

FERONIA INC.

CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

(Unaudited)

For the three and six months ended June 30, 2018 and 2017

(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, 2018 and 2017 have been prepared by management and approved by the Audit Committee and the Board of Directors of the Company. These condensed consolidated interim financial statements have not been reviewed by the Company's external auditors.

FERONIA INC.

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(Unaudited)

For the three and six months ended June 30, 2018 and 2017

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Condensed consolidated interim statements of financial position
As at June 30, 2018 and December 31, 2017
Expressed in United States Dollars
(unaudited)

	Notes	June 30, 2018	December 31, 2017
Assets			
Current assets			
Cash	5	11,801,634	17,141,398
Receivables		670,870	1,335,709
Inventories		8,834,529	6,062,156
Prepaid expenses and other current assets		2,754,566	1,317,203
Biological asset	4	656,789	319,078
		<u>24,718,388</u>	<u>26,175,544</u>
Non-current assets			
Property, plant and equipment	3	80,589,733	76,425,738
Total assets		<u><u>105,308,121</u></u>	<u><u>102,601,282</u></u>
Liabilities			
Current liabilities			
Accounts payable and accrued liabilities	8	13,216,318	11,410,494
Provisions	17	561,455	561,455
Borrowings	9	47,567,466	52,335,577
Other financial liability	11	408,735	753,427
		<u>61,753,964</u>	<u>65,060,953</u>
Long-term Liabilities			
Borrowings	9	7,233,901	2,083,957
Derivative liability	10	1,748,120	4,466,380
Other long-term financial liabilities	11	2,981,964	2,993,940
Deferred tax liabilities		1,051,292	933,119
		<u>13,015,277</u>	<u>10,477,396</u>
Total liabilities		<u><u>74,769,251</u></u>	<u><u>75,538,349</u></u>
Shareholders' equity			
Share capital	6	132,883,443	124,383,443
Share-based payment and other reserves	7	4,352,275	3,941,537
Accumulated other comprehensive income		855,351	1,221,906
Deficit		(103,379,502)	(99,632,550)
Owners of the parent		34,711,567	29,914,336
Non-controlling interest		(4,172,697)	(2,851,403)
Total equity		<u><u>30,538,870</u></u>	<u><u>27,062,932</u></u>
Total equity and liabilities		<u><u>105,308,121</u></u>	<u><u>102,601,282</u></u>
Going concern	2		
Related parties	16		
Contingent liabilities	17		

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

On behalf of the Board:

"Paul Wythe", Director

"Xavier de Carniere", Director

Condensed consolidated interim statements of loss
For the three and six months ended June 30, 2018 and 2017
Expressed in United States Dollars
(unaudited)

	Notes	Three months ended June 30,		Six months ended June 30,	
		2018	2017	2018	2017
Revenue		7,565,150	5,879,872	12,988,701	8,184,850
Cost of sales		<u>(6,723,175)</u>	<u>(4,714,227)</u>	<u>(11,406,250)</u>	<u>(7,913,171)</u>
Gross income		841,975	1,165,645	1,582,451	271,680
Expenses					
Selling, general and administrative	12	(2,775,745)	(2,462,084)	(6,214,082)	(4,721,737)
Other income		137,128	1,904,453	360,722	176,479
Gain on biological assets		<u>93,951</u>		<u>337,711</u>	<u>-</u>
Operating income (loss)		(1,702,691)	608,014	(3,933,198)	(4,273,579)
Finance costs	13	(2,193,702)	(988,480)	(3,478,736)	(1,753,819)
Finance income (loss)	14	<u>(221,565)</u>	<u>-</u>	<u>2,566,234</u>	<u>-</u>
Loss before income tax		(4,117,958)	(380,466)	(4,845,700)	(6,027,398)
Income tax expense		<u>(114,221)</u>	<u>(32,645)</u>	<u>(257,532)</u>	<u>(68,684)</u>
Net loss from continuing operations		<u>(4,232,179)</u>	<u>(413,111)</u>	<u>(5,103,232)</u>	<u>(6,096,082)</u>
Loss from discontinued operations	15	<u>(91,222)</u>	<u>(80,679)</u>	<u>(136,759)</u>	<u>(208,729)</u>
Net loss for the period		<u>(4,323,401)</u>	<u>(493,790)</u>	<u>(5,239,991)</u>	<u>(6,304,811)</u>
Loss attributable to:					
Owners of the parent		(3,558,446)	(643,426)	(3,891,331)	(5,542,369)
Non-controlling interest		<u>(764,955)</u>	<u>149,636</u>	<u>(1,348,660)</u>	<u>(762,442)</u>
Net loss for the period		<u>(4,323,401)</u>	<u>(493,790)</u>	<u>(5,239,991)</u>	<u>(6,304,811)</u>
Loss per share to owners of the parent					
Basic & Diluted (dollars per share): continuing operations		(0.007)	(0.002)	(0.008)	(0.015)
Basic & Diluted (dollars per share): discontinued operations		<u>(0.002)</u>	<u>0.000</u>	<u>(0.003)</u>	<u>(0.002)</u>
		<u>(0)</u>	<u>(0)</u>	<u>(0)</u>	<u>(0)</u>
Weighted average number of shares outstanding:					
Basic		<u>483,716,469</u>	<u>361,894,864</u>	<u>477,505,312</u>	<u>361,894,651</u>
Diluted		<u>483,716,469</u>	<u>361,894,864</u>	<u>477,505,312</u>	<u>361,894,651</u>

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

Condensed consolidated interim statements of comprehensive loss
For the three and six months ended June 30, 2018 and 2017
Expressed in United States Dollars
(unaudited)

Notes	Three months ended June 30, 2018	Three months ended June 30, 2017	Six months ended June 30, 2018	Six months ended June 30, 2017
Net loss for the period	<u>(4,323,401)</u>	<u>(493,790)</u>	<u>(5,239,991)</u>	<u>(6,304,811)</u>
Other comprehensive income (loss)				
Cumulative translation adjustment - Continuing operations	(742,225)	647,407	(338,453)	834,095
Cumulative translation adjustment - Discontinued operations	(23,212)	(82,156)	(29,536)	162,620
Actuarial (gain) or loss on employment benefit, net of tax	<u>(424,449)</u>	<u>(541,414)</u>	<u>173,179</u>	<u>(437,666)</u>
Total comprehensive loss for the period	<u><u>(5,513,287)</u></u>	<u><u>(469,953)</u></u>	<u><u>(5,434,801)</u></u>	<u><u>(5,745,761)</u></u>
Total comprehensive income / (loss) attributable to:				
Owners of the parent	(4,647,186)	(490,570)	(4,113,507)	(4,900,098)
Non-controlling interest	<u>(866,101)</u>	<u>20,617</u>	<u>(1,321,294)</u>	<u>(845,663)</u>
	<u><u>(5,513,287)</u></u>	<u><u>(469,953)</u></u>	<u><u>(5,434,801)</u></u>	<u><u>(5,745,761)</u></u>

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

Condensed consolidated interim statements of changes in equity
For the six months ended June 30, 2018 and 2017
Expressed in United States Dollars
(unaudited)

	Attributable to owners of the parent						Total equity
	Share capital	Share-based payment and other reserves	Accumulated other comprehensive income (loss)	Retained earnings (deficit)	Total	Non-controlling interest	
Balance, January 1, 2017	116,133,463	2,855,769	(464,063)	(83,882,490)	34,642,679	(351,817)	34,290,862
Net loss for the period	-	-	-	(5,542,369)	(5,542,369)	(762,442)	(6,304,811)
Other comprehensive income (loss) (net of tax)	-	-	1,007,153	-	1,007,153	(10,437)	996,716
Actuarial gain on employment benefit, net of tax	-	-	-	(364,882)	(364,882)	(72,784)	(437,666)
Comprehensive gain (loss) for the period	-	-	1,007,153	(5,907,251)	(4,900,098)	(845,663)	(5,745,761)
Share-based compensation	-	544,427	-	-	544,427	-	544,427
Balance, June 30, 2017	116,133,463	3,400,196	543,090	(89,789,741)	30,287,008	(1,197,480)	29,089,528
Balance, January 1, 2018	124,383,443	3,941,537	1,221,906	(99,632,550)	29,914,336	(2,851,403)	27,062,933
Net loss for the period	-	-	-	(3,891,331)	(3,891,331)	(1,348,660)	(5,239,991)
Other comprehensive loss (net of tax)	-	-	(366,555)	-	(366,555)	(1,434)	(367,989)
Actuarial loss on employment benefit, net of tax	-	-	-	144,379	144,379	28,800	173,179
Comprehensive (loss) for the period	-	-	(366,555)	(3,746,952)	(4,113,507)	(1,321,294)	(5,434,801)
Shares issued for cash (net of share issue costs)	8,500,000	-	-	-	8,500,000	-	8,500,000
Share-based compensation	-	410,738	-	-	410,738	-	410,738
Balance, June 30, 2018	132,883,443	4,352,275	855,351	(103,379,502)	34,711,567	(4,172,697)	30,538,870

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

Condensed consolidated interim statements of cash flows
For the six months ended June 30, 2018 and 2017
Expressed in United States Dollars
(unaudited)

	Notes	June 30, 2018	June 30, 2017
Cash (used for):			
Operating activities:			
Loss from operating activities		(5,049,562)	(6,304,811)
Items not affecting cash:			
Share-based compensation		410,738	544,427
Amortisation		1,824,109	970,232
Employee incentive liability		(183,489)	838,148
Fair value gain on biological assets		(337,711)	-
Deferred tax expense		118,199	-
Change in derivative liability		(2,787,799)	-
Debenture accretion expense		202,852	272,414
Interest on convertible loan and debentures		269,187	254,339
Unrealised foreign exchange loss		(534,329)	(437,666)
		<u>(6,067,805)</u>	<u>(3,862,917)</u>
Changes in non-cash working capital:			
Receivables		664,839	621,794
Prepaid expenses and other current assets		(1,437,363)	(1,113,586)
Inventories		(2,772,373)	461,681
Accounts payable and accrued liabilities		300,668	(1,968,757)
		<u>(3,244,229)</u>	<u>(1,998,868)</u>
Cash used in operating activities		(9,312,034)	(5,861,785)
Financing activities:			
Issuance of shares (net of costs)		8,500,000	-
Proceeds from DFI Debt Facility		-	20,000,000
Cash from financing activities		<u>8,500,000</u>	<u>20,000,000</u>
Investing activities:			
Acquisition of assets		(5,988,228)	(8,131,255)
Cash used in investing activities		<u>(5,988,228)</u>	<u>(8,131,255)</u>
Foreign exchange loss on currency translation		(44,658)	104,799
Increase/(decrease) in cash		(6,844,920)	6,111,759
Cash, beginning of period		17,141,398	1,202,112
Cash, end of the period	5	<u>10,296,478</u>	<u>7,313,871</u>
Cash paid for income tax		712	17,175
Interest paid		2,188,884	1,052,637

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Feronia Inc.
Notes to the condensed consolidated interim financial statements
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1. Nature of operations

Feronia Inc. ("Feronia" or the "Company"), incorporated under the laws of British Columbia, Canada, operates through its subsidiaries in the business of agriculture, producing palm oil and palm kernel oil in the Democratic Republic of Congo (the "DRC").

Feronia Maia sprl. ("Feronia Maia"), a private Company, incorporated under the laws of Belgium by Memorandum and Articles of Association dated December 3, 2015, is 100% owned by the Company.

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 Maia.

Plantations Et Huileries du Congo S.A ("PHC"), a private company incorporated under the laws of the DRC, is 83.37% owned and controlled by the Company.

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

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

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

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 1000 – 595 Burrard Street, Vancouver, British Columbia, Canada, V7X 1S8. The Company is governed by the law of the Province of British Columbia, 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 16.63% by the DRC government and 20% by a private DRC corporation, respectively.

The Group 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 Group'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 Group and the Agriculture Law is not amended, it could have a material and substantial adverse effect on the value of the Group's business and its share price. In such case, the Group may be required to sell or otherwise dispose of a sufficient interest in its operating subsidiaries so as to ensure that it meets the local ownership requirements contained in this law. There is no assurance that such a sale or disposition would be completed at fair market value or otherwise on acceptable terms to Feronia. The Agriculture Law came into force on June 24, 2012 and, according to its terms, holders of concessions to agricultural lands had until June 24, 2013 to comply with its provisions.

Feronia Inc.
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The Group is continuing to monitor the status of the Agricultural Law 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 Group to take no action in respect of the Agriculture Law.

2. Basis of presentation and going concern

These condensed consolidated interim financial statements ("interim financial statements") have been prepared in accordance with International Financial Reporting Standard ("IFRS") 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 annual consolidated financial statements for the year ended December 31, 2017 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 3 of the consolidated financial statements for the year ended December 31, 2017, and have been consistently applied in the preparation of these interim financial statements, except for the adoption of new and amended accounting standards as set out below. These interim financial statements were approved by the board of directors of the Company for issue on August 29, 2018.

These interim financial statements have been prepared on the basis of accounting principles applicable to, a going concern, which assume that the Company will be able to realize its assets and discharge its liabilities in the normal course of operations as they come due for the foreseeable future.

Certain reclassifications have been made to the prior year's consolidated financial statements to conform to the current year's presentation.

At June 30, 2018 the Group had a term facility (the "DFI Debt Facility") of \$47,567,466 (December 31, 2017 – \$47,463,582) classified as a current liability, as a result of a breach of the equity solvency ratio (refer to Note 9 (c)). On September 25, 2017, the Company entered into a subscription agreement for the private placement (the "Private Placement") of \$17.5 million of common shares by Straight KKM 2 Limited ("KKM") at a price of Cdn\$0.18 per common share in the capital of the Company ("Common Share") based on a fixed exchange rate of Cdn\$1.253 per \$1.00 as set out in the applicable subscription agreement. The Company closed the first \$9 million tranche of the Private Placement on October 16, 2017. The second \$8.5 million tranche of the Private Placement closed on January 19, 2018.

As the Group does not have funds to repay the DFI Debt Facility, its ability to continue as a going concern, therefore, is dependent on the DFI Debt Facility lenders not accelerating repayment on the funds drawn down. Currently the Group is in breach of the equity solvency ratio which was largely due to the decrease in value of Congolese Franc towards the end of 2016. There has been no notification from the lenders, however, that they intend to accelerate the loan.

These conditions indicate material uncertainty that may cast significant doubt as to the ability of the Group to meet its obligations as they come due and, accordingly, the ultimate appropriateness of the use of accounting principles applicable to a going concern.

These condensed consolidated interim financial statements do not reflect the adjustments to the carrying values of assets and liabilities and the reported expenses and balance sheet classifications that would be necessary if the Group were unable to realize the assets to settle its liabilities as a going concern in the normal course of operations. Such adjustments could be material.

New Accounting standards adopted during the year

IFRS 9, Financial Instruments

The final version of IFRS 9, 'Financial Instruments' ("IFRS 9"), was issued by the IASB in July 2014 and will replace IAS 39, 'Financial Instruments: Recognition and Measurement'. IFRS 9 introduces a model for classification and measurement, a single, forward looking "expected loss" impairment model and a substantially reformed approach to hedge accounting. The new single, principle based approach for determining the classification of financial assets is driven by cash flow characteristics and the business model in which an asset is held. The new model also results in a single impairment model being applied to all financial instruments, which will require more timely recognition of expected credit losses. It also includes changes in respect of own credit risk in measuring liabilities elected to be measured at fair value, so that gains caused by the deterioration of an entity's own credit risk on such liabilities are no longer recognized in profit and loss. The Company has adopted IFRS 9 as of January 1, 2018. Due to both the low level of credit loss experienced by the Company on its customer

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contracts, the lack of hedge accounting, and the lack of equity investments, there were no material changes upon adoption. The following are the Company's new accounting policies for its financial instruments under IFRS 9.

Financial assets

The Company recognizes a financial asset when it becomes contractually bound to the provisions of a financial instrument. Financial assets are initially measured at fair value and subsequently re-measured either at (i) amortized cost or (ii) fair value either through profit or loss ("FVPL") or through other comprehensive income ("FVOCI") based on the classification of the financial asset. The classification of the financial assets within each measurement category is based on the business model and cash flow characteristics of the instrument.

Gains and losses in respect to equity investments that the Company has irrevocably designated as FVOCI based on eligibility and the Company's election are recognized in other comprehensive income or loss in the consolidated statements and are not transferred to profit or loss upon disposition. Gains and losses in respect to equity investments not designated as FVOCI are recognized as other expense (income) in the consolidated statements.

Financial assets are derecognized when the Company has transferred substantially all the risks and rewards of ownership of the financial asset or when the related cash flows expire.

Financial liabilities

For financial liabilities, IFRS 9 retains most of the IAS 39 requirements. The adoption of IFRS did not impact our accounting policies for financial liabilities as disclosed in the annual financial statements for the year ended December 31, 2017.

The following table shows the previous classification under IAS 39 and the new classification under IFRS 9 for the Company's financial instruments:

Descriptions	Under IAS 39	Under IFRS 9
Cash	Loans and receivables	FVPL
Accounts receivable	Loans and receivables	Amortised cost
Accounts payables and accrued liabilities	Other financial liabilities	FVPL
Bank overdraft	Other liabilities	FVPL
Other payables	Other liabilities	FVPL
Borrowings	Other liabilities	Amortised cost
Derivative liability	Other liabilities	FVPL

Impairment of financial assets at amortized cost

The Company recognizes a loss allowance for expected credit losses on financial assets that are measured at amortized cost.

At each reporting date, the Company measures the loss allowance for the financial asset at an amount equal to the lifetime expected credit losses if the credit risk on the financial asset has increased significantly since initial recognition. If at the reporting date, the financial asset has not increased significantly since initial recognition, the Company measures the loss allowance for the financial asset at an amount equal to twelve month expected credit losses. The Company measures the loss allowance for trade receivables and contract assets at lifetime expected credit losses.

The Company shall recognize in the consolidated statements of net (loss) income, as an impairment gain or loss, the amount of expected credit losses (or reversal) that is required to adjust the loss allowance at the reporting date to the amount that is required to be recognized.

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IFRS 15, Revenue from contracts with customers

In May 2014, the IASB issued IFRS 15, 'Revenue from Contracts with Customers' ("IFRS 15"), which supersedes IAS 18, 'Revenue', IAS 11, 'Construction Contracts' and other interpretive guidance associated with revenue recognition. IFRS 15 provides a single model to determine how and when an entity should recognize revenue, as well as requiring entities to provide more informative, relevant disclosures in respect of its revenue recognition criteria. The Company has adopted the requirements of IFRS 15 as of January 1, 2018 and have elected to use a modified retrospective approach by recognizing the cumulative effect of initially adopting IFRS 15 as an adjustment to the opening balance sheet through equity at January 1, 2018. Therefore comparative information has not been restated and continues to be reported under IAS 18 'Revenue'.

IFRS 15 sets out a five-step model for recognition and measurement of revenue. Due to the nature of the Company's main revenue streams, the adoption of IFRS 15 did not lead to a material change in the Group's revenue accounting.

IFRS 15 requires that revenue from contracts with customers be recognized upon the transfer of control over goods and services to the customer. Currently, the Company recognizes revenue upon the transfer of palm oil goods to the customer, as set out in Note 3 of the Company's annual consolidated financial statements for the year ended December 31, 2017, as the transfer of control is generally satisfied when title transfers to the customer. Pursuant to IFRS 15, the shipping component associated with revenue from customer contracts is a separate performance obligation, requiring a portion of the revenue to be deferred and recognized only once a shipment has reached its destination. However, as title of the Company's palm oil goods is transferred at the customer's port, there is no impact to the Company's timing of revenue recognition as a result.

Accounting standards issued but not yet adopted

Unless otherwise noted, the following revised standards and amendments are effective for annual periods beginning on or after January 1, 2019, with earlier application permitted. The Company reviewed the new and revised accounting pronouncements that have been issued but are not yet effective and determined that the following may have an impact on the Company.

In January 2016, the IASB issued IFRS 16, 'Leases' ("IFRS 16") which established the principles that an entity should use to determine the recognition, measurement, presentation and disclosure of leases for both parties to a contract, i.e. the customer ('lessee') and the supplier ('lessor'). IFRS 16 replaces that previous leases standard, IAS 17, 'Leases', and related interpretations. IFRS 16 is effective from January 1, 2019 though a company can choose to apply IFRS 16 before that date but only in conjunction with IFRS 15. The Company is currently assessing the impact of this standard.

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3. Property, plant and equipment

	Land	Buildings	Plant and equipment	Motor vehicles	Bearer assets	Assets under construction	Total
Year ended December 31, 2017							
At January 1, 2017	2,094,589	3,583,265	11,060,746	264,196	17,491,289	28,452,955	62,947,040
Additions	-	-	1,925	-	-	15,645,473	15,647,398
Disposals	-	-	(35,117)	-	-	-	(35,117)
Transfers	-	2,052,849	7,123,673	401,044	14,125,689	(23,703,255)	-
Depreciation	-	(145,648)	(1,325,405)	(110,882)	(551,648)	-	(2,133,583)
At December 31, 2017	2,094,589	5,490,466	16,825,822	554,358	31,065,330	20,395,173	76,425,738
At December 31, 2017							
Cost	2,094,589	6,616,812	25,908,744	1,975,111	32,508,683	20,395,173	89,499,112
Accumulated depreciation	-	(1,126,346)	(9,082,922)	(1,420,753)	(1,443,353)	-	(13,073,374)
Net book value	2,094,589	5,490,466	16,825,822	554,358	31,065,330	20,395,173	76,425,738
Six months ended June 30, 2018							
At January 1, 2018	2,094,589	5,490,466	16,825,822	554,358	31,065,330	20,395,173	76,425,738
Additions	-	-	-	-	-	5,988,228	5,988,228
Disposals	-	-	-	-	-	-	-
Transfers	-	32,784	1,346,703	16,071	-	(1,395,558)	-
Depreciation	-	(96,322)	(1,210,794)	(90,275)	(426,842)	-	(1,824,233)
At June 30, 2018	2,094,589	5,426,928	16,961,731	480,154	30,638,488	24,987,843	80,589,733
At June 30, 2018							
Cost	2,094,589	6,649,596	27,255,447	1,991,182	32,508,683	24,987,843	95,487,340
Accumulated depreciation	-	(1,222,668)	(10,293,716)	(1,511,028)	(1,870,195)	-	(14,897,607)
Net book value	2,094,589	5,426,928	16,961,731	480,154	30,638,488	24,987,843	80,589,733

During the three months ended June 30, 2018, the Group capitalized borrowing costs of \$228,762 (June 30, 2017: \$317,436) on qualifying assets. Borrowing costs were capitalized at the weighted average of the Group's general borrowings at a rate of 8.45% up until March 14, 2018 and 9.30% from that date.

4. Biological assets

The figures in respect of fresh fruit bunches ("FFB") prior to harvest are based on the average selling price of the oil for the period ended June 30, 2018 less the cost of harvesting and evacuation of FFB. The market price is applied to a weight of crude palm oil ("CPO") which is calculated on the estimated weight of FFB on the oil palms using the average oil extraction

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rate achieved for the period. The weight derives from the assumption that the maximum amount of ripe fruit on oil palms can be no more than the amount of production that would normally be achievable in the period between harvest rounds. Based on this, the Group estimates the amount of fruit on the oil palms to be used in the calculation of this value is one week's average harvest based on the actual harvest for first week of the following month.

Accordingly, the value attributable to fruit on the palms as at June 30, 2018 was \$656,789 and December 31, 2017 was \$319,078 as below:

	June 30, 2018	December 31, 2017
Biological assets, beginning of period	319,078	-
Biological gain for the period/year	337,711	319,078
Biological assets, end of period	656,789	319,078

5. Reconciliation to cash flow statement

During the three months ended June 30, 2018, the Group was over drawn by \$1,486,205 from the overdraft facility available with the Trust Merchant Bank.

	June 30, 2018
Cash balance as per Statement of Financial Position	11,801,634
Bank overdraft	(1,505,156)
Cash balance as per statement of cash flow	10,296,478

6. Share capital

	Shares #	Shares (amount)
Balance, December 31, 2017	424,547,025	124,383,443
Shares issued for cash(net of share issue costs) (i)	59,169,444	8,500,000
Balance, June 30, 2018	483,716,469	132,883,443

- (i) September 25, 2017, the Company entered into a subscription agreement for the Private Placement of \$17.5 million of Common Shares by KKM at a price of Cdn\$0.18 per Common Share based on a fixed exchange rate of Cdn\$1.253 per \$1.00 as set out in the applicable subscription agreement. The Company closed the first \$9 million tranche of the Private Placement on October 16, 2017 and the second \$8.5 million tranche of the Private Placement on January 19, 2018. The Company issued 59,169,444 Common Shares to KKM at Cdn\$0.18 per common share on January 19, 2018. The cost of issue of such Common Shares was \$750,020.

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7. Share-based payment and other reserves

	June 30, 2018
	\$
Balance, December 31, 2017	3,941,537
Deferred share units ("DSUs")	410,738
Balance, June 30, 2018	4,352,275

The Company's stock options issued and outstanding is as follows:

	Number of Options	Weighted Average Exercise Price
	#	\$
Balance, December 31, 2017	531,761	2.67
Issued/Forfeited	-	-
Balance, June 30, 2018	531,761	2.62

As at June 30, 2018, 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	1.70	March 10, 2020	99,000	99,000	1.00	424,730
September 9, 2010	1.70	March 10, 2020	99,000	99,000	2.50	352,721
September 9, 2010	1.70	March 10, 2020	102,000	102,000	5.00	351,326
September 23, 2010	2.24	September 23, 2020	55,261	55,261	4.55	202,312
November 30, 2011	3.42	November 30, 2021	126,500	126,500	1.89	390,394
June 17, 2013	4.97	June 17, 2023	50,000	50,000	0.91	34,398
Unamortised portion of options						270,260
Total Options			531,761		2.62	2,026,141

The following table summarizes the deferred shared units issued during period ended June 30, 2018.

	Number of DSUs	Weighted Average Exercise Price
	#	\$
Balance, December 31, 2017	14,982,000	0.20
Cancelled	(995,993)	0.20
Balance, June 30, 2018	13,986,007	0.20

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As at June 30, 2018, the Company had the following outstanding DSUs:

Date of Grant	Remaining Contractual Life (Years)	Expiry Date	Number of DSUs Outstanding	Number of DSUs Exercisable	Weighted Average Exercise Price	Grant date fair value of Options Outstanding
			#	#	\$	\$
January 1, 2015	1.51	January 1, 2020	1,024,330	472,130	0.33	281,143
April 28, 2017	4.18	September 1, 2022	12,961,677	1,859,598	0.19	1,215,584
Total DSUs			13,986,007		0.20	1,496,727

8. Accounts payable and accrued liabilities

	June 30, 2018	December 31, 2017
Trade payables	3,408,290	2,769,453
Accrued expenses	3,354,818	4,491,996
Advance received from customers	2,016,200	277,039
Interest payables	1,369,786	1,190,393
Overdraft facility in PHC	1,505,156	1,508,150
Other payables	1,562,068	1,173,463
	13,216,318	11,410,494

9. Borrowings

The Company has the following borrowing as of June 30, 2018 and December 31, 2017.

	June 30, 2018	December 31, 2017
Debentures issued during 2012 (a)	2,092,719	2,083,957
Convertible Loan agreement (b)	5,141,182	4,871,995
DFI Debt Facility (C)	47,567,466	47,463,582
	54,801,367	54,419,534
	June 30, 2018	December 31, 2017
Current portion	47,567,466	52,335,577
Non-current portion	7,233,901	2,083,957
Borrowings, as at end of period	54,801,367	54,419,534

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(a) Debentures

	June 30, 2018	December 31, 2017
Debentures, at the beginning of period	2,232,908	2,232,908
Transaction cost associated with extension of debentures	(197,954)	(197,954)
Debenture accretion expense	152,562	53,594
Exchange (gain) or loss on debentures	(94,797)	(4,591)
Debentures, at the end of period	<u>2,092,719</u>	<u>2,083,957</u>

In 2012, the Company issued by way of private placement convertible debentures with an aggregate principal amount of CDN\$5,363,000 (the "2012 Debentures"). The 2012 Debentures bear interest at a rate of 12.0% per annum, payable semi-annually and were initially due and payable on July 24, 2017. The principal amount of the 2012 Debentures was initially convertible at the holder's option into Common Shares at any time prior to the close of business on July 24, 2017 at a conversion price of CDN\$1.75 (post-consolidation) per share. The 2012 Debentures are governed by a trust indenture between the Company and TSX Trust Company dated July 24, 2012, as amended and supplemented from time to time. On July 19, 2017, the Company obtained the consent by extraordinary resolution of the holders of its 2012 Debentures for certain amendments to the trust indenture including a reduction in the conversion price to CDN\$0.275 per share and an extension of the maturity date until July 24, 2022 (the amended 2012 Debentures being hereinafter referred to as the "2017 Debentures").

The substantial modification of the terms of an existing financial liability is accounted for as an extinguishment of the original financial liability and recognition of a new financial liability. On July 24, 2017, the 2012 Debentures were derecognised and a new financial liability was measured and recognised based on the new terms in the amended agreement.

The carrying value of the 2017 Debentures is subsequently measured at amortised cost 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 remaining life of the debt. This accretion is based on the effective interest method. As of June 30, 2018, the carrying value of the 2017 Debentures (including foreign currency and accretion) was \$2,092,718. The Company incurred transaction costs of \$197,954 in July 2017 associated with the amendment to trust indenture. The transaction costs were been netted against the fair value of the convertible debt.

As the conversion feature on the 2017 Debentures is denominated in CDN, the amended agreement contains an embedded derivative related to this conversion feature. The embedded derivative liability was initially measured at fair value and is being subsequently measured at fair value, with gains and losses recorded on the consolidated statement of loss.

(b) Convertible loan agreement

	June 30, 2018	December 31, 2017
Convertible Loan agreement - Debt	3,593,938	3,593,938
Convertible Loan agreement - Embedded Derivatives	1	1
Convertible Loan agreement - Interest	1,547,243	1,278,056
Loan as at June 30, 2018	<u>5,141,182</u>	<u>4,871,995</u>
New loan facility	<u>5,141,182</u>	-

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On June 19, 2018, the Company refinanced its existing convertible loan agreement with CDC Group Plc ("CDC") in aggregate amount, including principal and accrued interest of \$5,141,182. The convertible loan was first provided to the Company in November 2013 by CDC, to support the implementation of an environmental and social action plan designed to strengthen the Company's environmental and social standards and to enhance community facilities.

The Company and CDC have entered into a new loan facility (the "New Loan Facility") for the amount outstanding relating to principal payments and accrued interest payments under the previous arrangement of \$5,141,182. The principal amount of the New Loan Facility bears interest at 12% per annum and is convertible into common shares in the capital of the Company ("Common Shares") at a conversion price of Cdn.\$0.275 per Common Share. Any Common Shares issuable upon the conversion of the New Loan Facility are subject to a statutory four month and a day hold period from the date of the New Loan Facility in accordance with applicable securities legislation.

(c) DFI Debt Facility

	June 30, 2018	December 31, 2017
DFI Debt Facility drawn	49,000,000	49,000,000
Transaction cost for the DFI Facility	(1,820,606)	(1,820,606)
Accretion Interest	388,072	284,188
	<u>47,567,466</u>	<u>47,463,582</u>

On December 21, 2015, the Group entered into the DFI Debt Facility for up to \$49 million with a syndicate of European lenders consisting of four development finance institutions. The amount advanced under the DFI Debt Facility will be repaid semi-annually over a six year period commencing September 2019. The first drawdown on the DFI Debt Facility of \$15 million occurred on April 13, 2016, the second drawdown of \$10 million occurred on February 13, 2017, the third drawdown of \$10 million occurred on June 9, 2017 and the last drawdown of \$14 million occurred on November 3, 2017. The transaction cost of the borrowing is \$1,820,606. The transaction cost will be amortised over the period of the loan.

The purpose of the DFI Debt Facility is to finance investment into equipment, replanting, fertilizer and environmental and social governance expenditures required as part of the rehabilitation of PHC's three palm oil plantations in the DRC. The rate of interest on each loan for the each interest period is percentage rate per annum, which is aggregate of the applicable (a) margin; and (b) LIBOR. The interest and any fees on the DFI Debt Facility are payable on March 15th and September 15th of each year ending on September 15, 2024.

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 Group is in breach of the DFI Debt Facility's equity solvency ratio as at June 30, 2018. The Group has received waivers in the past and has not received communication from the lenders that they will accelerate repayment of the DFI Debt Facility. However, as a result of the covenant breach, the balance outstanding on the DFI Debt Facility has been reclassified as a current liability.

10. Derivative liabilities

	June 30, 2018	December 31, 2017
Derivative liability, beginning of period	4,466,380	1,085,563
Change in fair value	(2,566,233)	3,368,854
Exchange (gain) / loss on Embedded Derivatives	(152,027)	11,963
Derivative liability, end of period	<u>1,748,120</u>	<u>4,466,380</u>

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The embedded derivative relating to the conversion feature on the 2017 Debentures was recognised at its fair value upon initial measurement, which is equal to the present value of the future cash flows, discounted using the prevailing market rate for a similar instrument with similar credit risk. Changes in fair value are recorded in the consolidated statement of loss.

11. Other financial liabilities

Through its acquisition of PHC in 2009, the Group 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 as at June 30, 2018 and December 31, 2017. Information about the employee incentive plan for the period ended June 30, 2018 and December 31, 2017 is as follows:

Benefit liability	June 30, 2018	December 31, 2017
Accrued benefit obligation, beginning of period	3,747,367	4,820,069
Current service cost	54,665	111,690
Interest cost	256,357	661,709
Benefit paid during the period	(418,011)	(1,580,655)
Effect of foreign exchange	(76,500)	(1,210,971)
Actuarial (gains) and losses	(173,179)	945,525
Accrued benefit obligation, end of period	<u>3,390,699</u>	<u>3,747,367</u>

The weighted average assumptions in measuring the accrued employee incentive liability for the periods ended June 30, 2018 and December 31, 2017 use the Canadian 3 to 10 year bond yield rate of 1.3%.

The employee incentive liability is categorised as current and non-current portion as below.

	June 30, 2018	December 31, 2017
Current portion	408,735	753,427
Non-current portion	2,981,964	2,993,940
Accrued benefit obligation, end of period	<u>3,390,699</u>	<u>3,747,367</u>

12. Selling, General and Administration costs

	Three months ended June 30,		Six months ended June 30,	
	2018	2017	2018	2017
Professional fees	473,338	415,781	735,023	659,350
Consultancy fees	28,240	80,085	53,267	154,492
Share based payment	199,460	544,775	410,738	544,427
Amortisation	701	2,866	3,198	5,276
Employee incentive liability credit	(72,282)	(290,160)	(54,294)	(195,017)
Salaries and wages	1,220,747	918,023	2,671,092	2,024,842

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Other general and administrative	608,600	725,743	1,786,751	1,221,804
Reallocation of overhead to bearer assets	(72,199)	(97,051)	(138,498)	(196,083)
Staff travel & subsistence	389,140	162,022	746,805	502,646
	<u>2,775,745</u>	<u>2,462,084</u>	<u>6,214,082</u>	<u>4,721,737</u>

13. Finance cost

	Three months ended June 30,		Six months ended June 30,	
	2018	2017	2018	2017
Interest and bank charges	2,265,268	1,020,939	3,504,646	1,798,840
Accretion expense	100,185	142,371	202,852	272,414
	<u>2,365,453</u>	<u>1,163,310</u>	<u>3,707,498</u>	<u>2,071,254</u>
Less: amount capitalized on qualifying assets	(171,751)	(174,830)	(228,762)	(317,435)
	<u>2,193,702</u>	<u>988,480</u>	<u>3,478,736</u>	<u>1,753,819</u>

14. Finance Income (loss)

	Three months ended June 30,		Six months ended June 30,	
	2018	2017	2018	2017
Change in derivative liability - fair value	(221,565)	-	2,566,234	-
	<u>(221,565)</u>	<u>-</u>	<u>2,566,234</u>	<u>-</u>

(i) Change in fair value of embedded derivative recorded as finance income or (loss)

15. Discontinued operations

Following the termination of the agreement with the partner to undertake a two year feasibility study regarding the future development of the arable farming operations, the Company discontinued the arable farming operations and presented the results of the arable farming operations as discontinued operations. Analysis of the results of discontinued operations is as follows:

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	Three months ended June 30,		Six months ended June 30,	
	2018	2017	2018	2017
Revenue	-	-	-	-
Cost of sales	-	(1,417)	-	-
Gross loss	-	(1,417)	-	-

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Expenses

Selling, general and administrative	91,697	104,221	135,185	205,261
Other income	<u>(3,570)</u>	<u>(25,365)</u>	<u>(5,302)</u>	<u>(3,352)</u>
Operating loss	88,128	77,439	129,883	201,909
Finance costs	<u>3,094</u>	<u>2,921</u>	<u>6,160</u>	<u>4,615</u>
Loss before income tax	91,222	80,360	136,043	206,524
Income tax expense	<u>-</u>	<u>319</u>	<u>716</u>	<u>2,205</u>
Net loss from discontinued operations	<u>91,222</u>	<u>80,679</u>	<u>136,759</u>	<u>208,729</u>

16. 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.

The following table illustrates the classification of the Group's financial assets and financial liabilities within the fair value hierarchy as at June 30, 2018 and December 31, 2017:

	Financial Instrument Classification	Level	June 30, 2018	December 31, 2017
Financial assets				
Cash	FVPL		11,801,634	17,141,398
Receivables	Amortised cost		670,870	1,335,709
Financial liabilities				
Accounts payables and Accrued liabilities	FVPL		10,149,094	8,728,881
Bank overdraft	FVPL		1,505,156	1,508,150
Other payables	FVPL		1,562,068	1,173,463
Borrowings	Amortised cost	Level 2	54,801,367	54,419,534
Derivative liability	FVPL	Level 3	1,748,120	4,466,380

The fair value of cash, receivables, accounts payable and accrued liabilities, debentures and borrowings approximate their carrying values as a result of the short-term nature or the variable interest rate associated with the instruments, or the fixed interest rate of the instruments being similar to market rates.

The Group measures certain of its financial assets and liabilities at fair value on a recurring basis and these are classified in their entirety based on the lowest level of input that is significant to the fair value measurement. Certain non-financial assets and liabilities may also be measured at fair value on a non-recurring basis. There are three levels of the fair value hierarchy that prioritize the inputs to valuation techniques used to measure fair value, with Level 1 inputs having the highest priority. The three levels of the fair value hierarchy are: Level 1, which are inputs that are unadjusted quoted prices in active markets for identical assets or liabilities; Level 2, which are

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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.

During the period ended June 30, 2018, there were no transfers between level 1, 2 and 3 and there were no changes in the valuation techniques.

Financial risk factors:

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

(a) Market risk

(i) Foreign exchange risk

The Group's presentation currency is the United States dollar and major purchases are transacted in United States dollars. The Group 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 DFI Debt Facility that is subject to a floating interest rate, which could change. Cash has limited interest rate risk due to its short-term nature.

(b) Credit risk

The Group's credit risk is primarily attributable to cash and receivables. Two customers purchase 97% of the Company's CPO production and although the Group has a good business relationship with both of the customers, there is no guarantee that the Group will be able to continue these relationships on terms acceptable to the Group.

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 low as the majority of the Group's sales are to two large long-standing customers and the Group limits cash risk by dealing with credit worthy financial institutions.

(c) Liquidity risk

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

The Group's approach to managing liquidity risk is to provide reasonable assurance that it can provide sufficient capital to meet liabilities when due. The Group remains dependent upon future liquidity from capital sources or positive cash flows from business operations. The inability to obtain additional funding on a timely basis will have a material adverse effect on the financial condition, business and operations of the Group (see Note 2).

As at June 30, 2018, the Group had net working capital deficit of \$37,035,586 including a net cash balance of \$11,801,634. The majorities of the Group's financial liabilities have contractual maturities of less than 30 days and are subject to normal

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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.

	June 30, 2018		
	Less than 3 months	3 months to 1 year	1-5 years
Trade payables	3,408,290	-	-
Accrued expenses	3,354,818	-	-
Other payables	1,562,068	-	-
Bank overdraft	1,505,156	-	-
Debt	-	47,567,466	7,233,901

	December 31, 2017		
	Less than 3 months	3 months to 1 year	1-5 years
Trade payables	2,769,453	-	-
Accrued expenses	4,491,996	-	-
Other payables	1,173,463	-	-
Bank overdraft	1,508,150	-	-
Debt	-	52,335,577	2,083,957

The table above 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.

Capital management

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

The Group'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 Group to favor the financing of its growth strategy using internally generated cash flows and optimize the use of capital to provide an appropriate investment return to its shareholders. In order to maintain or adjust its capital structure, the Group 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, 2018.

17. Related party disclosures

The following transactions were carried out with related parties.

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Purchase of services from key management personnel

Purchase of services:	Three months ended June 30,		Six months ended June 30,	
	2018	2017	2018	2017
Board fees (1)	86,250	77,500	176,667	155,000
	86,250	77,500	176,667	155,000

(1) Board fees paid to non-executive directors

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:

	Three months ended June 30,		Six months ended June 30,	
	2018	2017	2018	2017
Salaries and short-term employee benefits	195,698	241,701	390,202	468,696

Change in fair value of share-based payments

	Three months ended June 30,		Six months ended June 30,	
	2018	2017	2018	2017
Change in fair value of share-based payments	199,461	544,079	410,738	544,427

Payables to related parties

	June 30,	June 30,
	2018	2017
Board of Directors fees	92,917	77,500
Key management compensation	-	-
	92,917	77,500

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

18. Contingent liabilities

The Group is, from time to time, involved in various claims, legal proceedings and complaints arising in the ordinary course of business. The Group cannot reasonably predict the likelihood or outcome of these actions. The board of directors of the Group 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, 2018, provisions related to such matters totalled \$561,455 (December 31, 2017: \$561,455). Refer to Note 1 for the uncertainty on the Loi Portant Principes Fondamentaux Relatifs A L'Agriculture".