>	<u>(4,866,659)</u>	<u>1,281,183</u>	<u>(9,626,201)</u>
<b>Other comprehensive income (loss)</b>					
Cumulative translation adjustment		(276,373)	127,572	(313,019)	48,412
Actuarial gain on employment benefit, net of tax		<u>(695,405)</u>	<u>267,466</u>	<u>(582,368)</u>	<u>632,827</u>
<b>Comprehensive loss</b>		<u><u>(4,059,942)</u></u>	<u><u>(4,471,621)</u></u>	<u><u>385,796</u></u>	<u><u>(8,944,962)</u></u>
Loss attributable to:					
Owners of the parent		(2,160,089)	(3,276,897)	1,357,993	(6,896,734)
Non-controlling interest	12	<u>(1,899,853)</u>	<u>(1,194,724)</u>	<u>(972,197)</u>	<u>(2,048,228)</u>
		<u><u>(4,059,942)</u></u>	<u><u>(4,471,621)</u></u>	<u><u>385,796</u></u>	<u><u>(8,944,962)</u></u>

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

**Condensed consolidated interim statements of changes in equity**  
**For the three and six months ended June 30, 2015 and 2014**  
**Expressed in United States Dollars**  
**(unaudited)**

	Attributable to owners of the parent						Non-controlling interest	Total equity
	Share capital	Warrant reserve	Share-based payment and other reserves	Accumulated other comprehensive income	Retained earnings (Deficit)	Total		
Balance, December 31, 2013	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	-	-	-	-	(7,427,170)	(7,427,170)	(2,199,031)	(9,626,201)
Other comprehensive income (net of tax)	-	-	-	48,412	-	48,412	-	48,412
Actuarial gain on employment benefit, net of tax	-	-	-	-	482,024	482,024	150,802	632,826
Comprehensive income (loss) for the period	-	-	-	48,412	(6,945,146)	(6,896,734)	(2,048,229)	(8,944,963)
Shares issued for cash pursuant to ESPP	5,361	-	-	-	-	5,361	-	5,361
Convertible Debt - Equity component	-	-	6,438	-	-	6,438	-	6,438
Share-based compensation	-	-	15,079	-	-	15,079	-	15,079
Balance, June 30, 2014	91,425,364	36,322	2,840,501	739,885	(46,241,868)	48,800,204	(8,396,377)	40,403,827
Balance, December 31, 2014	91,425,364	-	2,843,617	732,962	(52,861,634)	42,140,309	(10,215,203)	31,925,106
Net income (loss) for the period	-	-	-	-	2,145,443	2,145,443	(864,260)	1,281,183
Gain on Valuation of embedded derivative	-	-	-	-	3,081,533	3,081,533	-	3,081,533
Other comprehensive income (loss) (net of tax)	-	-	-	(343,861)	-	(343,861)	30,842	(313,019)
Actuarial gain on employment benefit, net of tax	-	-	-	-	(443,589)	(443,589)	(138,779)	(582,368)
Comprehensive income (loss) for the period	-	-	-	(343,861)	4,783,387	4,439,526	(972,197)	3,467,329
Share-based compensation	-	-	6,646	-	-	6,646	-	6,646
Balance, June 30, 2015	91,425,364	-	2,850,263	389,101	(48,078,247)	46,586,481	(11,187,400)	35,399,081

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

**Condensed consolidated interim statements of cash flows**  
**For the six months ended June 30, 2015 and 2014**  
**Expressed in United States Dollars**  
**(unaudited)**

	Six months ended June 30, 2015	Six months ended June 30, 2014
<b>Cash provided by (used for):</b>		
<b>Operating activities:</b>		
Income (loss) from operating activities	1,281,183	(9,626,201)
Items not affecting cash:		
Share-based compensation	6,646	15,079
Amortisation	1,008,627	1,198,936
Employee incentive liability	1,026,193	(158,991)
Fair value (gain) loss on biological assets	(8,869,429)	4,092,503
Deferred tax on biological asset	3,104,300	(1,432,376)
Deferred tax adjustment	1,840,662	(1,624)
Change in warrant and derivative liability	(6,237,717)	110,048
Debenture accretion expense	1,368,015	-
Debenture Issuance expenses	(66,393)	-
Interest on convertible loan	250,282	-
Loss on disposal of fixed assets	168	-
Actuarial gain on employment benefit, net of tax	(582,368)	632,827
	<u>(5,869,831)</u>	<u>(5,169,799)</u>
Changes in non-cash working capital:		
Receivables	(1,227,472)	(37,913)
Prepaid expenses and other current assets	(1,267,017)	(10,976)
Inventories	(236,584)	(2,526,726)
Accounts payable and accrued liabilities	1,810,284	214,139
	<u>(920,789)</u>	<u>(2,361,476)</u>
Cash used in operating activities	(6,790,620)	(7,531,275)
<b>Financing activities:</b>		
Issuance of Shares, Debentures & warrants and Debts for cash (net of costs)	16,040,658	105,966
Cash from financing activities	<u>16,040,658</u>	<u>105,966</u>
<b>Investing activities:</b>		
Acquisition of assets	3,107,968	1,885,530
Cash used in investing activities	<u>3,107,968</u>	<u>1,885,530</u>
Foreign exchange gain (loss) on currency translation	(313,019)	48,412
Increase (decrease) in cash	5,829,051	(9,262,427)
Cash, beginning of year	793,187	18,252,307
Cash, end of the period	<u>6,622,238</u>	<u>8,989,880</u>
Cash paid for income tax	24,801	297,673
Interest paid	260,466	295,910

**Feronia Inc.**  
**Notes to the condensed consolidated interim financial statements**  
**For the three and six months ended June 30, 2015 and 2014**  
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***(Unaudited)***

**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., 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. On June 5, 2015, Feronia CI Inc. merged with its wholly-owned subsidiary, Feronia JCA Limited, a company incorporated under the laws of the Cayman Islands. Feronia CI Inc. (“Feronia CI”) is the surviving company as a result of the merger.

Feronia Incorporated Services Limited, a private company incorporated under the laws of England and Wales by the Memorandum and Articles of Association dated March 29, 2010, is 100% owned by Feronia CI.

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 CI.

Kimpese Agro Industrie sprl, a private company incorporated under the laws of the DRC on April 4, 2011, is 100% owned by Feronia CI.

Bas – Congo Ferti sprl, a private company incorporated under the laws of the DRC on June 16, 2011, is 100% owned by Feronia CI.

Feronia RDC sarl, a private company incorporated under the laws of the DRC on February 5, 2014, is 100% 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



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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**

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 August 26, 2015.

**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 six months ended June 30, 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 88% of total sales.

Sales made by Arable during the six months ended June 30, 2015 were very marginal. In Q2 2015, the Company entered into an agreement with a partner to undertake a two year feasibility study regarding the future development of the arable business. The partner has extensive domestic and international agricultural experience and is funding the feasibility study its self.

<b>Three months ended June 30, 2015:</b>	<b>Palm Oil</b>	<b>Arable</b>	<b>Corporate</b>	<b>Total</b>
Revenue	3,449,162	13,418	-	3,462,580
Operating loss	(980,660)	(781,548)	(444,248)	(2,206,455)
Loss on biological assets	(3,784,208)	-	-	(3,784,208)
Finance costs	(81,019)	(6,678)	(999,688)	(1,087,384)
Finance Income	-	-	4,573,570.00	4,573,570
Income tax recovery	1,253,546	-	(1,837,234)	(583,687)
Net loss for period	(3,592,340.33)	(788,225.50)	1,292,400.85	(3,088,165)

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<b>Three months ended June 30, 2014:</b>	<b>Palm Oil</b>	<b>Arable</b>	<b>Corporate</b>	<b>Total</b>
Revenue	3,826,930	149,995	-	3,976,925
Operating loss	(1,758,088)	(1,260,490)	(325,138)	(3,343,716)
Gain on biological assets	(1,854,136)	-	-	(1,854,136)
Finance costs	(90,542)	(33,923)	-	(285,893)
Finance Income	-	-	-	-
Income tax expense	-	-	-	617,086
Net loss for period	(3,702,766)	(1,294,413)	(325,138)	(4,866,659)
<b>Six months ended June 30, 2015:</b>	<b>Palm Oil</b>	<b>Arable</b>	<b>Corporate</b>	<b>Total</b>
Revenue	5,942,274	13,418	-	5,955,692
Operating loss	(4,307,341)	(1,651,115)	(720,888)	(6,679,344)
Gain on biological assets	8,869,429	-	-	8,869,429
Finance costs	(124,845)	(17,256)	(1,889,182)	(2,031,282)
Finance Income	-	-	6,237,717	6,237,717
Income tax expense	(3,202,649)	(68,981)	(1,843,707)	(5,115,337)
Net loss for period	1,234,595	(1,737,352)	1,783,940	1,281,183
<b>Six months ended June 30, 2014:</b>	<b>Palm Oil</b>	<b>Arable</b>	<b>Corporate</b>	<b>Total</b>
Revenue	5,378,876	218,883	-	5,597,759
Operating loss	(3,758,493)	(1,880,566)	(727,510)	(6,366,569)
Loss on biological assets	(4,092,503)	-	-	(4,092,503)
Finance costs	(90,542)	(33,923)	(412,242)	(536,707)
Income tax recovery	(56,786)	-	1,426,364	1,369,578
Net loss for period	(7,998,324)	(1,914,489)	286,612	(9,626,201)
<b>As at June 30, 2015:</b>	<b>Palm Oil</b>	<b>Arable</b>	<b>Corporate</b>	<b>Total</b>
Total assets	61,654,200	7,038,214	13,975,385	82,667,799
Total liabilities	(22,429,127)	(1,010,721)	(23,828,870)	(47,268,718)
<b>As at December 31, 2014:</b>	<b>Palm Oil</b>	<b>Arable</b>	<b>Corporate</b>	<b>Total</b>
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)

**Feronia Inc.**  
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**4. Property, plant and equipment**

	Land	Buildings	Furniture and equipment	Motor vehicles	Assets under construction	Total
<b>At December 31, 2014</b>						
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	<u>2,397,904</u>	<u>4,586,938</u>	<u>14,545,591</u>	<u>94,345</u>	<u>3,300,116</u>	<u>24,924,894</u>
At January 1, 2015	2,397,904	4,586,938	14,545,591	94,345	3,300,116	24,924,894
Additions	-	-	20,770	-	3,087,198	3,107,968
Disposals	-	-	(168)	-	-	(168)
Transfers	-	-	-	-	(2,121,253)	(2,121,253)
Depreciation	-	(76,504)	(895,410)	(36,713)	-	(1,008,627)
At June 30, 2015	<u>2,397,904</u>	<u>4,510,434</u>	<u>13,670,783</u>	<u>57,632</u>	<u>4,266,061</u>	<u>24,902,814</u>
<b>At June 30, 2015</b>						
Cost	2,397,904	5,279,209	19,295,428	1,300,228	4,266,061	32,538,830
Accumulated depreciation	-	(768,775)	(5,624,645)	(1,242,596)	-	(7,636,016)
Net book value	<u>2,397,904</u>	<u>4,510,434</u>	<u>13,670,783</u>	<u>57,632</u>	<u>4,266,061</u>	<u>24,902,814</u>

During the six months ended June 30, 2015, nursery costs and costs incurred in the replanting and maintenance of immature trees amounting to \$2,121,253 (2014: \$1,734,480) 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 36 months average based on historic selling prices.

**Assumptions**

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

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	<b>June 30, 2015</b>	<b>December 31, 2014</b>
Price of crude palm oil (\$/t)	821	892
Price of palm kernel (\$/t)	992	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.

<b>Non-current Biological assets</b>	<b>June 30, 2015</b>	<b>December 31, 2014</b>
Current period (loss) gain on biological assets	8,869,429	(1,687,839)
Cost of immature plants	2,121,253	3,640,734
<b>Total change in value</b>	<b>10,990,682</b>	<b>1,952,895</b>
<b>Beginning balance</b>	<b>22,123,581</b>	<b>20,170,686</b>
<b>Ending balance</b>	<b>33,114,263</b>	<b>22,123,581</b>

**6. Other financial Assets**

	<b>June 30, 2015</b>	<b>December 31, 2014</b>
Derivative assets - Fair value (i)	7,415,967	0
	7,415,967	-

(i) This represents the estimated fair value of the options on the convertible debentures issued in January 2015 and June 2015. The valuation is based on a combination of management's judgement on the probability of the conversion occurring before maturity and the difference between the conversion price and the share price as at 30 June 2015.

**7. Share capital**

	<b>Shares #</b>	<b>Shares (amount)</b>
Balance, December 31, 2014	55,231,085	91,425,364
Shares issued pursuant to the ESPP June 15, 2015 (i)	6,508	-
<b>Balance, June 30, 2015</b>	<b>55,237,593</b>	<b>91,425,364</b>

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- (i) On June 15, 2015, the Company issued 6,508 deferred matching shares under the employee stock purchase plan (ESPP) to certain officers, directors, and employees who acquired qualifying shares under ESPP in June 2012.

**8. Share-based payment, other and warrant reserves**

*Share-based payment and other reserves*

Balance, December 31, 2014	2,843,617
Employee share-based compensation	6,646
	<hr/>
Balance, June 30, 2015	2,850,263
	<hr/>

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

	Number of Options	Weighted Average Exercise Price
	#	\$
Balance, December 31, 2014	943,761	2.85
Issued/forfeited	-	-
Balance, June 30, 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	4.70	March 10, 2020 (1)	190,500	190,500	1.00	424,730
September 9, 2010	4.70	March 10, 2020 (1)	190,500	190,500	2.50	352,721
September 9, 2010	4.70	March 10, 2020 (1)	211,000	211,000	5.00	351,326
September 9, 2010	0.70	March 10, 2016 (2)	16,500	16,500	1.00	34,650
September 9, 2010	0.70	March 10, 2016 (2)	16,500	16,500	2.50	20,700
September 9, 2010	0.70	March 10, 2016 (2)	17,000	17,000	5.00	25,670
September 9, 2010	5.20	September 9, 2020 (3)	50,000	50,000	3.44	113,000
September 23, 2010	5.24	September 23, 2020 (4)	55,261	55,261	5.16	202,312
November 30, 2011	6.42	November 30, 2021 (5)	146,500	146,500	2.15	390,394
June 17, 2013	7.97	June 17, 2023 (6)	50,000	33,333	1.03	34,398
Unamortized portion of options						71,086
Total Options			<hr/> 943,761		2.85	<hr/> 2,020,987
Convertible debt - equity component						829,276
Total						<hr/> 2,850,263

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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.

**9. Accounts payable and accrued liabilities**

	<b>June 30, 2015</b>	<b>December 31, 2014</b>
Trade payables	2,907,302	2,728,331
Accrued expenses	2,768,317	2,686,264
Other payables	<u>2,888,293</u>	<u>1,339,033</u>
	<u>8,563,912</u>	<u>6,753,628</u>

**10. Borrowings**

	<b>June 30, 2015</b>	<b>December 31, 2014</b>
Debentures issued during 2012	4,467,529	4,346,645
Debentures issued during the year	14,301,522	-
Convertible Loan agreement	<u>2,424,237</u>	<u>1,157,364</u>
	<u>21,193,288</u>	<u>5,504,008</u>

**(a) Debentures issued during 2012**

	<b>June 30, 2015</b>	<b>December 31, 2014</b>
Debentures, beginning of year	4,346,645	4,122,277
Debenture accretion expense	<u>120,884</u>	<u>224,368</u>
Debentures, as at March 31, 2015	<u>4,467,529</u>	<u>4,346,645</u>

As part of the first tranche of a brokered private placement (the "2012 Offering") completed on July 24, 2012, the Company

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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").

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 June 30, 2015, the carrying value of the 2012 Debentures (including foreign currency and accretion) was \$4,467,529. 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**

	<b>June 30, 2015</b>	<b>December 31, 2014</b>
Debentures issued on January 22, 2015	5,103,545	-
Debentures issued on June 19, 2015	7,791,000	-
Debenture accretion expense	1,247,130	-
Debenture Interest Payable	159,847	-
Debentures, as at June 30, 2015	<u>14,301,522</u>	<u>-</u>

On January 22, 2015, the Company entered into subscription agreements for a private placement of up to \$16.325 million of secured convertible debentures led by CDC. On January 22, 2015, Company issued a tranche of US\$7.15 million principal amount debentures (the "**January 2015 Debentures**").

On June 18, 2015, the Company entered into subscription agreements with CDC and the African Agriculture Fund ("**AAF**"), through its subsidiary Golden Oil Holdings Limited ("**GOHL**"), for the private placement of US\$9.18 million secured convertible debentures completing the previously announced private placement of secured convertible debentures. The first tranche of US\$8,196,500 principal amount of debentures were issued on June 19, 2015 (the "**June 2015 Debentures**").

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Concurrently with the issuance of the June 2015 Debentures, the Company amended the terms of the January 2015 Debentures (the “**Amended January 2015 Debentures**”). The amendments included: (i) amending the conversion terms, so that the Amended January 2015 Debentures are convertible into common shares rather than units comprised of common shares and warrants (the “**Units**”); (ii) reducing the conversion price from Cdn.\$0.80 per Unit or Cdn.\$0.45 per Unit if the Company does not complete a Qualified Debt Financing (as defined in the January 2015 Debentures) to Cdn.\$0.25 per common share or Cdn.\$0.14 per common share if the Company does not complete an Amended Debt Financing (as defined below); and (iii) deleting the concept of a “Qualified Debt Financing” and replacing it with an “Amended Debt Financing”, as described below.

Upon conversion, the principal and interest on the Debentures shall first be converted into Canadian dollars at a fixed exchange rate of Cdn.\$1.20 per US\$1.00. The Canadian dollar equivalent of the principal amount of the Amended January 2015 Debentures and June 2015 Debentures (collectively, the “**Debentures**”) is convertible into common shares of the Company at a rate of Cdn.\$0.25 per common share. If the Company does not complete an Amended Debt Financing (as defined in the Debentures) prior to December 31, 2015, the conversion price of the Debentures shall be reduced to Cdn.\$0.14 per common share.

Interest on the Debentures is 12% per annum, compounded semi-annually, and shall accrue and be payable upon maturity, unless converted earlier. A minimum of one year's interest will accrue on the Amended January 2015 Debentures, regardless of when such debentures are repaid or converted. The interest payable on the June 2015 Debentures will be a minimum of the interest for the fiscal quarter in which the June 2015 Debentures are repaid or converted. Notwithstanding the foregoing, the guaranteed interest provisions above shall not apply if the Amended Debt Financing is not completed by December 31, 2015. Upon conversion, the Canadian dollar equivalent of the accrued interest on the 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.\$0.25 and the Discounted Market Price (as defined in the policies of the TSXV) at the time of conversion. If the Amended Debt Financing is not completed by December 31, 2015, the interest on the Debentures shall convert at a price equal to the greater of Cdn\$0.14 and the Discounted Market Price of the common shares at the time of conversion.

The Debentures will mature and convert on January 22, 2016, being one year from the issuance date of the January 2015 Debentures. At any time prior to maturity, the Debentures may be converted at the option of the holder. The Debentures shall automatically convert in the event that the Company draws down on an Amended Debt Financing. The Debentures have been secured by way of a pledge by the Company of the outstanding shares of its wholly-owned Cayman Islands subsidiary, Feronia CI Inc.

Each of the subscribers of the Debentures received a 2% placement fee on the amount of the Debentures purchased. Proceeds from the Debentures were used for working capital purposes and, in particular, to provide expansion capital for the Company's subsidiaries in the DRC.

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 valuations were 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 debenture issued on January 22, 2015 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.



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Also on the date of issuance the fair value of convertible debenture issued on June 19, 2015 without conversion option is estimated at \$8,021,323 and the fair value after deducting the issuing cost (\$66,393) and placement fees (\$163,930), is \$7,791,000.

Using the effecting interest method the interest accretion as of June 30, 2015 is \$ 1,247,130. As of June 30, 2015, the carrying value of the 2015 Debentures (including accretion and interest) was \$14,301,522.

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.

**(c) Convertible loan agreement**

	<b>June 30, 2015</b>	<b>December 31, 2014</b>
Convertible Loan agreement - Debt	2,313,806	1,126,394
Convertible Loan agreement - Embedded Derivatives	640	11,615
Convertible Loan agreement - Interest	109,791	19,355
Convertible loan, as at June 30, 2015	<u>2,424,237</u>	<u>1,157,364</u>

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 June 30, 2015, \$2,314,456 of the loan had been drawn down and the interest accrued on the loan is \$109,791. 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.

**11. Other financial liabilities**

	<b>June 30, 2015</b>	<b>December 31, 2014</b>
Employee incentive liability (Long term)	4,880,644	4,343,353
	<u>4,880,644</u>	<u>4,343,353</u>

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 June 30, 2015 and December 31, 2014. Information about the employee incentive plan for the six months ended June 30, 2015 and at December 31, 2014 is as follows:

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Benefit liability	<b>June 30, 2015</b>	<b>December 31, 2014</b>
	<b>\$</b>	<b>\$</b>
Accrued benefit obligation, beginning of the period	5,089,922	6,990,532
Current service cost	74,363	138,659
Interest cost	395,357	1,115,670
Benefit paid during the period	(22,074)	(303,300)
Effect of foreign exchange	(3,821)	(154,362)
Actuarial gains	582,368	(2,697,277)
Accrued benefit obligation, end of the period	<u>6,116,115</u>	<u>5,089,922</u>

	<b>June 30, 2015</b>	<b>December 31, 2014</b>
Current portion	1,235,471	746,569
Non-current portion	4,880,644	4,343,353
Accrued benefit obligation, end of period	<u>6,116,115</u>	<u>5,089,922</u>

The weighted average assumptions in measuring the accrued employee incentive liability for the six months ended June 30, 2015 and June 30, 2014 use the Canadian 3 to 10 year bond yield rate of 1.3%.

	<b>June 30, 2015</b>	<b>June 30, 2014</b>
Discount rates	16.3%	16.3%
Salary increase rate (administrative)	8.0%	17.0%
Salary increase rate (operation)	7.0%	12.0%

**12. 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.

	<b>June 30, 2015</b>	<b>December 31, 2014</b>
Non-controlling interest, beginning of period	10,215,203	6,348,149
Share of loss	972,197	3,867,054
Non-controlling interest, end of period	<u>11,187,400</u>	<u>10,215,203</u>

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**13. Selling, General and Administration costs**

	Three months ended June 30,		Six months ended June 30,	
	2015	2014	2015	2014
Professional fees	279,229	462,715	529,486	830,943
Consultancy fees	149,820	100,435	287,154	193,341
Share based payment	2,723	7,650	6,646	15,079
Amortisation	3,123	6,326	4,415	12,669
Employee Incentive Liability	110,768	125,385	225,562	309,546
Salaries and wages	1,559,709	1,584,976	3,074,472	2,747,303
Other general and administrative	672,568	294,319	1,811,809	1,258,328
	<b>2,777,940</b>	<b>2,581,806</b>	<b>5,939,544</b>	<b>5,367,209</b>

**14. Cost of sales**

	Three months ended June 30,		Six months ended June 30,	
	2015	2014	2015	2014
Direct operating costs	2,234,036	4,014,632	5,479,261	5,071,870
Employee incentive liability	106,997	193,652	222,084	317,383
Amortisation	491,357	594,713	1,004,212	1,186,268
	<b>2,832,390</b>	<b>4,802,997</b>	<b>6,705,557</b>	<b>6,575,521</b>

**15. Finance cost**

	Three months ended June 30,		Six months ended June 30,	
	2015	2014	2015	2014
Interest and bank charges	287,715	230,696	664,513	430,386
Accretion expense	800,068	56,914	1,368,016	110,048
Interest Income	(400)	(1,717)	(1,247)	(3,727)
	<b>1,087,384</b>	<b>285,893</b>	<b>2,031,282</b>	<b>536,707</b>

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**16. Finance Income**

	Three months ended June 30,		Six months ended June 30,	
	2015	2014	2015	2014
Change in warrant liability fair value	40,136	-	982,382	-
Change in derivative liability fair value	4,533,434	-	5,255,335	-
	<b>4,573,570</b>	<b>-</b>	<b>6,237,717</b>	<b>-</b>

**17. 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 and six months ended June 30, 2015 was 35%.

**18. 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 June 30, 2015 and December 31, 2014 were as follows:

	Hierarchy level	June 30,	December 31,
		2015	2014
<b>Assets</b>			
Cash		6,622,238	793,187
Trade receivables	Level 2	1,912,832	685,360
		8,535,070	1,478,547
<b>Liabilities</b>			
Amortized cost			
Trade payables	Level 2	2,907,302	2,728,331
Borrowings	Level 2	21,193,288	5,504,009
		24,100,590	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

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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 period. 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.

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**(c) Liquidity risk**

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 from business operations.

As at June 30, 2015, the Company had net working capital of \$6,879,901 including a cash balance of \$7,166,439. 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.

	<b>June 30, 2015</b>			
	<b>Less than 3 Months</b>	<b>3 months to 1 year</b>	<b>1-5 years</b>	<b>Over 5 years</b>
Trade payables	2,907,302	-	-	-
Accrued expenses	2,768,317	-	-	-
Other payables	2,888,293	-	-	-
Debt	378,501	1,135,503	18,266,646	-
	<b>December 31, 2014</b>			
	<b>Less than 3 Months</b>	<b>3 months to 1 year</b>	<b>1-5 years</b>	<b>Over 5 years</b>
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

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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.

There were no changes to the Group's capital management approach during the period ended June 30, 2015. The Group entered into a debt arrangement during 2012 as detailed in note 11.

**19. Related party disclosures**

The following transactions were carried out with related parties.

**Purchase of services from key management personnel**

<b>Purchase of services:</b>	<b>Three months ended June 30,</b>		<b>Six months ended June 30,</b>	
	<b>2015</b>	<b>2014</b>	<b>2015</b>	<b>2014</b>
Board fees (1)	61,250	60,151	122,500	116,401
Purchase of consultancy services, and property rental payments (2)	-	37,500	-	75,000
	<b>61,250</b>	<b>97,651</b>	<b>122,500</b>	<b>191,401</b>

(1) Board fees paid to non-executive directors

(2) In relation to rental payment for use of a building owned by a former director of the Company 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:

	<b>Three months ended June 30,</b>		<b>Six months ended June 30,</b>	
	<b>2015</b>	<b>2014</b>	<b>2015</b>	<b>2014</b>
Salaries and short-term employee benefits	255,214	171,321	497,881	403,256

**Change in fair value of share-based payments**

	<b>Three months ended June 30,</b>		<b>Six months ended June 30,</b>	
	<b>2015</b>	<b>2014</b>	<b>2015</b>	<b>2014</b>
Change in fair value of share-based payments	2,762	6,927	6,366	13,687

**Payables to related parties**

	<b>June 30,</b>	<b>December 31,</b>
	<b>2015</b>	<b>2014</b>
Board of Directors fees	68,750	125,136
Other Consultancy fees	-	-
Key management compensation	-	91,458
	<b>68,750</b>	<b>216,593</b>

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

**20. 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 June 30, 2015, provisions related to such matters totalled \$268,933 (December 31, 2014: \$268,933).

**21. Subsequent Event**

On July 16, 2015, the Company closed the 2nd tranche of US\$983,500 principal amount of debentures (the "July 2015 Debentures") announced on June 18, 2015. The July 2015 Debentures were issued on the same terms as the Debentures.