FERONIA INC.
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE THREE MONTHS AND YEAR ENDED DECEMBER 31, 2015

April 29, 2016

This Management's Discussion and Analysis ("MD&A") should be read in conjunction with the audited consolidated financial statements and accompanying notes for the year ended December 31, 2015 of Feronia Inc. ("Feronia" or the "Company"). Throughout this MD&A, unless otherwise specified, "Feronia", the "Company", "we", "us" or "our" refer to Feronia Inc. and its subsidiaries.

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

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

BUSINESS OVERVIEW

Feronia is an agribusiness operating in the Democratic Republic of the Congo (the "DRC").

At the heart of Feronia lies a long established palm oil business, Plantations et Huileries du Congo S.A ("PHC"), a company incorporated under the laws of the DRC, which has three remotely located plantations; Lokutu, Yaligimba and Boteka.

When Feronia acquired 76.17% of the shares of PHC from subsidiaries of Unilever plc on September 3, 2009, the three plantations had suffered from years of underinvestment and considerable disruption caused by conflict in the DRC.

Feronia's focus has been on rebuilding the business and resuming production to secure its future and the livelihoods of the thousands of people it directly and indirectly employs. This process has included the rehabilitation of palm oil mills at the Lokutu and the Boteka plantations and the construction of a new palm oil mill at the Yaligimba plantation which commenced production in October 2013. The Company has also rehabilitated the internal road systems, implemented a substantial replanting program, replacing less productive palm trees over 25 years old with new trees, and is in the process of rehabilitating its social infrastructure.

Feronia's plantations produce crude palm oil ("CPO") and palm kernel oil ("PKO"). CPO is part of the staple and traditional diet of the Congolese and, with Feronia's products sold locally in the DRC, the Company is well placed to help decrease reliance on imports and increase food security and quality in the DRC.

Feronia prides itself on being the guardian of its 105 year-old palm oil business and its employees, communities and environment. It has made a long term commitment to improve

the living and working environment of its employees and their communities and is committed to sustainable agriculture, environmental protection and community inclusion. Feronia has in place an Environmental and Social Action Plan ("ESAP") which is focused on implementing environmental and social best practice and improving social infrastructure.

Feronia is working towards certification by the Roundtable for Sustainable Palm Oil ("RSPO") and is implementing IFC/World Bank standards for environmental and social sustainability. Feronia's oil palm replanting programme is brownfield in nature – replacing old palms with new – and has no reliance on deforestation.

Feronia also has an arable farming operation which grows and processes rice and is currently undergoing a two year feasibility study.

BUSINESS PERFORMANCE

Oil Palm Plantations: Q4 2015 performance and recent developments

As at December 31, 2015, PHC, being the main operating unit of Feronia, had concessions of 107,892 ha located in the provinces of Equateur and Orientale in the DRC.

On December 22, 2015, the Company entered into a secured term facility agreement (the "DFI Debt Facility") for up to $49 million with a syndicate of European lenders consisting of four development finance institutions ("DFIs") (as described below under "Liquidity and Capital Resources"). The purpose of the DFI Debt Facility is to finance investment into equipment, replanting, fertilizer and environmental and social governance ("ESG") expenditures required as part of the rehabilitation of PHC's three palm oil plantations in the DRC. The first drawdown on the DFI Debt Facility of $15 million occurred on April 13, 2016.

PHC accounted for 100% of Feronia's revenues in Q4 2015 (Q4 2014: 98%) and almost 100% for the year ended December 31, 2015 (year ended December 31, 2014: 95%).

The following table shows key data relating to PHC's operations as at and for the year ended December 31, 2015:

	Year ended December 31, 2015			**Total (as at and for the year ended December 31)**		
	Lokutu	**Yaligimba**	**Boteka**	**2015**	**2014**	**2013**[1]
Production						
Fresh Fruit Bunch ('FFB') production (tonnes)	40,644	37,238	10,690	**88,572**	**70,887**	45,015
Crude Palm Oil ('CPO') produced (tonnes)	7,184	7,507	2,092	**16,783**	**13,010**	8,269
Oil Extraction Rate ('OER') (%)	17.7	20.2	19.6	**18.9**	**18.4**	18.4
FFB Yield/Mature Hectare (tonnes)	7.5	10.1	6.0	**8.1**	**7.4**	7.1
CPO Yield/Mature Hectare (tonnes)	1.3	2.0	1.2	**1.5**	**1.4**	1.3
Palm Kernel Oil ('PKO') Produced (tonnes)	535	543	-	**1,078**	**838**	357

Note:

(1) Yaligimba did not contribute to FFB or CPO production in the three months ended March 31, 2013.

During Q4 2015, the Company produced 22,589 tonnes of FFB and 4,155 tonnes of CPO, representing increases on Q4 2014 production levels of 21.0% and 21.1% respectively. For the year ended December 31, 2015, the Company produced 88,572 tonnes of FFB and 16,783 tonnes of CPO, representing increases on the corresponding period in 2014 of 24.9% and 29.0% respectively.

The increases in FFB production can be attributed to:

- improvements in harvesting at Yaligimba when compared with the corresponding periods in 2014, when a backlog in weeding and pruning made accessing and harvesting fruit more difficult;

- an increase in the number of producing hectares of 1,293 ha to 10,901 ha (2014: 9,608 ha); and

- improved FFB yield per hectare in 2015 resulting from new trees replanted in 2010 and 2011 now being in production.

The increase in CPO production can be attributed to:

- the increase in FFB processed during Q4 2015 and the year ended December 31, 2015; and

- an improvement in oil extraction rates ("OER") during the year ended December 31, 2015, when compared to the corresponding period in 2014.

The Company realized an OER for Q4 2015 of 18.4% (Q4 2014: 18.4%) and for the year ended December 31, 2015 of 18.9% (year ended December 31, 2014: 18.4%) which is largely the result of improvements in operational practices. The installation of the new boiler at Lokutu in 2016 and ongoing improvements in operational practices continue to give the Company confidence that achieving an OER similar to those achieved through best practices in Africa is realistic in the medium term.

The following three factors currently have an impact on overall performance of the plantations:

i) *Young age profile of plantation*
The large percentage of immature palms in our plantations will continue to negatively impact our average yield for the next several years. Normal course maturation of our plantations will result in substantially improving yields over time.

ii) *Processing capacity limitations at the Lokutu mill*
The installation of a new boiler at Lokutu in 2016 will facilitate greater throughput at the mill due to higher steam pressure reducing sterilisation times.

iii) *Nutrient deficiencies at plantations*
Fertilizer, ground limestone, and guano have been applied to correct the deficiencies which, combined with a normal course fertilizer and soil maintenance regime, we anticipate will result in yield improvements in 2016.

The following table shows PHC's plantation profile as at December 31, 2015:

	As at December 31, 2015			Total as at December 31		
	Lokutu	Yaligimba	Boteka	2015	2014	2013
Plantations (Hectares)						
Immature						
Year 0	-	-	-	**-**	**4,639**	5,007
Year 1	2,400	1,802	437	**4,639**	**5,007**	3,924
Year 2	2,200	2,132	675	**5,007**	**3,924**	2,110
Year 3	1,707	1,447	770	**3,924**	**2,110**	1,027
	6,307	5,381	1,882	**13,570**	**15,680**	12,068
Producing						
4 - 7 Years	2,342	1,815	1,136	**5,293**	**3,941**	3,149
8 – 18 Years	294	418	650	**1,362**	**1,198**	1,515
19 – 25 Years	2,784	1,462	-	**4,246**	**4,469**	5,045
	5,420	3,695	1,786	**10,901**	**9,608**	9,709
Total Planted	11,727	9,076	3,668	**24,471**	**25,288**	21,777

The total number of producing hectares at December 31, 2015 was 10,901 ha (December 31, 2014: 9,608 ha). The net year-on-year increase of 1,293 ha is a result of 2,110 ha of young palms coming into production in Q1 2015 and 817 ha of old palms being removed during that period.

Whilst securing additional financing, the Company put its replanting programme on hold and nursery stocks were utilized to replace any young palms from prior years' plantings which were underperforming or had been lost. Now that financing has been secured in the form of the DFI Debt Facility, the Company is reassessing its replanting for the remainder of 2016 and beyond.

The Company has replanted in excess of 16,700 ha since it acquired PHC in 2009. All of the replanting the Company has undertaken has been brownfield in nature, where old palm trees are replaced with new. Feronia has no reliance on deforestation for the future growth of its three plantations and is able to increase its future producing hectares at far lower cost than if it were a greenfield operation.

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

The extensive replanting programme over the last five years is beginning to reduce the average age of planted hectares and the Company believes that, with best practice planting and fertilizer regimes and a normalized plantation age profile, it will be able to achieve FFB yields in the longer term closer to those achieved through best practices in Africa.

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

The Company has an extensive ESAP in place which covers areas including workers' housing, sanitation, schools, medical facilities, health and safety and environmental good practices. The ESAP has been developed as a roadmap to embed community and sustainability at the heart of Feronia's business and this objective is underpinned by an intention to achieve RSPO certification and to operate at ISO 14001 environmental management standards across all three of the Company's palm oil plantations. Developed in conjunction with CDC, the implementation of the ESAP was supported by the $3.6 million ESG Facility (as described below under "Liquidity and Capital Resources"). As part of the DFI Debt Facility agreement the ESAP has been expanded.

Whilst there is still considerable work required in order to bring the 105 year old business up to modern standards, the process to achieve this objective is well underway.

An important part of Feronia's ESAP is an Environmental and Social Assessment ("ESA") which was carried out by Digby Wells Environmental, an international environmental and social consultancy with extensive experience throughout Africa and, in particular, the DRC. The ESA was published on the Company's website in February 2016.

The ESA analyzed the positive and negative environmental, cultural and socio-economic impacts and risks associated with the Company's rehabilitation of its 105-year old palm oil business in the DRC and is helping guide the implementation of measures to enhance, avoid and minimize such impacts.

The following table shows PHC's operational and social infrastructure as at December 31, 2015:

	As at December 31 2015				**Total as at December 31**	
	Lokutu	**Yaligimba**	**Boteka**	**Total**	**2014**	**2013**
Palm Nurseries						
Total Hectares	24	20	-	**44**	*50*	50
Seedlings	312,293	39,408	-	**351,701**	*640,562*	844,235
Hectares plantable from seedlings	1,561	197	-	**1,758**	*3,202*	4,221
Palm Oil Mills						
Palm Oil Mills / Oil Produced	1 / CPO & PKO	1 / CPO & PKO	1 / CPO	**3**	*3*	3
Palm Oil Mill Capacity (tonnes/hour)	15	23	10	**48**	*48*	48
Infrastructure						
Operational Roads (Km)	863	643	380	**1,886**	*1,734*	1,670
Employees	-	-	-	**3,853**	*3,713*	3,474
Houses	1,985	1,095	640	**3,720**	*3,720*	3,730
Schools	60	21	13	**94**	*91*	90
Hospitals	2	1	1	**4**	*4*	4

Dispensaries	9	3	5	**17**	*15*	14
Health Centres	2	1	2	**5**	*4*	4

As at December 31, 2015, the Company employed 3,853 permanent staff in its palm oil operations (December 31, 2014: 3,713). A key asset for the Company is its experienced and knowledgeable workforce, which is proving to be a significant advantage in the rehabilitation process, in the operation of its three plantations and has been a major factor in the Company's ability to replant in a cost effective manner.

The Company also has in place a management training programme to develop management capabilities and skills across four areas - agronomy, finance, technical (engineering) and personnel. The predecessor of this programme produced many of the Company's senior executives and many other talented managers working throughout the DRC and overseas. The Company believes this is essential to ensure the development of skills through the organisation and is a key part of the Company's succession planning. The two year programme is open to Congolese nationals under 33 years of age with relevant qualifications and experience. Successful applicants are required to pass a technical examination and interview and are subject to ongoing assessment during the training programme. The 2015 cohort commenced the training programme in July 2015.

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

During 2015, the Company opened one new health centre and one new dispensary at its Boteka plantation. The Company continues to invest in a programme to refurbish and re-equip healthcare facilities across all of its plantations and expand these facilities to improve healthcare services for those living on and around its plantations. Feronia is the only provider of healthcare and services in the areas in which it operates.

During 2014, the Company commenced a programme to install fibre boilers at all three of its plantations. The first new boiler arrived at Lokutu in November 2015, installation is well advanced and it is expected to be operational in Q2 2016.

The higher steam pressure generated by the new Lokutu boiler will reduce sterilisation times and facilitate greater throughput at the mill. Additionally, the higher steam pressure will enable fresh fruit bunches to be cooked more thoroughly resulting in better fruitlet removal and improved oil extraction rate.

The new boilers use the fibre by-product of the palm oil production process as fuel which will power turbines to generate electricity. As the Company's production levels increase, it will produce more fibre which will contribute to the Company's ability to meet its power requirements for the mills and other parts of the plantations including hospitals. Following the signing of the DFI Debt Facility, the Company commenced the procurement process for new fibre boilers for its Yaligimba and Boteka plantations.

In August 2015, Feronia signed an agreement with BioCube Corporation for the purchase, installation & commissioning of a Biocube1 at Yaligimba. The BioCube1 is a compact, affordable biodiesel processor which is engineered to fit within a specially modified 20’ sea container. The BioCube can operate on or off-grid and can produce biodiesel within hours of arrival. Feronia’s BioCube 1 is now operational at Yaligimba and the biofuel it produces is being used by the Company in all of its vehicles and electricity generators on that plantation.

The installation of fibre boilers and the BioCube1 are expected to greatly reduce the Company’s reliance on expensive and imported fossil fuels and move the Company towards a long term aim of becoming energy independent.

Through the savings generated by reducing the Company’s dependence on fossil fuels, the Company expects to recoup its investment on new boilers in one to two years and on the BioCube1 in less than one year. Additionally, moving from fossil fuel to free and sustainable fuel sources, such as fibre and the generation of biofuel from its own palm oil, will contribute towards the Company’s commitment to environmental and sustainability good practice.

BUSINESS PERFORMANCE: Arable Farming

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

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

The Company has a five tonne per hour rice mill and associated drying facilities which is the only industrial-scale rice mill in the region. These facilities allow the Company to process its own crop and that potentially produced by other local small-holder farmers.

Management believes that the market for domestically produced rice in and around the Bas Congo region of the DRC is considerable and the Company continues to believe in the immense agricultural potential of the DRC. 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 Feronia Arable business. The partner has extensive domestic and international agricultural experience and is funding the feasibility study. The study is still in its first year and its outcome is as yet unknown. In the absence of any other information to support the valuation of the Company’s arable fixed assets it has elected to reduce their carrying value. This will be reviewed further once the results of the feasibility study are available.

SELECTED ANNUAL INFORMATION

The following selected financial information has been derived from the audited consolidated financial statements for the years ended December 31, 2015, 2014 and 2013:

Years ended December 31,	**2015 ($)**	**2014 ($)**	**2013 ($)**
Operating Results			
Revenue	10,936,308	10,829,515	6,687,872
Net loss from continuing operations attributable to owners of the parent(1)	(21,399,977)	(15,650,937)	(10,115,746)
Loss per share from continuing operations attributable to owners of the parent(1)			
Basic	(0.39)	(0.28)	(0.18)
Diluted	(0.39)	(0.28)	(0.18)
Financial Position			
Total assets	81,586,162	55,723,106	71,171,831
Total non-current financial liabilities	26,713,119	16,028,869	16,280,620
Cash dividends declared per share	-	-	-
Weighted average number of shares outstanding	55,234,930	55,231,085	55,205,051

Note:

Information for all periods is presented in accordance with IFRS and in U.S. dollars

(1) The Company does not have any discontinued operations

DISCUSSION OF OPERATIONS – Three months and year ended December 31, 2015

Revenue and Gross Margin

(Expressed in thousands of US dollars)	Three months ended December 31			Year ended December 31		
	2015	2014	% Change	**2015**	2014	% Change
Revenues						
Oil Palm Plantations	**4,186**	2,265	85%	**10,922**	10,284	6%
Arable Farming	**-**	39	(100%)	**14**	546	(97%)
	4,186	2,304	82%	**10,936**	10,830	1%
Cost of sales						
Oil Palm Plantations	**6,163**	2,831	(118%)	**13,289**	13,017	(2%)
Arable Farming*	**158**	422	63%	**1,078**	2,097	49%
	6,321	3,749	(94%)	**14,367**	15,114	5%
Gross Profit (Loss)						
Oil Palm Plantations	**(1,977)**	(566)	(249%)	**(2,367)**	(2,733)	13%
Arable Farming*	**(158)**	(879)	82%	**(1,064)**	(1,551)	31%
	(2,135)	(1,445)	(48%)	**(3,431)**	(4,284)	20%
Gross Margin – Oil Palm	**(47%)**	(25%)		**(22%)**	(27%)	

*Excludes impairment of arable fixed assets

Total revenues for Q4 2015 were $4,186,000 an increase of $1,882,000 or 82% on Q4 2014 revenues of $2,304,000. The increase can be attributed to:

- CPO sales of $3,829,000 being 106% higher than the prior year (Q4 2014: $1,859,000). This increase was due to the volume of CPO sold in Q4 2015 of 5,948 tonnes being 138% higher than in Q4 2014 (Q4 2014: 2,496 tonnes), partially offset by a 14% reduction in the average CPO price achieved of $644 per tonne compared to $745 per tonne in Q4 2014. The increase in revenues for Q4 2015, along with associated CPO and PKO volumes, are a consequence of successful negotiations in Q3 2015 regarding future sales contracts with a new refining customer. A sales contract for 6,393t of CPO was signed in September 2015, for which the Company received a $3,000,000 deposit. The majority of this contract related to CPO and PKO to be delivered in Q4 2015 and, as the Company recognises sales upon delivery to its customers, is reflected in the Q4 2015 condensed consolidated financial statements;
- PKO sales of $311,000 in Q4 2015, being 64% higher than the prior year (Q4 2014: $190,000); and
- no Feronia Arable sales in Q4 2015 (Q4 2014: $39,000) reflecting the reduction in Feronia Arable's activities in order to focus on its core production of palm oil.

Total revenues for the year ended December 31, 2015 were $10,936,000 an increase of $107,000 or 1% on the year ended December 31, 2014 revenues of $10,830,000. The increase can be attributed to:

- CPO sales of $9,948,000, being 8% higher than the prior year (2014: $9,213,000). The increase was primarily due to the volume of CPO sold in the year ended December 31, 2015 of 13,926 tonnes being 21% higher than in 2014 (2014: 11,535 tonnes), partially offset by a 11% reduction in the average CPO price achieved during the period of $714 per tonne compared to $799 per tonne in 2014;
- a decrease in PKO sales of $175,000 to $696,000 in 2015, being 20% lower than the prior year (2014: $870,000); and
- a decrease in Feronia Arable sales of $532,000 in 2015 to $14,000, being 97% lower than 2014 (2014: $546,000).

During 2015 the global price of CPO declined with the average FOB Malaysia CPO reference price for 2015 being $557 per tonne, a 24% or $179 per tonne decrease on the average price for 2014 of $736 per tonne. The Company's ability to achieve a CPO sale prices in excess of global average prices is due to the cost and logistical difficulty of importing CPO into the DRC.

Cost of sales for Q4 2015 was $6,321,000 (Q4 2014: $3,749,000), an increase of $2,572,000, or 68%. This was a result of:

- Cost of sales for PHC in Q4 2015 being $6,163,000 (Q4 2014: $2,831,000), an increase of $3,332,000, or 118%, as a result of a 138% increase in the volume of CPO sold in the quarter of 5,948 tonnes (Q4 2014: 2,496 tonnes). This was partially offset by a 9% reduction in production costs per tonne; and
- Feronia Arable costs in Q4 2015 of $158,000 down $264,000 (Q4 2014: $422,000) as a result of scaling down of Feronia Arable operations and costs being borne by the Company's feasibility study partner.

Cost of sales for year ended December 31, 2015 was $14,367,000 (year ended December 31, 2014: $15,114,000), a decrease of $747,000 or 5%. This was as a result of:

- PHC cost of sales for 2015 being $13,289,000, an increase of $272,000, or 2%, on the prior year (2014: $13,017,000) which was the result of a 21% increase in the volume of CPO sold in 2015 of 13,926 tonnes (2014: 11,535 tonnes) offset by a 15% reduction in production costs per tonne; and
- Feronia Arable cost of sales for 2015 being $1,078,000, a decrease of $1,019,000, or 49%, on the prior year (2014: $2,097,000) as a result of scaling down of Feronia Arable operations and costs being borne by the Company's feasibility study partner.

Since 2010, the Company has replanted 16,707 ha of new trees of which 3,137 ha, or 19%, were producing in Q4 2015. As a result of the high percentage of immature and young palms in the Company's plantations, the average yield per hectare is low. This impacts all key operating metrics including cost of goods sold and gross margin. The portfolio of immature and young palms is the Company's core asset. Young plants have a negative contribution to operating results and are a key factor in current gross losses. These losses are expected to reverse as the trees mature and more hectares come into production. Therefore, over time, the Company's cost of production on a per tonne basis is expected to decline substantially. Achieving this remains a key objective of the Company.

Selling, General and Administrative Costs

(*Expressed in thousands of US dollars*)	Three months ended December 31			Year ended December 31		
	2015	2014	*% Change*	**2015**	2014	*% Change*
Selling, general and admin	**4,188**	3,146	*33%*	*13,480*	11,724	*15%*
Other losses (gains)	**136**	246	*(45%)*	*154*	439	*(65%)*
	4,324	3,392	*27%*	*13,634*	12,163	*12%*

Selling, general and administrative ("SG&A") costs for Q4 2015 of $4,188,000 were $1,042,000 higher than in Q4 2014 (Q4 2014: $3,146,000), an increase of 33%. This was largely as a result of:

- a $269,000 increase in salary costs due to hiring new staff, largely in the areas of health and safety and environmental and social development;
- a $140,000 increase in legal and professional fees for corporate restructuring related to the DFI Debt Facility;
- a $200,000 increase in retirement benefits in the DRC; and
- $178,000 of third party plantation visits relating to financing and ESG requirements.

SG&A costs for the year ended December 31, 2015 of $13,480,000 (2014: $11,724,000), an increase of $1,756,000 or 15%. This was largely as a result of:

- increases in payroll costs reflecting wage increases for plantation workers pursuant to the collective agreement implemented from January 1, 2015, along with an increase in the number of employees;
- an increase in salary costs due to hiring new staff, largely in the areas of health and safety and environmental and social development;
- redundancy costs within the arable operations; and
- the appointment of a new Chief Executive Officer in January 2015.

Gain (Loss) on Biological Assets and Planting Costs

(Expressed in thousands of US dollars)	Three months ended December 31			Year ended December 30		
	2015	2014	% change	**2015**	2014	% change
Gain (loss) on Biological Assets	**9,871**	4,271	131%	**15,037**	(1,688)	991%

Under IFRS, the oil palm trees are classified as non-current biological assets and are valued on the basis of discounted cash flows taking into account the assets' expected 25-year economic life, the mature and immature hectares in production, the three-year rolling average price of CPO and a discount rate of 22% (2014: 22%). The Company reviews the discount rate, mature and immature hectares annually. The variable element in the computation at each quarter end is the price of CPO. If the price of CPO increases, the value of the biological asset will increase and if the price of CPO decreases, the value of the biological asset will decrease.

The three year rolling average price of CPO used at December 31, 2015 was $766 per metric tonne, a decrease of $126 from $892 per metric tonne as at December 31, 2014 and were calculated using CIF Rotterdam reference prices. However, improvement in sales terms achieved during the year eliminated direct selling costs of $150 per metric tonne which more than offset the reduction in the rolling average price of CPO used in the valuation model.

This and a net increase of 4,453 ha of producing trees resulted in a gain on biological asset for the year ended December 31, 2015 of $15,037,000 compared to a loss of $1,688,000 in the year ended December 31, 2014.

During the year ended December 31, 2015, $4,452,000 of nursery costs and costs incurred in the replanting and maintenance of immature trees were transferred from 'Assets Under Construction' to 'Non-current Biological Assets'. For the year ended December 31, 2014, these costs were $3,641,000

Finance Costs and Finance Income

Finance costs for the year ended December 31, 2015 were $11,745,000 (2014: $1,082,000). The increase in the year to date was largely due to interest and accretion expense on debentures issued during 2015 and an increase in derivative liability fair value. The increase in derivative liability fair value was $6,093,000 (2014: nil) and represented the largest element of this increase. This will reverse in 2016 when the 2015 debentures convert into common shares.

Finance income for the year ended December 31, 2015 was $982,000 (2014: $5,000) and relates to a change in the fair value of warrant liabilities.

Income Taxes Under IFRS

Under IFRS, the Company had a fair value gain on non-current biological assets of $15,037,000 for the year to December 31, 2015 (2014 loss: $1,688,000). This resulted in a provision for deferred tax of $5,263,000 for the year to December 31, 2015 (2014: released provision of $590,000). Deferred tax is calculated at a rate of 35% on the biological gain or loss.

Net Loss

(Expressed in thousands of US dollars)	Three months ended December 31			Year ended December 31		
	2015	2014	% change	**2015**	2014	% change
Net loss	**15,426**	3,369	358%	24,948	20,267	23%

Net loss for the year ended December 31, 2015 was $24,948,000, an increased loss of $4,680,000 compared to the prior year (2014 net loss: $20,267,000). This is the net impact of a $747,000 decrease in cost of sales, an increase in finance income of $977,000 and a year on year increase in biological assets of $16,725,000, offset by an increase in SG&A costs of $1,756,000, an increase in finance costs of $10,663,000, the impairment of Feronia Arable assets of $3,734,000 and an increase in tax expense of $7,366,000 which is largely due to an increase in biological asset valuation.

Net Loss Attributable to Owners of the Parent

(Expressed in thousands of US dollars)	Three months ended December 31			Year ended December 31		
	2015	2014	% change	**2015**	2014	% change
Net loss	**14,680**	2,620	461%	21,383	15,651	37%

The net loss attributable to Feronia for Q4 2015 was $14,680,000 (Q4 2014 net loss: $2,620,000) which is equivalent to $0.27 per share (Q4 2014 net loss per share: $0.05). The net loss attributable to Feronia for the year ended December 31, 2015 was $21,383,000 (2014 net loss: $15,651,000), which is equivalent to $0.39 per share (2014 loss per share: $0.28).

Net Loss Attributable to Non-controlling Interests

The net loss attributable to non-controlling interests for Q4 2015 was $747,000 (Q4 2014 net loss: $749,000) and for the year ended December 31, 2015 was $3,564,000 (2014 net loss: $4,616,000) which represents the share of losses attributable to the 23.83% and 20% holdings in PHC and Feronia Arable respectively.

COMPARISON OF FINANCIAL CONDITION

The following table provides a comparison of the Company's financial condition as at December 31, 2015 compared to December 31, 2014:

(Expressed in thousands of US dollars)	**December 31**	December 31	
	2015	2014	% Change
Total current assets	**16,585**	**8,675**	91%
Total current liabilities	**44,386**	**7,769**	430%

Net current assets	**(27,801)**	**906**	(3170%)
Total shareholder's equity	**10,704**	**31,925**	(66%)

SUMMARY OF QUARTERLY RESULTS

The following table provides summary financial data for the Company's last eight quarters ended December 31, 2015:

(Expressed in thousands of US dollars, except per share amounts)	**Dec 31 2015**	**Sep 30 2015**	**Jun 30 2015**	**Mar 31 2015**
Revenues	4,186	794	3,463	2,493
Net income (loss) attributable to owners of the parent	(14,680)	(8,850)	(1,354)	3,750
Net income (loss) per share attributable to owners of the parent – Basic	(0.27)	(0.20)	(0.06)	0.08
Net income (loss) per share attributable to owners of the parent – Diluted	(0.27)	(0.20)	(0.06)	0.06
	Dec 31 2014	**Sep 30 2014**	**Jun 30 2014**	**Mar 31 2014**
Revenues	2,304	2,928	3,977	1,621
Net income (loss) attributable to owners of the parent	(2,620)	(5,604)	(3,608)	(3,819)
Net income (loss) per share attributable to owners of the parent – Basic	(0.05)	(0.13)	(0.07)	(0.09)
Net income (loss) per share attributable to owners of the parent – Diluted	(0.05)	(0.13)	(0.07)	(0.09)

Notes:

(1) Information in the above table is presented in accordance with IFRS.

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

The variations in the Company's quarterly results were driven largely by fluctuations in sales volumes and the price of CPO, which impacts revenue, and the valuation of the Company's biological assets and net losses. There is also seasonality in fruit production, with peak crop production typically occurring in the second quarter of the year.

CASHFLOWS AND LIQUIDITY

The cash balance at December 31, 2015 was $5,236,000 compared to $793,000 as at December 31, 2014. The increase in the cash balance of $4,443,000 was a result of net cash inflows from financing activities of $29,592,000 and a net cash loss from operations (excluding non-cash items) of $15,951,000, capital expenditure of $8,855,000, a foreign exchange loss on currency translation of $41,000 and a decrease in working capital of $301,000.

The net cash inflows from financing activities relate to the issue of debentures during Q1, Q2 Q3 and Q4 2015 (see below under "Liquidity And Capital Resources").

The cash outflow attributable to the decrease in working capital during the year ended December 31, 2015 of $301,000 (2014: cash outflow of $192,000) comprised of an increase

in accounts receivable of $1,000 and an increase in accounts payable of $3,167,000 offset by an increase in prepayments of $2,928,000 and an increase in inventory of $539,000.

Investing activities in the year ended December 31, 2015 resulted in cash outflows of $8,855,000 (2014: $4,588,000).

LIQUIDITY AND CAPITAL RESOURCES

The Company recorded net cash outflows in operations and investing activities for the year ended December 31, 2015 and it is probable that this will continue for an additional few years as the Company continues to make significant investments in equipment and infrastructure activities necessary to commercialize its products. Feronia's actual funding requirements will vary based on the factors noted above and its relationships with lead customers and strategic partners.

On November 8, 2013, the Company entered into a convertible loan facility with one of its largest shareholder CDC, pursuant to which CDC has made available an unsecured non-revolving term loan (the "ESG Facility") in the maximum amount of $3.6 million at an annual interest rate of 12% for a term of five years. The funds available under the ESG Facility are required to be used by the Company to support the implementation of an ESAP developed jointly with CDC. The principal under the ESG Facility will be either repaid or converted into common shares on the maturity date and in certain other circumstances at a rate of CDN$2.40 per common share (subject to customary adjustment provisions). Subject to the approval of the TSX Venture Exchange (the "TSXV"), the interest payable under the ESG Facility will be convertible into common shares at a rate equal to the greater of CDN$2.40 and the Discounted Market Price (as defined by the policies of the TSXV) at the time of conversion. As of the date of this MD&A, advances and accrued interest under the ESG Facility total $4,029,534 and, as a result, 2,127,376 common shares are issuable thereunder at current exchange rates and assuming a conversion rate of CDN$2.40.

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, the Company issued a tranche of $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, through its subsidiary Golden Oil Holdings Limited ("GOHL"), for the private placement of $9.18 million secured convertible debentures, completing the previously announced private placement of secured convertible debentures. The first tranche of $8,196,500 principal amount of debentures were issued on June 19, 2015 (the "June 2015 Debentures"), with the second tranche of $983,500 principal amount of debentures being issued on July 16, 2015 (the "July 2015 Debentures").

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 in the Amended January 2015 Debentures); and (ii) deleting the concept of a "Qualified Debt Financing" and replacing it with an "Amended Debt Financing".

On November 5, 2015, the board of directors resolved to issue up to $17.5 million of secured convertible debentures (the "November 2015 Debentures") with terms substantially the same as those of the convertible debenture financing completed by Feronia in June and July of 2015. On November 9, 2015 the Company entered into a subscription agreement with CDC for the private placement of $10 million secured convertible debentures and on November 20, 2015 the Company entered in to a subscription agreement with GOHL for the private placement of $5 million secured convertible debentures. Also on November 9, 2015, the Company amended the Amended January 2015 Debentures, June 2015 Debentures and July 2015 Debentures. The amendments included the definition of Amended Debt Financing. The first tranche of $10 million principal amount of debentures were issued on November 9, 2015 to CDC, the second tranche of $1.8 million principal amount of debentures were issued to GOHL on November 27, 2015 and the third and final tranche of $3.2 million principal amount of debentures were issued to GOHL on January 15, 2016..

Each of the subscribers of the January 2015 Debentures, June 2015 Debentures, July 2015 Debentures and November 2015 Debentures (together, 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. Interest on the Debentures was 12% per annum, compounded semi-annually. The Debentures were subsequently amended in Q1 2016 to extend the maturity date until April 30, 2016

On December 22, 2015 PHC entered into the DFI Debt Facility, a secured term facility agreement for up to $49 million with a syndicate of European DFIs. The amount advanced under the DFI Debt Facility will be repaid semi-annually over a six year period commencing September 2019. The DFI Debt Facility is subject to covenants, pledges and charges typical of a loan facility of this nature and is secured by way of a first ranking security against the assets of PHC and by way of a pledge of the shares of PHC by a Belgian subsidiary of Feronia.

The purpose of the DFI Debt Facility is to finance investment into equipment, replanting, fertilizer and ESG expenditures required as part of the rehabilitation of PHC's three palm oil plantations in the DRC.

On April 13, 2016, all conditions precedent were satisfied to facilitate a first drawdown of $15 million (the "First Drawdown") from the DFI Debt Facility.

In connection with the First Drawdown, all of the principal and interest owing on the Debentures automatically converted into common shares of Feronia at a price of CDN$0.14 per common share pursuant to the terms of the Debentures. As a result, a total of $31,330,000 principal amount of Debentures and $2,700,946 of accrued interest converted into an aggregate of 291,693,813 common shares.

OUTLOOK

Securing the DFI Debt Facility and satisfying the conditions for the First Drawdown are important developments for the Company's palm oil division. The DFI Debt Facility is in place to finance investment into equipment, replanting, fertilizer and ESG expenditures as part of the rehabilitation of PHC's three palm oil plantations and, as such, will enable the Company

to continue to drive value creation through new plantings, increase yields through the utilisation of best practices, improved harvesting and evacuation and the application of fertilizer, and to increase capacity and efficiency in its production process through on-going improvements and investments.

In its arable farming division, having demonstrated the demand for its products and having established an effective pricing structure, the Company has entered into an agreement with a partner to undertake a two year feasibility study regarding the future development of the Feronia Arable business. The partner has extensive domestic and international agricultural experience and is funding the feasibility study.

In summary, the key objectives of the Company for 2016 are to:

(i) Satisfy conditions required to drawdown the second disbursement of the DFI Debt Facility;
(ii) complete the installation of the new Lokutu boiler and advance the procurement process for new boilers at Boteka and Yaligimba; and
(iii) improve operational performance and realize efficiencies in the palm oil business through the continued implementation of best practices and appropriate capital investment.

KEY FACTORS AFFECTING THE COMPANY'S BUSINESS

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

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

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

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

The local DRC palm oil market consists of a small number of refining factories located in Kinshasa. In April 2015 the Company signed a sales contract with a leading refiner in Kinshasa whereby it will supply a substantial part of its CPO production over the next two years at prices determined by a pre-agreed formulae based on global CPO prices.

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

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

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

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

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

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

RELATED PARTY DISCLOSURES

The following transactions were carried out with related parties.

Purchase of services from key management personnel **Purchase of services:**	**Year ended December 31,** **2015**	 **2014**
Board fees *(1)*	$245,000	$230,912
Purchase of consultancy services, and property rental payments *(2)*	-	$100,000
	$245,000	**$330,912**

(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:

	Year ended December 31, **2015**	 **2014**
Salaries and short-term employee benefits	$999,788	$746,952

Change in fair value of share-based payments	**Year ended December 31,** **2015**	 **2014**
Change in fair value of share-based payments	$9,396	$21,376

Payables to related parties	**Dec 31, 2015**	**Dec 31, 2014**
Board of Directors fees	$56,875	$125,136
Other Consultancy fees	-	-
Key management compensation	$86,875	$91,458
	$143,750	$216,594

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

SUMMARY OF OUTSTANDING SHARE DATA

As at the date of this MD&A, the authorized share capital of the Company consists of an unlimited number of common shares, of which 346,938,173 common shares are issued and outstanding. In addition, the Company has outstanding:

(i) CDN$5,363,000 principal amount of debentures issued in 2012 which are convertible into 3,064,571 common shares;

(ii) advances and accrued interest under the ESG Facility totaling $4,029,534 and, as a result, 2,127,376 common shares are issuable thereunder at current exchange rates and assuming a conversion rate of CDN$2.40 per share; and

(iii) options outstanding to purchase up to 826,761 common shares.

Assuming the exercise or conversion of all of the outstanding debentures, options and principal amount and interest under the ESG Facility, an aggregate of 352,956,881 common shares will be issued and outstanding on a fully diluted basis.

NON-GAAP FINANCIAL MEASURES

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

RISKS AND UNCERTAINTIES

The Company is subject to various business, financial and operational risks that could materially adversely affect the Company's future business, operations and financial condition and could cause such future business, operations and financial condition to differ materially from the forward-looking statements and information contained in this MD&A.

Risks Related to the Business

Foreign operations are subject to various political, economic and other risks and uncertainties

All of the Company's operations are currently conducted in the DRC and, as a result, the operations are vulnerable to various levels of political, economic and other risks and uncertainties associated with operating in a developing economy in Africa. Such risks and uncertainties include, but are not limited to: high rates of inflation; currency exchange rates; labour unrest; deprivation of contract rights or the taking of property by nationalization or expropriation without fair compensation; renegotiation, nullification, termination or rescission of existing concessions, licenses, permits and contracts; changes in taxation policies; restrictions on foreign exchange; changing political conditions; and currency controls.

Any changes in investment policies or changes in political attitude in the DRC may adversely affect the Company's operations. Operations may also be affected by government regulations relating to, but not limited to, restrictions on production, price controls, import and export controls, currency remittance, income taxes, foreign investment, environmental legislation and land use. The Company is currently defending certain lawsuits where the actual outcome may vary from the amount recognized in the financial statements.
The occurrence of any of these risks and uncertainties may have an adverse effect on the Company's operations.

The Company's concessions may be terminated in certain circumstances

The plantations and arable farmland on which the Company operates are not owned by the Company but rather owned by the DRC government. The Company has concessions on such plantations and arable farmland pursuant to revolving 25-year leases which provide the Company with the right to occupy and develop the land. The concessions held by the

Company may be terminated under certain circumstances, including if development obligations are not met by the Company or if certain fees are not paid. There is also no certainty that the leases will be renewed by the DRC government at the end of their respective terms. The termination or non-renewal of any one or more of the Company's concessions could have a material adverse effect on the Company's financial condition or results of operations.

As discussed above under "Key Factors Affecting the Company's Business", the Agriculture Law has garnered some controversy with respect to various provisions, including a provision which purports to limit the rights of foreign corporations to farmland in the DRC. Certain agribusinesses in the DRC have raised concerns that this provision of the Agriculture Law may impede existing and new foreign investment in the agricultural sector. Feronia will continue to seek clarification on the implications of this legislation from local counsel and government in the DRC. If the Agriculture Law is interpreted by the DRC government to apply to the existing concession rights held by the Company, it could deprive the Company of its ability to conduct its operations in the DRC as currently conducted, hinder the Company's anticipated growth objectives in the DRC and affect the ability to attract capital if required. As a result, such occurrences could have a material and substantial adverse effect on the value of its business and its share price.

Political instability may adversely affect the business of the Company

The operations of the Company in the DRC may be subject to the effects of political changes, civil conflict and war, changes in governmental policy, the uncertainty of the DRC legal system, lack of law enforcement and labour unrest. The DRC is an impoverished country with physical and institutional infrastructure which is in a debilitated condition. The eastern regions of the DRC (particularly in the Kivu region) have undergone civil unrest and instability that may have an impact on political, social or economic conditions in the DRC generally and there is a potential for this civil unrest to escalate. Any such changes are beyond the control of the Company and may adversely affect its business. The plantations operated by the Company are a minimum distance of 1,000 km away from the Kivu region.

2016 is scheduled to be an election year in the DRC. Any change in the governing party or the election not occurring may create instability that may also impact the political, social or economic conditions in the DRC generally.

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

Political bureaucracy may impede the progress of the business

The lengthy political process of local, regional and national bureaucracy in the DRC may hinder the Company's goal of rapidly expanding its business. For example, local level political bureaucracy may impede the progress of entering into land leasing agreements with

local landowners. In addition, non-governmental organization ("NGO") pressure and influence over government decisions and initiatives may have a detrimental impact on the operations of the Company.

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

Certain areas of the DRC and across Africa lack basic infrastructure, including transport and communications. As a consequence, the Company will need to invest in building and maintaining its own network of roads and satellite-based communications systems, which may require significant financing and obtaining any necessary governmental approvals, neither of which can be assured. The inability to build such roads and establish appropriate communications systems may have an adverse effect on the operations of the Company and prevent the Company from achieving its stated business objectives.

The Company is going through a period of major transition

The expansion of the Company's operations may place a significant strain on its managerial, operational and financial resources. The ability to manage future growth will depend on the Company's ability to continue to implement and improve operational, financial and management information systems on a timely basis and to train, motivate and manage an enlarged workforce and its ability to integrate its existing workforce with that of any business that the Company may acquire.

The Company will also need to strengthen its internal controls as it continues to expand its business. Should it fail to take the above-noted measures, the Company may not be able to implement its strategies or to manage its growth effectively, and the business, financial condition and results of operations could be materially and adversely affected.

To the Company's knowledge, there has never been a large scale commercial rice planting program in the DRC. The Company commenced its arable farming operations in Q1 2011 and may be unable to achieve its growth objectives with respect to the arable farming operations. For example, the Company was unable to meet its objectives in 2011 for its arable farming operations due to adverse weather conditions. Feronia Arable is subject to certain operational risks discussed herein, including the risk of decreased productivity and those risks set out below under "Risks Relating to the Industry" although these risks have been largely mitigated having entered into an agreement with a partner to undertake a two year feasibility study regarding the future development of the Feronia Arable business.

The Company has a lack of profitability; access to capital may be limited

PHC has generated operating losses for the past several years. The Company has not earned any profits to date and has reported negative operating cash flow in its most recently completed financial year. There is no assurance that the Company will earn any profits in the future or generate positive cash flow, or that profitability, if achieved, will be sustained. If the Company is not able to achieve profitability or generate positive cash flow, it will require additional capital in the future and no assurance can be given that such capital will be available at all or available on terms acceptable to the Company. Furthermore, if the Agriculture Law is interpreted by the DRC government to apply to the existing concession rights held by the Company, it could affect the ability of the Company to attract capital if required.

Failure to obtain such capital could affect the Company's plans for growth, or result in it being unable to satisfy its obligations as they become due, either of which could have a material adverse effect on the Company's business and financial condition. If the Company is unable to obtain additional financing as needed, it may be required to reduce the scope of its operations or anticipated expansion, and pursue only those development plans that can be funded through cash flows generated from its existing operations. If the Company is unable to achieve profitability and have sustainable positive cash flows, prospective investors could experience a decrease in the value of their investment.

The Company has entered into the DFI Debt Facility and has completed the First Drawdown. There can be no assurance that the Company will satisfy the conditions precedent to facilitate future drawdowns of the DFI Debt Facility.

There is a limited availability of debt financing in the DRC

The financial sector within the DRC is relatively weak, with the primary lending facilities being offered by international banks such as Standard Bank of South Africa. As a result, there is limited availability of debt financing in the DRC, which may materially affect the financial condition of the Company. In order to meet future funding requirements, the Company may be required to undertake additional equity financing, which would be dilutive to shareholders. There is no assurance that additional financing will be available on terms acceptable to the Company or at all. If the Company is unable to obtain additional financing as needed, it may be required to reduce the scope of its operations or anticipated expansion, and pursue only those development plans that can be funded through cash flows generated from its existing operations.

Borrowing Risks and Loan Default

The DFI Debt Facility imposes covenants and obligations on the part of the Company. In particular, the DFI Debt Facility contains certain covenants and representations and warranties, the breach of which could result in a default and the acceleration of maturity of the DFI Debt Facility, the lenders realizing on their security, or diminished availability of refinancing alternatives or an increase to the associated costs thereof. As at December 31, 2015 and the date of this MD&A the Company was in compliance with the DFI Debt Facility covenants. There is no assurance that the Company will be in compliance with covenants in the future due to unforeseen events of circumstances.

Fluctuations in currency exchange rates may adversely affect the financial condition of the Company

The Company's operating expenses are incurred in U.S. dollars, Congolese francs, GBP and Euros. From time to time, the Company may borrow funds and incur capital expenditures that are denominated in foreign currency. In addition, any revenue generated from operations may be in currencies other than U.S. dollars. Accordingly, foreign currency fluctuations may adversely affect the Company's financial position and results of operations. With the upcoming elections in DRC, the uncertainty this brings could destabalise the economy and lead to devalution of the Congolese Franc. It is difficult to measure the impact to the business this would have as a lot of our costs are in CDF but it could result in inflation

and general economic downturn adversely impacting our major customers with a knock-on effect to the Company.

Competition from other businesses may adversely affect the business of the Company

The Company will face competition from well-established and politically-aligned merchants and importers, who may oppose the import-substitution business model of the Company. In addition, the Company expects to face competition from other international businesses with political connections. With respect to the palm oil business specifically, the Company will be competing with Malaysian, Indonesian and Chinese companies in terms of imports and the development of new plantations within the DRC and Republic of the Congo. Some of these competitors have greater financial resources than the Company and, accordingly, may be in a better position to compete for future business opportunities. There can be no assurance that the Company will be able to compete effectively with these companies.

If the Company loses any of its key personnel, the operations and business may suffer

The Company will be heavily dependent upon its management team in relation to their expertise in the agricultural industry and the relationships cultivated by them with major customers and others. The departure, or otherwise loss of service, of any of the Company's senior management may materially and adversely affect its business, financial condition and results of operations.

The Company relies heavily on local labour in the DRC

The Company's heavy reliance on local labour in the PHC operations will provide the trade unions with strong bargaining positions. While the Company has good relations with its employees, these relations could be impacted by any changes in the scheme of labour relations. Adverse changes in such legislation may have a material adverse effect on the Company's business, results of operations and financial condition. Any prolonged labour disruption could also have an adverse effect on the Company's ability to achieve its objectives.

Reliance on two major customers makes the Company vulnerable

Reliance by the Company on two primary refining customers makes it vulnerable to aggressive price negotiations and potential altercations regarding contractual obligations. Although the Company has a good business relationship with its customers, there is no guarantee that the Company will be able to continue these relationships or enter into written agreements with them on terms acceptable to the Company or at all. The loss of these customers could have a detrimental impact on the Company's business, financial condition and results of operations.

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

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

If the Company is unable to protect its business relationships, the operations and business may suffer

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

The operations of the Company may be subject to environmental risks and hazards

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

The Company may not be able to meets its expectations for the yields of the plantations

The success of the Company's business depends on the productivity of its plantations and its ability to realize yields at estimated levels. Yields depend on a number of factors, many of which may be beyond the control of the Company, including weather, climate and soil conditions, as well as damage by disease, pests and other natural disasters. The ability of the Company to maintain its yields will depend on these factors, and in particular the weather, climate and soil conditions for additional plantations that the Company may obtain in the future. If the Company cannot achieve yields at expected levels, the business, financial condition and results of operations may be materially and adversely affected. See also below under "Risks Relating to the Industry" regarding risks applicable to the agricultural industry in general.

Any outbreak of severe communicable diseases may materially affect the Company's operations and business

An outbreak of a communicable disease such as influenza A, severe acute respiratory syndrome or avian flu, may potentially result in a quarantine of infected employees and related persons, and if uncontrolled, may affect the operations and business of the Company. In addition, HIV/AIDS, malaria and other diseases are a major healthcare challenge in the DRC. There can be no assurance that the Company will not lose workforce hours or incur increased medical costs, which may have an adverse effect on the operations of the Company.

Risks Relating to the Industry

Agricultural production by its nature contains elements of risks and uncertainties

As an agriculture company, adverse weather conditions represent a significant operating and financial risk to the Company, affecting the quality and quantity of production and the levels

of farm inputs. See above under "Key Factors Affecting the Company's Business" for additional details regarding the significance of weather conditions to the Company.

Agricultural production is also subject to other significant operational risks and uncertainties which may adversely affect the business and operations of the Company, including but not limited to the following: (i) any future climate change with a potential shift in weather patterns leading to droughts and associated crop losses; (ii) potential insect, fungal and weed infestations resulting in crop failure and reduced yields; and (iii) wild and domestic animal conflicts and crop-raiding. To date, the Company has not achieved its growth objectives relating to its arable farming operations and there is no assurance that the Company will be able to realize commercially viable yields in its arable farming operations or maintain such commercially viable yields from season to season.

The Company may also encounter difficulties with the importation of agro-inputs and securing a supply of spares and maintenance items. In the event of a delay in the delivery from suppliers of agro-inputs and machinery, the Company may be unable to achieve its production targets.

A shift in commodity trends and demands will result in an associated change in prices

The price for products being produced by the Company, including the products produced by Feronia Arable, will depend on available markets at acceptable prices and distribution costs. Any substantial decline in the price of the products being produced by the Company, or any increase in the agricultural production costs, processing, transportation or distribution costs may have an adverse effect on the business of the Company.

PHC is vulnerable to fluctuations in the world market

Fluctuations in the world market for vegetable oils is driven either by consumer demand or changes in biofuel directives from foreign central governments. Any decline in consumer demand or negative change in biofuel directives may have a material adverse effect on the operations of PHC.

Additional Risk Factors

Dividends

To date, the Company has not paid any dividends on its outstanding shares. The Company does not currently intend to pay any cash dividends on its common shares in the foreseeable future and therefore its shareholders may not be able to receive a return on their shares unless they sell them. The Company's current policy is to retain earnings to reinvest in the Company. Therefore, the Company does not anticipate paying cash dividends in the foreseeable future. The Company's dividend policy will be reviewed from time to time by the board of directors of the Company in the context of its earnings, financial condition and other relevant factors. Until the Company pays dividends, which it may never do, its shareholders will not be able to receive a return on its common shares unless they sell them.

FORWARD-LOOKING STATEMENTS

Certain statements contained in this MD&A constitute "forward-looking statements". All statements other than statements of historical fact contained in this MD&A, including,

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

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

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

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