

26 July 2023

ASX Announcement & Media Release

June 2023 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 June 2023.

Highlights

- The Company reached agreement with the Government of The Gambia during the quarter
 - for an extension to the permit term of an additional 12 months to 30 September 2025;
 - for a substantial reduction in the annual fixed permit statutory costs; and
 - no obligation for FAR to incur expenditure on the licences for a 12-month period commencing 1 April 2023.
- The Company is giving consideration to the remarketing of Blocks A2 and A5 with a substantially lower fixed permit statutory cost structure.
- On 19 June 2023, the Company announced its intention to seek shareholder approval for a proposed capital return of 40 cents per share. The proposed capital return is expected to involve a total payment of approximately US\$25 million. Shareholder approval will be sought at a General Meeting to be held on 18 August 2023.
- The proposed capital return supersedes the on-market share buy-back, which was terminated during the quarter. Since commencing in December 2022, a total of 6,480,233 shares have been bought back at an average price of A\$0.70284 per share and total cost of US\$3.0 million (A\$4.6 million).
- Cash at quarter end was US\$29.5 million (unaudited).

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

"The Company has been successful in reaching agreement with the Government of The Gambia for changes to the licence conditions for the next twelve months, in addition to a substantial reduction in the annual fixed permit statutory costs. The agreement provides the opportunity to remarket Blocks A2 & A5 at a significantly reduced statutory cost, to create value for our shareholders from the extensive exploration data associated with the project.

The proposed capital return announced on 19 June 2023 continues the Board's focus on fiscal discipline and shareholder returns. We believe the proposed capital return is an effective method of returning capital to shareholders at this time."

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

The Company has agreed with the Government of The Gambia for an extension to the permit term for an additional 12 months to 30 September 2025 and a substantial reduction in the future annual fixed permit statutory costs. As a result of this agreement with the Government, there will also be no obligation for FAR to incur expenditure on the licences for a 12-month period commencing 1 April 2023.

The Company is revisiting the marketing of Blocks A2 and A5, with a substantially lower fixed permit statutory cost structure, to establish a joint venture arrangement to undertake the geoscience review and ultimately drill additional exploration wells. FAR expects new partners to fund the costs of the work program during the remaining permit extension period, subject to satisfaction of certain conditions including Government approval; incoming participants in a Joint Venture may assume operatorship.

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 an announcement to the market on 18 July 2023, Woodside provided a project update following a cost and schedule review of Sangomar Field Development Phase 1 ("**Sangomar**"). First oil production from Sangomar is now targeted for mid-2024 (previously late 2023). As at 30 June 2023, the overall project was 88% complete.

The update on the status of Sangomar from Woodside, with specific reference to first oil production from mid-2024 means that there is still likely to be a payment to FAR under the Contingent Payment in early 2025. Based on progress of the Sangomar development 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.

The Contingent Payment comprises 45% of entitlement barrels (being the share of oil relating to FAR's previously held 13.67% of the RSSD Project comprising the Sangomar Field exploitation area of interest), multiplied by the excess 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.

The Board will consider opportunities for monetisation of this asset nearer to the commencement of first oil production from Sangomar.

Corporate

In November 2022 the Company announced its intention to undertake an on-market share buy-back for up to 10% of the Company's issued capital. With the announcement of the proposed capital return the on-market share buyback was terminated in June 2023.

As the time of terminating the buyback, the Company had bought back 6,480,233 shares at an average price of A\$0.70284 per share and total cost of US\$3.0 million.

On 19 June 2023, the Company announced its intention to seek shareholder approval for a proposed capital return of 40 cents per share. The proposed capital return is expected to involve a total payment of approximately US\$25 million. Shareholder approval will be sought at a General Meeting to be held on 18 August 2023.

The proposed Capital Return is expected to follow a similar format and process to the capital reduction conducted by the Company in 2021. FAR intends to seek a class ruling from the Australian Taxation Office in a similar manner to that which occurred in 2021 seeking confirmation that the Capital Return will not count as a dividend for taxation purposes.

Cash Balance and Expenditure (unaudited)

FAR had US\$29.5 million of cash at the end of the quarter. During the June 2023 quarter expenditure totalled US\$0.6 million before on-market share buy-back payments, comprising mainly corporate and administration costs and exploration expenditure. Payments for the on-market share buy-back in the quarter totalled US\$0.9 million.

A summary of cash movements in the June 2023 quarter is set out in the table below.

June 2023 Quarter	March 2023 Quarter US\$M	June 2023 Quarter US\$M
Opening cash balance	33.7	30.7
Corporate and administration costs	(0.7)	(0.4)
Exploration expenditure	(0.4)	(0.2)
Total expenditure	(1.1)	(0.6)
Financing	0.3	0.3
On-market share buy-back payments	(1.9)	(0.9)
Other movements	(0.3)	-
Closing cash balance	30.7	29.5

Corporate and administration expenditure in the June 2023 quarter was lower as the Company further reduced activities to conserve cash.

Exploration expenditure in the quarter for the first extension exploration period in The Gambia comprised mainly in-country administration and support costs.

Financing comprises interest received on cash invested less right-of-use lease payments for the period.

The on-market share buy-back resulted in 1,672,877 shares being bought back during the quarter at an average price of A\$0.7005 per share. Total cash payments in the quarter associated with the buy-back amounted to US\$0.9 million, which included the balance of payments of US\$0.1 million from the end of the March 2023 quarter.

At the end of the quarter the Company had US\$28.5 million invested in term deposits at varying interest rates and cash at call earning interest. At the time of announcing the proposed capital return the Company entered into forward contracts at an average AUD/USD exchange rate of 0.6892 to fix the exchange rate for converting US\$25 million on deposit to Australian dollars (AUD), providing certainty on AUD funds for the capital return payments.

The Board continues to focus on reducing costs in the business wherever practical. The Company's budgeted expenditure for FY2023 is in the range US\$1.5 to US\$1.7 million, excluding one-off and share buyback payments.

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\$124,000. The payments during the quarter represent remuneration paid to Non-Executive and Executive Directors.

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", "anticipate", "continue" 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:

Investors:

Patrick O'Connor

Chairman

p.oconnor@far.com.au

P: +61 412 026 812

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 June 2023

Consolidated statement of cash flows		Current quarter US\$'000	Year to date (6 months) US\$'000
1.	Cash flows from operating activities		
1.1	Receipts from customers	49	105
1.2	Payments for		
	(a) exploration & evaluation	(166)	(606)
	(b) development	-	-
	(c) production	-	-
	(d) staff costs	(298)	(828)
	(e) administration and corporate costs	(168)	(432)
1.3	Dividends received (see note 3)	-	-
1.4	Interest received	271	603
1.5	Interest and other costs of finance paid	(7)	(14)
1.6	Income taxes paid	-	-
1.7	Government grants and tax incentives	-	-
1.8	Other	-	-
1.9	Net cash from / (used in) operating activities	(319)	(1,172)

2.	Cash flows from investing activities		
2.1	Payments to acquire or for:		
	(a) entities	-	-
	(b) tenements	-	-
	(c) property, plant and equipment	-	-
	(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	-	-

3.	Cash flows from financing activities		
3.1	Proceeds from issues of equity securities (excluding convertible debt securities)/ Payments for share buy-back	(878)	(2,706)
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	(5)	(11)
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	(32)	(64)
3.10	Net cash from / (used in) financing activities	(915)	(2,781)

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	30,725	33,651
4.2	Net cash from / (used in) operating activities (item 1.9 above)	(319)	(1,172)
4.3	Net cash from / (used in) investing activities (item 2.6 above)	-	-
4.4	Net cash from / (used in) financing activities (item 3.10 above)	(915)	(2,781)
4.5	Effect of movement in exchange rates on cash held	(7)	(214)
4.6	Cash and cash equivalents at end of period	29,484	29,484

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	112	213
5.2	Call deposits	872	2,512
5.3	Bank overdrafts	-	-
5.4	Other – Term deposits	28,500	28,000
5.5	Cash and cash equivalents at end of quarter (should equal item 4.6 above)	29,484	30,725

6. Payments to related parties of the entity and their associates

- 6.1 Aggregate amount of payments to related parties and their associates included in item 1
- 6.2 Aggregate amount of payments to related parties and their associates included in item 2

**Current quarter
US\$'000**

124

-

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

7.	Financing facilities <i>Note: the term "facility" includes all forms of financing arrangements available to the entity.</i> <i>Add notes as necessary for an understanding of the sources of finance available to the entity.</i>	Total facility amount at quarter end US\$'000	Amount drawn at quarter end US\$'000
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)	(319)
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) *	(319)
8.4	Cash and cash equivalents at quarter end (item 4.6)	29,484
8.5	Unused finance facilities available at quarter end (item 7.5)	-
8.6	Total available funding (item 8.4 + item 8.5)	29,484
8.7	Estimated quarters of funding available (item 8.6 divided by item 8.3)	92.43

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:

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

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: 26 July 2023

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 mainly GST refunds received in the quarter.
1.2 (a)	Exploration and evaluation costs expensed	During the quarter, the Company reported total payments of US\$0.16M for exploration and evaluation. Exploration expenditure incurred in the quarter related to expenses to administer the Gambia interests.
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 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	FAR continued the on-market share buy-back announced in November 2022, with 1,672,877 shares bought back in the quarter at an average price of A\$0.7005 per share and a total cost of US\$0.883M including transaction costs.
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).