

22 January 2020

ASX Announcement & Media Release

Sangomar Field development project update

FAR Limited (ASX: FAR) has signed a binding Memorandum of Understanding (“MoU”) with Glencore Energy (UK) Ltd for the full allocation of the Company’s share of crude oil from the Sangomar Field. FAR also provides an update to the development operations prior to settlement of the placement shares scheduled for 23 January 2020.

Marketing of FAR share of oil

The binding MoU between FAR and Glencore, which is subject to the negotiation of final documentation consistent with industry standards, provides FAR with access to the extensive marketing and offtake resources of one of the world’s leading marketers of crude oil.

FAR will benefit from Glencore’s global network and multi-decades expertise in the oil and gas landscape, including access to Glencore’s unprecedented track record in successfully creating markets for new qualities of crudes, thereby maximising the intrinsic value of the Sangomar barrels.

Provided Glencore remains a lender to FAR (as described in the FAR ASX release of 20 January), the offtake is expected to be for a period of 7 years following first oil with a minimum of 20 million barrels (representing FAR’s share of the project) expected to be produced during that time.

Status of development activities

Following the Joint Venture (“JV”) partners’ announcements that their FID’s (final investment decisions) had been taken and further to the update provided in FAR’s ASX release of 20 January, the operator has reported that the full notice to proceed (FNTP) has been issued to the key contractors for commencement of the Sangomar Field development.

Orders have been placed for long lead items for the drilling and related completions, with drilling planned to commence at the end of Q1, 2021. Diamond Offshore has been awarded the contract for the development drilling, including an additional evaluation well on either the FAN or SNE North discoveries, prior to the commencement of the development drilling. The final location will be chosen during 2020 following the processing and interpretation of the recently acquired 3D seismic data over the development, FAN and SNE North areas. The processing of this new data is progressing to schedule.

The Sangomar Development Phase 1 capital expenditure and operating expenditure estimates remain unchanged from those presented in the Exploitation Plan submission in October 2019.

Work continues on plans for development of the gas in the Sangomar Field and a concept select decision is likely to be made by the JV in Q3 of this year.

FAR Senegal social programs

FAR's 2020 social programs in Senegal are currently being finalised and are to include two school renovations, micro financing for female organisations, mosquito nets to local villages, anti-malaria kits and football gear and footballs for the youth in local communities.

As the Sangomar Field development progresses, the opportunities for local businesses to be engaged by FAR, the JV and other contractors will grow. Next month the Sangomar Field JV is to finalise a review of all social investment partners for 2020-2022 and continue stakeholder engagement related to the development project entering the execution phase.

Arbitration

FAR has been notified that the ICC (International Chamber of Commerce) has approved the draft award submitted by the tribunal in December (refer ASX release 16 December 2019). FAR will update shareholders when the award is released to the Company.

About Glencore

Glencore is one of the world's largest global diversified natural resource companies and a major producer and marketer of more than 60 commodities. The Group's operations comprise around 150 mining and metallurgical sites and oil production assets.

With a strong footprint in both established and emerging regions for natural resources, Glencore's industrial and marketing activities are supported by a global network of offices located in over 35 countries.

Glencore's customers are industrial consumers, such as those in the automotive, steel, power generation, battery manufacturing and oil sectors. Glencore also provide financing, logistics and other services to producers and consumers of commodities. Glencore's companies employ around 158,000 people, including contractors.

Glencore is proud to be a member of the Voluntary Principles on Security and Human Rights and the International Council on Mining and Metals and is an active participant in the Extractive Industries Transparency Initiative.

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