11 November 2020

ASX Announcement & Media Release

FAR Senegal sale announcement

FAR Limited (ASX: FAR) announces that together with its wholly owned subsidiaries FAR Senegal RSSD SA and FAR Holdings 1 Pty Ltd (collectively "FAR"), it has entered into an RSSD Sale and Purchase Agreement with ONGC Videsh Vankorneft Pte Ltd ("ONGC") in respect of FAR's entire interest in the Production Sharing Contract for the Rufisque, Sangomar, and Sangomar Deep Offshore Blocks offshore Senegal and the relevant Joint Operating Agreement (the "RSSD Project"). ONGC Videsh Vankorneft is a subsidiary of ONGC Videsh, the largest E&P company of India.

As consideration for the sale (the "Transaction"), ONGC has agreed to pay FAR US$45 million at completion. In addition, ONGC has agreed to reimburse FAR's share of working capital for the RSSD Project from 1 January 2020 totalling US$66.58 million, payable on completion. The reimbursement is comprised of cash calls paid by FAR, including US$29.60 million paid to cure FAR's default to the Joint Venture. The Transaction also includes an entitlement to certain contingent payments capped at US$55 million as outlined below.

The Transaction is subject to conditions precedent that are summarised below and are typical for an agreement of this nature.

FAR's Managing Director, Cath Norman said: *"We are pleased to bring this deal to our shareholders and wish to thank ONGC for their interest and cooperation over the last few months. ONGC is a very reputable group with global exploration and production interests. We believe they will be a valuable partner for Petrosen and Woodside going forward.*

As we have acknowledged, the market for financing and selling assets has been weak since the impact of COVID was felt in March of this year. In these circumstances, the offer from ONGC represents the best option available at this time and we trust that our shareholders will vote for this transaction.

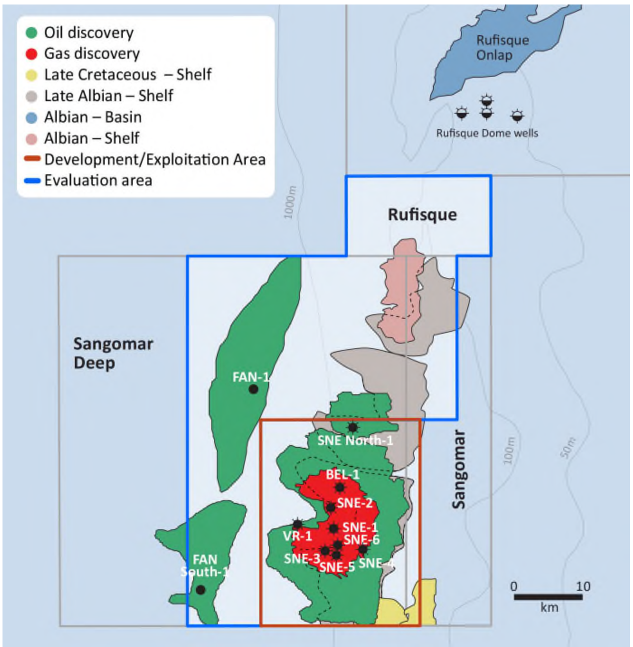
FAR expects to have approximately US$130 million in cash at the close of this Transaction that will be used to rebuild the Company and further our other West African prospects offshore the Gambia and Guinea-Bissau.

We thank our shareholders for their patience over the last few months and look forward to releasing the Notice of Meeting and forward timetable in the coming week.

And finally, we wish to acknowledge FAR's long partnership with Petrosen and the Government of Senegal. Having been in the RSSD project for 14 years, it's a bittersweet moment to be selling our stake. FAR is committed to our projects in The Gambia and Guinea-Bissau and using our deep knowledge of the MSGBC Basin to potentially explore offshore Senegal again."

Background

The RSSD Project is a world class asset located offshore Senegal and housing the Sangomar Field Development which is targeting first oil in 2023. Woodside Petroleum Limited is operator of the project. The map to the right shows the RSSD Contract area containing the Sangomar Exploitation Area.



In early 2020, FAR was in the process of finalising financing for its share of the Sangomar Field Development that had reached Final Investment Decision in January 2020. The financing package was planned to be comprised of FAR shareholder equity, and senior and junior debt totalling US$600 million. FAR completed a US$100 million equity raise in January 2020, however the planned senior and junior debt financing could not be concluded due to the slump in the oil price and the onset of COVID-19.

FAR's strategy since that time has been to pursue a sale of the RSSD Project, whilst continuing to consider financing options to the extent practicable. Further information and background can be found in FAR's ASX announcements throughout 2020.

To preserve cash, FAR has been in default of its cash call payments in relation to the RSSD Project since June 2020. FAR has now cured this default as part of the Transaction and cash calls paid from 1 January 2020 will be reimbursed to FAR on close of the Transaction.

Under the Transaction, FAR is proposing to sell to ONGC its interest in the RSSD Project, being:

- a 13.67% participating interest in the Sangomar exploitation area containing the Sangomar field; and
- a 15% participating interest in the RSSD contract area outside the Sangomar exploitation area.

Contingent payment

The Transaction contemplates a contingent payment to FAR payable in the future based on various factors relating to the sale of oil from the RSSD Project.

The contingent payment comprises 45% of entitlement barrels (being the share of oil relating to FAR's 13.67% RSSD Project exploitation area interest) sold over the previous calendar year multiplied by the excess (if any) of the crude oil price per barrel (capped at US$70) and US$58 per barrel.

The contingent payment terminates on the earliest of 31 December 2027, 3 years from first oil being sold (excluding any periods of zero production), and a total contingent payment of US$55 million being reached.

The Operator's most recent estimate for commencement of oil production is mid-2023. The Operator may update timelines to first oil and production targets from time to time.

Conditions and Timing

The Transaction is subject to various conditions precedent (which the parties need to use reasonable endeavours to satisfy), including the following:

- The written approval of the Minister of Petroleum and Energies for the Republic of Senegal to the transfer of the Transferring Interest to the Purchaser being obtained. FAR hopes that such approval would be obtained in January 2021.
- RSSD Project Pre-Emptive Rights - The Transaction is conditional on the waiver or non-exercise of pre-emption rights available to FAR's co-venturers in the RSSD Project. FAR will issue the pre-emption notices today, and the co-venturers have 30 days to advise if they wish to exercise their right to pre-empt the Transaction on the same terms and conditions as ONGC. In the event of pre-emption, FAR will receive the same consideration as from ONGC.
- FAR Shareholder Approval - ASX Listing Rule 11 requires that FAR obtains shareholder approval in relation to the Transaction. FAR intends to convene a general meeting of FAR shareholders as soon as practicable to be held in December 2020 to consider approving the Transaction (including if the sale is the subject of pre-emption).
- Third Party Agreement Termination - The Transaction is subject to the termination or satisfactory resolution of an agreement between FAR and a third party, details of which are currently commercial in confidence. ONGC has the discretion to waive this condition.

The Transaction does not require FIRB approval since it does not involve the sale of an Australian asset.

The Transaction agreement includes other provisions which are customary for a sale and purchase agreement of its type, such as vendor warranties, vendor and purchaser indemnities and certain rights for the purchaser to terminate following the occurrence of a material adverse event that cannot be remedied.

FAR is presently contemplating completion of the Transaction at the end of January 2021. However, the timing of completion cannot be definitively determined at this time.

As a matter of prudence, the Transaction allows for up until May 2021 for satisfaction of the conditions, although this length of time is not expected to be needed.

Cairn Sale

FAR notes the recent sale of Cairn's RSSD interest to LUKOIL and subsequent pre-emption by Woodside. Cairn has sold a 36.44% interest in the Sangomar exploitation area and a 40% interest in the remaining PSC contract area. Completion of that sale is due shortly. That sale was priced at US$300 million plus contingent payment of up to US$100 million plus working capital adjustments from 1 January 2020. While that sale represents a premium to the price payable under the Transaction, the Cairn interest is sufficient to influence joint venture voting results under the Joint Operating Agreement, whereas FAR's interest is not.

Impact if the Transaction does not complete

If the Transaction does not complete, FAR is not likely to be able to meet its obligations in relation to the RSSD Project beyond December 2020 in the absence of an alternative source of funding.

No break fee is payable by FAR to ONGC if shareholders decline to provide their approval.

Impact if the Transaction completes

If the Transaction completes, FAR will be in a strong financial position and will be relieved of its future development obligations in relation to the RSSD Project, which in the absence of a sale, FAR cannot currently meet beyond December 2020.

On completion of the Transaction, FAR's estimated cash position is expected to be approximately US$130 million. This will enable FAR to continue its exploration in its highly prospective Gambian and Guinea-Bissau acreage and execute a new long-term strategy that includes the potential purchase of a producing or other oil asset.

About ONGC Videsh

ONGC Videsh is a wholly owned subsidiary of Oil and Natural Gas Corporation Limited (ONGC), the National Oil Company of India, and is India's largest international oil and gas E&P Company. At present, ONGC Videsh has participation in 37 projects in 17 countries across the globe. ONGC Videsh is currently producing about 250 thousand barrels of oil and oil equivalent gas per day and has total oil and gas reserves (2P) of about 587 million tons of oil equivalent (MMTOE). For more information visit: https://www.ongcvidesh.com

This announcement has been approved for release by the FAR Board of Directors.

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