

29 March 2022

ASX Announcement & Media Release

Shareholder Update

Highlights

- The Board has determined that retaining the Woodside Contingent Payment within FAR is more effective than demerging the payment into a new entity
- FAR is now focused on strategies to maximise the value of its exploration portfolio in The Gambia, including farm-out options or outright sale

FAR Limited (ASX: FAR) an independent, Africa focused, oil and gas exploration company, provides the following update having completed its investigations of options relating to the Woodside Contingent Payment and the advancement of strategies associated with the Company's exploration portfolio in The Gambia.

Woodside Contingent Payment

The Woodside Contingent Payment entitlements are associated with the sale of FAR's entire interest in the Senegal RSSD Project to Woodside. FAR received US\$126 million in cash from Woodside as well as rights to the Contingent Payment as consideration for the sale. Following shareholder approval, FAR made a capital return to shareholders of 80 cents per share in September 2021.

The Woodside RSSD Sale Agreement contemplates a potential future Contingent Payment by Woodside to FAR of up to US\$55 million payable dependent on oil price and production. Based on current statements by the operator and current oil prices, your Board believes it is likely that the full US\$55 million will be received by FAR over time. As announced on 23 February 2022, the Woodside Contingent Payment was assessed by an independent valuation expert engaged by FAR at a mid-point valuation of US\$39 million using a discount rate of between 9% and 10%.

After careful consideration the Board has determined that retaining the Contingent Payment within the existing corporate structure of FAR is preferable to demerging it into a new entity.

The tax losses and capital structure of FAR may allow, when the proceeds of the Contingent Payment are received, for the consideration of a capital return to shareholders in a similar way as was done in September 2021, subject to the customary tax considerations at that time and obtaining of an ATO class ruling.

The Gambia exploration assets and an alternative oil and gas demerger strategy

FAR's remaining active oil and gas exploration assets are its two licenses in The Gambia, blocks A2 and A5, in which it holds a 50% working interest and is operator.

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FAR provided an update on the exploration potential of these assets in its Gambia Project Update release of 23 February 2022. Shareholders are referred to that ASX release and the soon to be released Annual Report and the Operations Review for more detail.

With the decision made on the Woodside Contingent Payment, the Board's strategy for 2022 is to focus on value creating strategies for the Company's oil and gas exploration assets in The Gambia. The Company is now progressing a farm down of its working interest and in doing so, seeks a carry of a well for drilling in late 2023 or an outright sale.

In the absence of The Gambia exploration assets being sold in their entirety, the Board intends to seek the separation of them by way of a demerger into a separate stand-alone listed entity. The Board considers that this should occur following achievement of a farm-out, which would have the effect of reducing FAR's exposure to the cost of a 2023 exploration well. Any such separate stand-alone entity would need to be sufficient in size and operations to justify such a listing.

Corporate Matters

Notwithstanding the closing of the recent takeover offer and the rerating of the FAR share price to its current level, the Board is conscious that the current FAR share price represents a discount to the Directors' assessed value of a FAR share.

The Board is considering a broad range of strategies consistent with seeking to reflect the underlying value of FAR's assets in its share price, whilst retaining the Woodside Contingent Payment within FAR. The intention of the Board is to actively implement its strategy as outlined herein and will make appropriate ASX announcements as matters are progressed.

FAR's 31 December 2021 Financial Statements and Annual Report will be released shortly.

Commenting on the update, Independent Chairman Patrick O'Connor said:

"While we continue to focus on our core expertise as an oil and gas exploration company, we are seeking to extract maximum value for our exploration assets in The Gambia by way of farm-out with a financial carry, an outright sale or ultimately a demerger. The Board is focused on the careful management of the balance sheet and the unlocking of shareholder value."

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

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