

24 October 2022

ASX Announcement & Media Release

September 2022 Quarterly Activities Report

FAR Limited (ASX: FAR) an independent, Africa focused, oil & gas exploration company, provides its quarterly activities report for the quarter ended 30 September 2022.

Highlights

- FAR acquired a further 50% interest in The Gambia Blocks A2 and A5 giving the Company a 100% working interest.
 - Commitment to drill an exploration well during the next two-year contract term removed.
 - FAR has opened a data room for suitably qualified parties to consider participation in a joint venture to undertake and fund the work program for the extension exploration period.
 - New laboratory analysis has positive implications for the Panthera Prospect directly up-dip of Bambo-1.
- The Board continues to forecast expenditure for the full year ending 31 December 2022 to be in line with previously reported guidance of US\$6.8 million.
- FAR expects to receive full payment of the US\$55 million Contingent Payment due from the sale of its interest in Sangomar.
- Cash at quarter end of US\$35.7 million.
- The Board and management team continue to examine a range of opportunities that seek to have the share price better reflect the underlying asset value of the Company.

Commenting on the activities during the quarter, Independent Chairman Patrick O'Connor said:

“FAR continues to take steps towards creating shareholder value. Our acquisition of the remaining 50% of The Gambia assets, along with changes to the work program obligations, maintain options for FAR to utilise the valuable exploration data from the project to further value the asset.

With the Sangomar Field progressing towards first production in the second half of 2023, the net present value of the Woodside Contingent Payment continues to increase. The Board will consider opportunities for the monetisation of this asset nearer the commencement of production from the field. This is in line with our strategy to explore every opportunity to reflect the underlying asset value in the FAR share price. FAR continues to evaluate broader opportunities across the energy sector and intends to balance any initiatives against the underlying value of our capital position.”

The Gambia - Blocks A2/A5 (FAR 100% working interest)

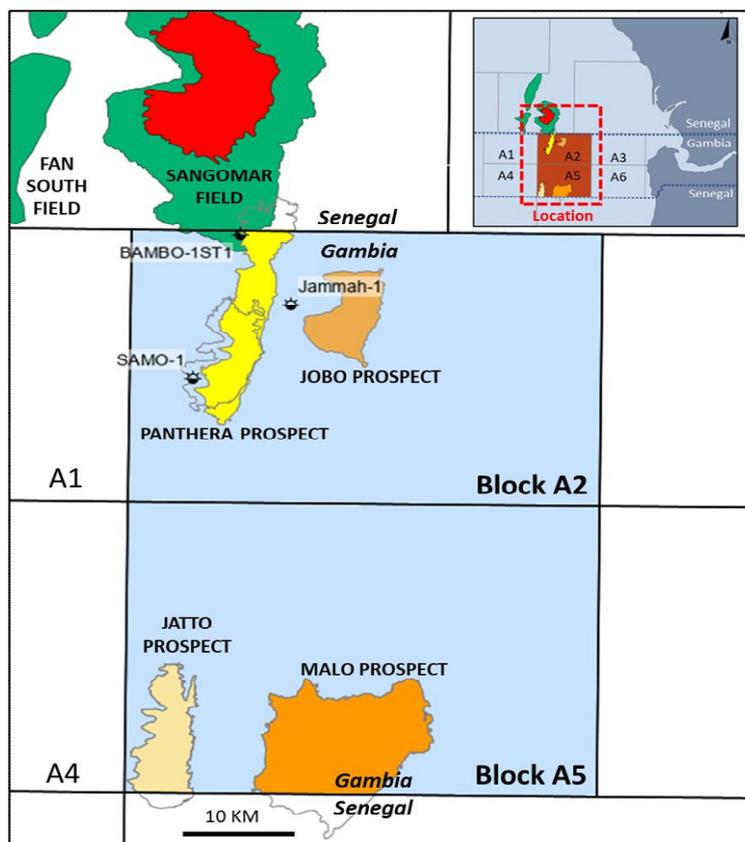
The A2/A5 license for the Initial Exploration Period expired on 30 September 2022 and the Company’s partner, PC Gambia Ltd, a subsidiary of Petroliaam Nasional Berhad (‘Petronas’), assigned its 50% interest in the licence to FAR during the quarter.

The First Extension Exploration Period for Blocks A2 and A5 commenced on 1 October 2022 for a two-year period and the Government of The Gambia agreed to remove the obligation to drill an exploration well during this term. The removal of the commitment to drill results in a significant reduction in expenditure and allows for a detailed geoscience review incorporating the results of the Samo-1 and recent Bambo-1 wells to ensure future exploration wells are located optimally. The 100% interest in Blocks A2 and A5 and revised investment obligation enhances FAR’s ability to seek farm-in partners to the project and allows the Company to consider options to deliver value from The Gambia while minimising expenditure over the two-year extension period.

The Company has opened a data room for suitably qualified parties to consider participation in a Joint Venture to undertake the geoscience review and ultimately to drill additional exploration wells. FAR expects new partners to fund the costs of the work program. Subject to the satisfaction of certain conditions, including Government approval, incoming participants in the Joint Venture may assume operatorship.

Full assessment of information obtained from the Bambo-1 well continued during the quarter. As previously reported (*refer to FAR ASX announcement dated 26 August 2022*), based on the encouraging results FAR commissioned further laboratory analysis and a detailed rock physics study of the Bambo-1, Bambo-1ST1, Samo-1 and Jammah-1 wells during the quarter to determine how best to discriminate lithology and fluid characteristics from seismic data. The results of the study and the further analysis will guide future exploration efforts and assist in attracting new partners into the Block A2/A5 Joint Venture.

The Board’s strategy for 2022 is to capitalise on the valuable exploration data so far acquired in The Gambia without drawing down on existing capital to any meaningful extent.



Woodside Energy Contingent Payment

As part of the consideration for the sale of its interest in the RSSD Project in Senegal to Woodside Energy (“**Woodside**”), FAR received rights to a Contingent Payment with a maximum value of US\$55 million.

In a release to the market dated 20 October 2022, Woodside indicated that the Sangomar Field development Phase 1 was 70% complete as at 30 September 2022 and first oil production is anticipated in the second half of 2023.

Based on the recent statements by Woodside and current oil prices, the Board of FAR expects that the full US\$55 million will be received prior to the transaction long stop date in 2027, with annual payments anticipated to commence in early 2024.

The Woodside Contingent Payment was assessed by an independent valuation expert engaged by FAR in February 2022 at a mid-point valuation of US\$39 million using a discount rate of between 9% and 10%. This assessed fair market value was based on the net present value of future projected cash flows and the value will increase with the expiry of time, keeping all key valuation assumptions constant, to reflect the unwinding of the discount. The Contingent Payment comprises 45% of entitlement barrels (being the share of oil relating to the Group’s previously held 13.67% of the RSSD Project comprising the Sangomar Field exploitation area of interest) sold over the previous calendar year, multiplied by the excess (if any) of the crude oil price per barrel and US\$58 per barrel (capped at US\$70 per barrel). The Contingent Payment terminates on the earliest of 31 December 2027, three years from the first oil being sold (excluding periods of zero production), or a total Contingent Payment of US\$55 million being reached, whichever occurs first.

Using the same methodology adopted by the Independent Expert in the Company’s Target’s Statement dated 23 February 2022, the value of the Contingent Payment at 30 September 2022 (using a 9.5% discount rate) was approximately US\$43 million (Target’s Statement value: US\$39 million). The difference in the values represents the unwinding of the discount for the time between the report dated 23 February 2022 and 30 September 2022.

New Business Opportunities

The Board is actively considering new business initiatives across both oil & gas and energy transition sectors.

Any significant new business initiatives must have the potential to offer significantly better returns to shareholders than share buy-backs or capital returns.

Cash Balance and Expenditure

FAR had US\$35.7 million of cash at the end of the period (including US\$0.1 million in restricted cash held in The Gambia Joint Venture account). During the September 2022 quarter expenditure totalled US\$1.5 million, comprising corporate and administration costs and exploration expenditure. In addition, payments for the buy-back of unmarketable parcel shares in the quarter totalled US\$0.5 million.

A summary of cash movements in the September 2022 quarter is set out in the table below.

September 2022 Quarter	Mar 2022 Quarter US\$M	Jun 2022 Quarter US\$M	Sep 2022 Quarter US\$M
Opening cash balance	55.6	39.9	37.7
Corporate and administration	(0.8)	(0.8)	(0.8)
Exploration	(0.7)	(0.8)	(0.7)
Total expenditure	(1.5)	(1.6)	(1.5)
Bambo drilling payments – prior year accruals	(14.2)	(0.4)	-
Financing	(0.1)	-	0.1
Share buy-back payments	-	-	(0.5)
Other movements	0.1	(0.2)	(0.1)
Closing cash balance	39.9	37.7	35.7

Financing comprises interest received on cash invested in term deposits less right-of-use lease payments for the period. At the end of the quarter the Company had US\$34 million invested in term deposits at varying interest rates.

Other movements relate to foreign exchange gains/(losses) associated with the impact of changes in the value of the Australian dollar (AUD) against the United States dollar (USD) on conversion of AUD cash held.

Cash expenditure for the full year ending 31 December 2022 is estimated to be around US\$6.8 million, excluding any expenditure related to The Gambia extension exploration period and share buy-back costs.

The Board continues to focus on reducing costs in the business wherever practical. Initiatives have been implemented that will assist in reducing the corporate and administration baseline cost during 2022.

The Company's target corporate and administration baseline cost for FY2023 continues to be approximately US\$2 million, which excludes one-off costs incurred in 2022 and takes into account the benefit of initiatives to reduce costs.

As detailed in Item 6.1 of the accompanying Appendix 5B, the Company discloses that the aggregate payments to related parties and their associates during the quarter was US\$221,000. The payments represent remuneration paid to Non-Executive Directors and the former Managing Director during the quarter.

Disclaimer

Forward looking statements - This document may include forward looking statements. Forward looking statements include, are not necessarily limited to, statements concerning FAR's planned operation program and other statements that are not historic facts. When used in this document, the words such as "target", "could", "plan", "estimate", "expect", "intend", "may", "potential", "should" and similar expressions are forward looking statements. Although FAR Ltd believes its expectations reflected in these are reasonable, such statements involve risks and uncertainties, and no assurance can be given that actual results will be consistent with these forward-looking statements. The entity confirms that it is not aware of any new information or data that materially affects the information included in this announcement and that all material assumptions and technical parameters underpinning this announcement continue to apply and have not materially changed.

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

For further information, please contact:

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Appendix 5B

Mining exploration entity or oil and gas exploration entity quarterly cash flow report

(Expressed in **United States dollars** unless otherwise stated)

Name of entity

FAR Ltd

ABN

41 009 117 293

Quarter ended ("current quarter")

30 September 2022

Consolidated statement of cash flows		Current quarter US\$'000	Year to date (9 months) US\$'000
1.	Cash flows from operating activities		
1.1	Receipts from customers	84	301
1.2	Payments for		
	(a) exploration & evaluation ⁽ⁱ⁾	(740)	(16,725)
	(b) development	-	-
	(c) production	-	-
	(d) staff costs	(505)	(1,496)
	(e) administration and corporate costs	(381)	(1,311)
1.3	Dividends received (see note 3)	-	-
1.4	Interest received	113	143
1.5	Interest and other costs of finance paid	(8)	(19)
1.6	Income taxes paid	-	-
1.7	Government grants and tax incentives	-	-
1.8	Other	-	-
1.9	Net cash from / (used in) operating activities	(1,437)	(19,107)

(i) YTD includes payments totalling US\$14.168M related to the Bambo drilling program in The Gambia that was accrued at 31 December 2021.

Mining exploration entity or oil and gas exploration entity quarterly cash flow report

2.	Cash flows from investing activities		
2.1	Payments to acquire or for:		
	(a) entities	-	-
	(b) tenements	-	-
	(c) property, plant and equipment	-	(16)
	(d) exploration & evaluation	-	-
	(e) investments	-	-
	(f) oil and gas properties	-	-
2.2	Proceeds from the disposal of:		
	(a) entities	-	-
	(b) tenements	-	-
	(c) property, plant and equipment	-	-
	(d) investments	-	-
	(e) other non-current assets	-	-
2.3	Cash flows from loans to other entities	-	-
2.4	Dividends received (see note 3)	-	-
2.5	Other (provide details if material)	-	-
2.6	Net cash from / (used in) investing activities	-	(16)
3.	Cash flows from financing activities		
3.1	Proceeds from issues of equity securities (excluding convertible debt securities)/ Payments for share buy-back	(492)	(492)
3.2	Proceeds from issue of convertible debt securities	-	-
3.3	Proceeds from exercise of options	-	-
3.4	Transaction costs related to share buy-back	(54)	(54)
3.5	Proceeds from borrowings	-	-
3.6	Repayment of borrowings	-	-
3.7	Transaction costs related to loans and borrowings	-	-
3.8	Dividends paid	-	-
3.9	Other - payment of lease liabilities	(28)	(99)
	Other – cash deposit as security for leased premises	-	(78)
3.10	Net cash from / (used in) financing activities	(574)	(723)

Mining exploration entity or oil and gas exploration entity quarterly cash flow report

4.	Net increase / (decrease) in cash and cash equivalents for the period		
4.1	Cash and cash equivalents at beginning of period	37,734	55,635
4.2	Net cash from / (used in) operating activities (item 1.9 above)	(1,437)	(19,107)
4.3	Net cash from / (used in) investing activities (item 2.6 above)	-	(16)
4.4	Net cash from / (used in) financing activities (item 3.10 above)	(574)	(723)
4.5	Effect of movement in exchange rates on cash held	(44)	(110)
4.6	Cash and cash equivalents at end of period	35,679	35,679

5.	Reconciliation of cash and cash equivalents at the end of the quarter (as shown in the consolidated statement of cash flows) to the related items in the accounts	Current quarter US\$'000	Previous quarter US\$'000
5.1	Bank balances ⁽ⁱ⁾	1,226	555
5.2	Call deposits	453	3,165
5.3	Bank overdrafts	-	-
5.4	Other – Term deposits	34,000	34,014
5.5	Cash and cash equivalents at end of quarter (should equal item 4.6 above)	35,679	37,734

(i) Includes US\$116k restricted cash held in joint venture (30 June 2022: US\$163k)

6.	Payments to related parties of the entity and their associates	Current quarter US\$'000
6.1	Aggregate amount of payments to related parties and their associates included in item 1	221
6.2	Aggregate amount of payments to related parties and their associates included in item 2	-

Note: if any amounts are shown in items 6.1 or 6.2, your quarterly activity report must include a description of, and an explanation for, such payments

Mining exploration entity or oil and gas exploration entity quarterly cash flow report

7. Financing facilities	Total facility amount at quarter end US\$'000	Amount drawn at quarter end US\$'000
<i>Note: the term "facility" includes all forms of financing arrangements available to the entity. Add notes as necessary for an understanding of the sources of finance available to the entity.</i>		
7.1 Loan facilities	-	-
7.2 Credit standby arrangements	-	-
7.3 Other (please specify)	-	-
7.4 Total financing facilities	-	-
7.5 Unused financing facilities available at quarter end		-
7.6	Include in the box below a description of each facility above, including the lender, interest rate, maturity date and whether it is secured or unsecured. If any additional financing facilities have been entered into or are proposed to be entered into after quarter end, include a note providing details of those facilities as well.	

8. Estimated cash available for future operating activities	US\$'000
8.1 Net cash used in operating activities (Item 1.9)	(1,437)
8.2 (Payments for exploration & evaluation classified as investing activities) (item 2.1(d))	-
Capitalised development expenditure for oil & gas properties (item 2.1(f))	-
8.3 Total relevant outgoings (Item 8.1 + item 8.2) *	(1,437)
8.4 Cash and cash equivalents at quarter end (item 4.6)	35,679
8.5 Unused finance facilities available at quarter end (item 7.5)	-
8.6 Total available funding (item 8.4 + item 8.5)	35,679
8.7 Estimated quarters of funding available (item 8.6 divided by item 8.3)	24.83
<i>* This is not representative of expenditure for future operating activities; for further details refer to the explanation in section 8.0 of the Additional Notes to Appendix 5B.</i>	

Note: if the entity has reported positive relevant outgoings (i.e.: a net cash inflow) in item 8.3, answer item 8.7 as "N/A". Otherwise, a figure for the estimated quarters of funding available must be included in item 8.7.

8.8	If item 8.7 is less than 2 quarters, please provide answers to the following questions:
8.8.1.	Does the entity expect that it will continue to have the current level of net operating cash flows for the time being and, if not, why not?
	Answer:
8.8.2.	Has the entity taken any steps, or does it propose to take any steps, to raise further cash to fund its operations and, if so, what are those steps and how likely does it believe that they will be successful?
	Answer:
8.8.3.	Does the entity expect to be able to continue its operations and to meet its business objectives and, if so, on what basis?
	Answer:
	<i>Note: where item 8.7 is less than 2 quarters, all of questions 8.8.1, 8.8.2 and 8.8.3 above must be answered</i>

Compliance statement

- 1 This statement has been prepared in accordance with accounting standards and policies which comply with Listing Rule 19.11A.
- 2 This statement gives a true and fair view of the matters disclosed.

Date: 24 October 2022

Authorised by: FAR Limited Board

(Name of body or officer authorising release – see note 4)

Notes

1. This quarterly cash flow report and the accompanying activity report provide a basis for informing the market about the entity's activities for the past quarter, how they have been financed and the effect this has had on its cash position. An entity that wishes to disclose additional information over and above the minimum required under the Listing Rules is encouraged to do so.
2. If this quarterly cash flow report has been prepared in accordance with Australian Accounting Standards, the definitions in, and provisions of, *AASB 6: Exploration for and Evaluation of Mineral Resources* and *AASB 107: Statement of Cash Flows* apply to this report. If this quarterly cash flow report has been prepared in accordance with other accounting standards agreed by ASX pursuant to Listing Rule 19.11A, the corresponding equivalent standards apply to this report.
3. Dividends received may be classified either as cash flows from operating activities or cash flows from investing activities, depending on the accounting policy of the entity.
4. If this report has been authorised for release to the market by your board of directors, you can insert here: "By the board". If it has been authorised for release to the market by a committee of your board of directors, you can insert here: "By the [name of board committee – e.g. Audit and Risk Committee]". If it has been authorised for release to the market by a disclosure committee, you can insert here: "By the Disclosure Committee".
5. If this report has been authorised for release to the market by your board of directors and you wish to hold yourself out as complying with recommendation 4.2 of the ASX Corporate Governance Council's *Corporate Governance Principles and Recommendations*, the board should have received a declaration from its CEO and CFO that, in their opinion, the financial records of the entity have been properly maintained, that this report complies with the appropriate accounting standards and gives a true and fair view of the cash flows of the entity, and that their opinion has been formed on the basis of a sound system of risk management and internal control which is operating effectively.

Additional Notes to Appendix 5B

Appendix 5B reference	ASX description reference	FAR commentary
1.1	Receipts from customers	This balance represents GST refunds received in the quarter and year-to-date.
1.2 (a)	Exploration and evaluation costs expensed	The FAR group accounts for the cost of exploring and evaluating discoveries under the successful efforts method. During the quarter, the Company reported total payments of US\$0.74M for exploration and evaluation. Exploration expenditure incurred in the quarter related to geological and geophysical costs and post-well studies in respect of The Gambian project.
1.2 (e)	Administration and corporate costs	Included in these costs are expenditures associated with operating the Company's office, ASX listing fees, insurances, software licences, audit, tax, legal and other administrative costs.
1.4	Interest received	FAR holds a significant portion of its cash in interest bearing term deposits with a major Australian bank to optimise interest income. The amount of interest received varies each quarter based on the amount of cash held on deposit, the interest rates received and the timing of maturity of deposits relative to the quarter end reporting date.
3.1 and 3.4	Payments for share buy-back	During the quarter the Company completed the unmarketable parcel share buy-back announced on 30 May 2022 and completed on 22 July 2022. Payments for the buy back of shares totalled US\$492,014 and costs associated with the buy-back were US\$54,119.
3.9	Other – payment of lease liabilities	This item represents lease payments during the quarter related to the Company's Right of Use Asset (head office).
4.5	Effect of movement in exchange rates on cash held	The Australian Dollar (AUD) was weaker against the United States Dollar (USD) during the quarter impacting the value of the AUD cash held; AUD/USD exchange rate at 30 June 2022 was 0.703 and at 30 September 2022 was 0.6505.
5.4	Other – Term deposits	US\$34M of cash was held as unrestricted short-term deposits with a major Australian bank and available for use on maturity.
5.5	Cash and Cash Equivalents	Total cash and cash equivalents included restricted cash held in The Gambia joint venture of US\$116,233.
6.1	Aggregate payments to related parties and their associates	These costs included payments to Non-Executive Directors and the former Managing Director as remuneration.