

24 June 2020

ASX Announcement & Media Release

Sangomar project update

FAR Limited (ASX:FAR) makes the following announcement in relation to its wholly owned subsidiary FAR Senegal RSSD SA ("FAR Senegal"), which is a party to the Senegal RSSD Joint Operating Agreement ("JOA").

FAR Senegal has not paid the most recent development cash call received by it and accordingly has received notification from the Operator of the RSSD Joint Venture that FAR Senegal is in default.

Over the past several months, the Operator has been undertaking a program to rescope, reschedule and reprice the project in order to reduce capital expenditure. FAR has made the strategic decision to preserve the group's cash whilst it awaits clarity on project capex amendments.

In the interim, FAR is continuing to investigate selling all or part of FAR Senegal's interest in the RSSD Production Sharing Contract and JOA.

Under the JOA default provisions, if a defaulting party has not fulfilled its financial obligations within 6 months from the date of notification of the default, it shall forfeit its participating interest without compensation. Unpaid amounts accrue interest at the LIBOR rate + 2%.

Key points of the JOA default provisions are:

- 6 month period to fulfill its financial obligations before forfeiting participating interest
- non-defaulting parties must pay defaulting party's unpaid amounts pro-rata to their participating interests over this period
- defaulting party does not attend Operating Committee meetings or vote during default period

FAR has implemented a further round of cost cutting. FAR has made staff redundancies, and all senior executives and Non-Executive Directors have accepted a 20% salary or fee reduction effective 1 July 2020. The Board will review this fee and salary reduction at least quarterly. This recent round of cost cutting comes after FAR substantially reduced contractor headcount in April.

This announcement has been authorised for release by the FAR Board.

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