

Board of Directors' report on internal control

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The Board is responsible for the Company's organisation and administration of the Company's activities, which includes internal control. Internal control in this context regards those measures taken by Black Earth Farming Limited's ("Black Earth Farming" or the "Company") board of directors, management and other personnel, to ensure that book-keeping and the Company's economic condition in general are controlled and reported upon in a reliable fashion and in compliance with relevant legislation, applicable accounting standards and other requirements related to the Company's market listing. Black Earth Farming has also appointed an Audit Committee, consisting of three members of the Board, charged with the special responsibility to review and discuss internal and external audit matters.

This report has been established in accordance with the Swedish Code of Corporate Governance, which govern internal control over the financial reporting. In addition this report has been prepared in accordance with the guidance provided by FAR SRS, the institute for the accounting profession in Sweden, and the Confederation of Swedish Enterprise. This report does not constitute part of the formal Annual Report and has therefore not been reviewed by the Company's auditors. This report does not include a statement by the Board as to how well the internal control has functioned during the year.

The system of internal control is normally described in terms of five different areas that are a part of the internationally recognised framework which was introduced in 1992 by The Committee of Sponsoring Organizations in the Treadway Commission (COSO). These areas, described below, are control environment, risk assessment, control activities, information and communication and monitoring.

The management continuously monitors the Company's operations in accordance with the guidelines set out below. During the year the Board and management also examined possible additions to the internal control functions already in place within the organisation. The result was that in addition to the various fixed control systems established, the Company in 2009 hired a person to work full time as internal auditor. In addition to this the firm Audit Value has been retained on project basis, with the task of together with the Company's Internal Auditor develop comprehensive corporate policies and internal audit plan, The main goal was to enhance control and oversight of how the Company's routines and protocols are working and being adhered to by all levels of staff.

Control environment

The control environment, which forms the basis of internal control over financial reporting, to a large extent exists of the core values which the Board communicate and themselves act upon. Black Earth Farming's ambition is that values such as, precision, professionalism and integrity should permeate the organization. Another important part of the control environment is to make sure that such matters as the organisational structure, chain of command and authority are well defined and clearly communicated. This is achieved through written instructions and formal routines for division of labour between the Board of Directors on the one hand, and management and other personnel on the other. The Board establishes the general guidelines for the Group's activities in internal policies, manuals and codes.

The Company's Chief Financial Officer is responsible for the control and reporting of the Company's consolidated economic situation to management and Board. The Company's Internal Auditor also prepares a separate report exclusively for the board, giving his view on the effectiveness of various policies and instructions.

Risk assessment

The Board of Directors of Black Earth Farming is responsible for the identification and management of significant risks for errors in the financial reporting. The risk assessment specifically focuses on risks for irregularities, unlawful benefit of external part at the Company's expense and risks of loss or embezzlement of assets.

It is the ambition of Black Earth Farming to minimize the risk of errors in the financial reporting by continuously identifying the safest and most effective reporting routines. The Board puts most effort into ensuring the reliability of those processes, which are deemed to hold the greatest risk for error, alternatively whose potential errors would have the most significant negative effect. Among other things this includes establishing clearly stated requirements for the classification and description of income statement and balance sheet items according to generally accepted accounting principles, pertinent legislation. The Company's Internal Auditor has together with the firm Audit Value established a yearly Audit Plan which entails close review of certain, by the Board, identified risk areas. The Internal Auditor together with experienced forensic auditors from Audit Value do a thorough analysis of the identified risk area with the aim of to more in detail expose possible risks and suggest recommendation on how to deal with them.

Control activities

This risk assessment leads to a number of control activities in place to verify compliance with set requirements and established routines. The purpose of the control activities is hence to prevent, detect and rectify any weaknesses and deviations in the financial reporting. Control activities also include permanent routines for the presentation and reporting of company accounts, for example monthly cash flow reports and budget follow ups as well as weekly status reports on land acquisition and registration. Special focus is also put on making sure that the requirements and routines for the accounting procedure, including consolidation of accounts and creation of interim and full year reports comply with pertinent legislation as well as generally accepted accounting principles and other requirements for publicly listed companies. Controls have also been carried out to ensure that the IT-/computer systems involved in the reporting process have a sufficiently high dependability for its task. The Company's Internal Auditor is furthermore always engaged in connection with very large procurement transactions, ensuring proper procedure in choice of supplier etc.

Information and communication

The Company has established fixed routines and invested in reliable technical applications to guarantee a fast and reliable way of sharing information throughout the organisation. Internal policies and general guidelines for financial reporting are communicated between the Board of Directors, management and other personnel through regular meeting and e-mails.

The Company is committed to provide accurate, reliable and timely information, and to abide to the regulations applicable to a company listed on Nasdaq OMX Stockholm. To ensure the quality of the external reporting, which is the extension of the internal, the Board of the Company has

adopted an information policy, which regulates the Company's giving of internal and external information. The policy applies to all parts of the organisation, to all countries and at all times. Information shall be provided using direct as well as indirect means. The means communications can be website postings, press releases, interim and annual reports, prospectuses, public conference calls, interviews to specialised and general media and investor analysts, as well as participation in public meetings. In order to ensure reliability and consistency of information provided, only corporate staff designated as spokespersons for Black Earth Farming are authorised to speak to the media on behalf of the Company.

All reports and press releases are published on the Company's website www.blackearthfarming.com immediately after proper publication through news distributor, currently NASDAQ OMX.

Black Earth Farming is fully committed to communicate in a transparent way; it will not restrict public disclosure of information, except where the information is of a commercially sensitive or confidential nature.

Monitoring

The Company's financial situation and strategy are discussed at Board meetings, as well as any weaknesses in the activities and financial reporting since the last Board meeting. The Audit Committee has a particular responsibility to review and bring any weaknesses in internal control procedures for financial reporting to the Board of Directors' attention. Potential reported shortcomings are followed up via management and the Audit Committee.

The Company prepares interim reports four times annually which are reviewed by the Board. A more thorough review of the Company's accounts is also performed at least once a year in addition to the comprehensive audit in connection with the Annual Report.