

01 Oct – 31 Dec 2014

# Q4 Report

## Offshore Senegal exploration – outstanding success story Two world class oil discoveries

### Highlights

- Two world class oil discoveries in FAN-1 and SNE-1 wells offshore Senegal
- Appraisal drilling planning underway
- \$46.7 million capital raising
- End of quarter cash position of \$67 million with no debt
- Gordon Ramsay appointed to executive team

### Projects update

#### Offshore Senegal (FAR 15%)

FAR made two world class offshore oil discoveries in Senegal in the December quarter.

Both the FAN-1 well and the follow up SNE-1 well made very significant oil discoveries, each of which has the potential to justify a stand-alone oil development project.

Both wells met key, pre-drill objectives and in each well a significant potential resource volume has been identified. Definitive resource volumes cannot be established until appraisal drilling, for which planning is underway, is completed.

A formal Notice of Discovery for each of the wells has been issued to the Government of Senegal and in accordance with the PSC (Petroleum Sharing Contract) terms.

#### Results of FAN-1

On 7 October 2014, FAR announced the discovery of oil in the first of the wells drilled offshore Senegal: FAN-1. The well discovered high quality, light oil in multiple, stacked clastic reservoirs.

The FAN-1 discovery included:

- 29 metres of net oil bearing reservoir in Cretaceous age sandstones
- A gross oil bearing interval of more than 500 metres
- No oil/water contact encountered
- Distinct oil types ranging from 28° API up to 41° API from a number of oil samples recovered to surface



Figure 1: FAR permits offshore Senegal

\* Refer to Cautionary Statement in this report (page 7) relating to estimates of prospective resources

The results announced to date are preliminary and work to finalise the interpretation of additional oil bearing reservoirs is ongoing.

The well was drilled in 1,427 metres of water to a total depth (TD) of 4,927 metres. The FAN-1 well is approximately 100kms offshore in the Sangomar Offshore Profond block (refer Fig 2).

### Results of SNE-1

On 10 November 2014, FAR announced success in the SNE-1 well, the second well drilled offshore Senegal.

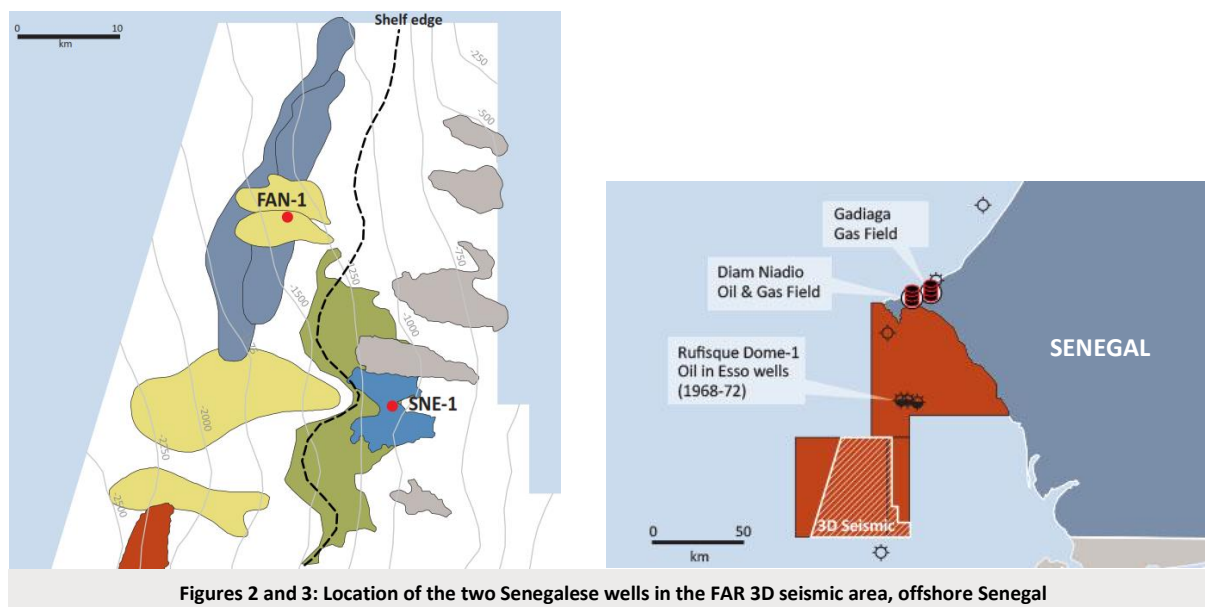
Initial analysis of the SNE-1 well discovery indicates:

- 95m gross oil bearing column with a gas cap
- Excellent Albian reservoir sands with net oil pay of 36m
- High quality oil of 32 degrees API from samples of gas, oil and water recovered to surface
- Operator's preliminary estimates of the gross contingent resource range from P90, 150 mmbbls, P50, 330 mmbbls and P10, 670 mmbbls (net to FAR; P90, 23 mmbbls, P50, 50 mmbbls, P10, 101 mmbbls)\*

The well was drilled in 1,100 metres of water approximately 100kms offshore in the Sangomar Offshore Profond block and approximately 20kms from the FAN-1 well (refer fig 2).

Analysis of FAN-1 and SNE-1 well results to further evaluate the resource potential of the discoveries continues. A report including final well evaluation is expected to be released in the first quarter 2015.

The results of the FAN-1 well and the final analysis from the SNE-1 will be used to decide optimal follow up drilling locations as part of an appraisal and additional exploration program. FAR has mapped numerous exploration prospects in the permit area with prospective resources totalling 3.585 billion barrels of oil (gross, unrisks, best estimate basis, 538 million net to FAR)\* (reference: ASX release 27/02/2013).



### The drilling program offshore Senegal

The FAN-1 and SNE-1 wells are the first deep water (>1,000m) wells drilled in Senegalese waters and the first offshore wells to be drilled for over 20 years.

Both FAN-1 and SNE-1 have significant follow-up drilling potential in the event of a discovery. FAR's three contiguous Senegalese blocks – Rufisque Offshore, Sangomar Offshore and Sangomar Offshore Profond – cover 7,490km<sup>2</sup>.

From 2,050km<sup>2</sup> of modern 3D seismic data acquired in the blocks, FAR has mapped 11 potentially drillable prospects as well as numerous other leads, many supported by associated seismic amplitude responses in plays including the 'fan' and 'shelf'.

In February 2013 FAR assessed its Senegal blocks to have prospective resources of 3.585 billion barrels of oil (538 million net to FAR)\* (reference: ASX release 27/02/2013).

\* Refer to Cautionary Statement in this report (page 7) relating to estimates of prospective resources

FAR retains a 15% working interest in the permits and Cairn Energy, ConocoPhillips and Petrosen (the Senegalese National Oil Company) hold 40%, 35% and 10% respectively. Petrosen's interest is a carried interest through this exploration phase.

As reported at the previous two quarters, the drilling operations suffered extensive delays due to unscheduled maintenance on the rig and, together with additional "success case" logging and evaluation, the estimated cost to complete the drilling program has exceeded the Company's funding cap.

Under the terms of the ConocoPhillips agreement, ConocoPhillips provide funding equivalent to a carry of FAR through this first exploration well to a cap of US\$116 million in exchange for a 10% working interest in the Senegalese permits. This funding takes the form of cash payments and well carry cost payments. All cash payments to FAR have now been completed by ConocoPhillips (totalling US\$10.4 million).

Cairn will fund 100% of FAR's costs of the second exploration well (SNE-1) offshore Senegal to an investment cap of US\$80 million. In addition, Cairn has paid FAR US\$9.82 million for past costs.

FAR estimates that its future funding contribution to complete the two well program will be approximately A\$26 million, which will be spent in Q1 2015. FAR is well funded to meet these additional costs to complete the drilling program as FAR's cash balance at 31 December 2014 was A\$67 million following a A\$45 million (after costs) capital raising in October (*reference: ASX release 20/10/2014*).

#### **The evaluation and further exploration plans offshore Senegal**

Following the two discoveries offshore Senegal, the joint venture is currently completing well analysis and further evaluation of the geology before finalising a contingent resource estimates for each discovery. The work is ongoing and will be released when completed.

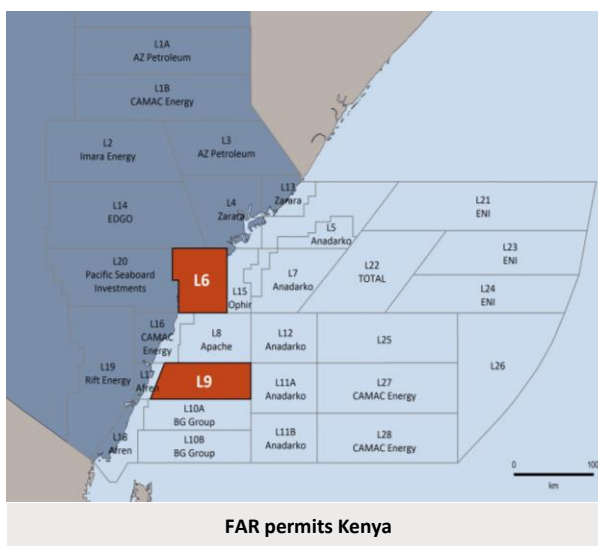
The evaluation work program and plans for future exploration on the block are, as a result, not expected to be finalised until late April.

As stated at the recent RBC Investor Lunch Series in London, the Operator said with falling deepwater rig rates and the experience gained drilling offshore Senegal in 2014, they believe wells could be drilled offshore Senegal at US\$30-40 million (gross) per well (taking 30-40 days per well). The joint venture is hence motivated to begin a multi-well campaign Q4/15. The programme is likely to include two appraisal wells (on the SNE-1 discovery) and one exploration well on the shelf (with options for further drilling). The focus will initially be on the SNE-1 discovery and look-a-like structures on the shelf area offshore Senegal.

Rufisque, Sangomar, Sangomar Profond	Working Interest
<b>FAR</b>	<b>15%</b>
Cairn Energy	40% Operator
ConocoPhillips	35%
Petrosen	10%

### Block L6, Kenya (FAR 60% offshore, 24% onshore and Operator)

In February of this year, FAR completed its third farmout to the Milio group of companies (*reference: FAR ASX release 04/02/2014*). As a result, FAR is fully carried through an onshore well and an onshore 2D seismic survey and associated processing and interpretation. Following a number of security incidents in the northern coastal area of Kenya, the L6 joint venture was awarded a one year extension to complete the work program under the current PSC term by the Government of Kenya. FAR has been working with Milio and the Kenyan Ministry of Energy and Petroleum to monitor the situation and put in place appropriate risk mitigation strategies and subject to final approvals, the survey is expected to commence in Q1 2015.



The farm out agreement with Milio and the associated carried work program relate to the onshore portion of Block L6 only where FAR has retained a 24% free carried interest.

An onshore discovery in L6 provides the potential for gas to be used as feedstock for domestic power generation in the near term.

In relation to the offshore portion of Block L6 where FAR has a 60% interest, FAR is currently progressing a farm out initiative for drilling an offshore well. The recent Sunbird-1 discovery well drilled by the BG Group in the nearby Kenya Block 10A targeted a Miocene reef structure. The Miocene reef play extends along the coast of Kenya and through both of FAR's offshore blocks, L6 and L9. With the discovery of oil in the Sunbird-1 well at the southern extent of the Miocene reef play and evidence for oil in the Maridadi well drilled at the northern extent in L6, FAR has had strong industry interest in its L6 farm out opportunity but reports that the timetable to conclude a farmout deal is not expected until later in 2015.

Kenya Block L6	Paying Interest Onshore	Paying Interest Offshore
<b>FAR</b>	<b>24% Operator</b>	<b>60% Operator</b>
Pancontinental Oil and Gas	16%	40%
Milio Group	60%	

### Block L9, Kenya (FAR 30% interest)

The assignment agreement between FAR and Ophir Energy (the Operator of Block L9) expired on 23 July 2014. Following this date, FAR and Ophir Energy have held discussions regarding FAR's entry into the block and the plans for a future work program in the permit.

Kenya Block L9	Paying Interest
<b>FAR</b>	<b>30%</b>
Ophir Energy	70% Operator

\* Refer to Cautionary Statement in this report (page 7) relating to estimates of prospective resources

### Offshore Guinea-Bissau (FAR 21.43%, Operated by Svenska)

In December 2012, the Government of Guinea-Bissau approved a 3 year extension to the current exploration term. The extension period began on 26 November 2012 and has no work program obligations.

FAR and its Joint Venture partner Svenska Petroleum Exploration AB, have been monitoring the political situation in Guinea Bissau following the Presidential elections in May. The Joint Venture delayed the execution of a rig contract until after the elections and at this date does not have a rig under contract for the planned drilling. As a result, the Joint Venture amended the work program for the remainder of 2014 to remove the one appraisal well and one contingent exploration well previously planned.

The Sinapa appraisal well will be drilled into the Sinapa oil field discovered by Premier in 2004. If this well is a commercial success then a further exploration well will be drilled. FAR has a 21.43% paying interest and 15% working interest in the Sinapa and Esperanca blocks offshore Guinea-Bissau. Earlier this year, FAR completed an internal assessment of the contingent and prospective resources in its Guinea-Bissau blocks (*reference: ASX release 05/02/2014*).

The joint venture has approved a work program including the drilling of one appraisal well on the Sinapa West oil discovery at the end of 2015. However, in light of FAR's neighbouring discoveries on the shelf offshore Senegal, a re-interpretation of the Guinea Bissau 3D seismic data is ongoing to assess the potential for this oil play in the blocks.

Block 2, Block 4A, Block 5A	Paying Interest
<b>FAR</b>	<b>21.43%</b>
Svenska	78.57% Operator

### Australia (FAR 100%, and Operator)

In March 2014 the Company completed an assessment of the prospective resources for its Western Australian blocks WA-457-P and WA-458-P. FAR assesses the prospective resources to be approximately 450 mmbbls of oil (unrisked, best estimate, 100% basis)\* (*reference: ASX release 11/3/2014*). Work continued on reprocessing existing 2D and 3D seismic data and planning a 3D seismic survey for early in 2015.

WA-457-P, WA-458-P	Paying Interest
<b>FAR</b>	<b>100% Operator</b>

### Management comment

FAR Ltd Managing Director, Cath Norman said, "FAR completed an outstanding successful drilling campaign in the December quarter. We have made two significant oil discoveries offshore Senegal, an enormous reward for all FAR stakeholders and potentially transformational for the company. It is certainly important for the country of Senegal as we are pioneering the unlocking of an entirely new offshore petroleum province.

"Importantly, FAR also completed a highly success capital raising to significantly strengthen its cash position just as the slump in global oil prices was eroding investor confidence in the sector. FAR enjoyed a high level of investor interest and can now comfortably meet its work program commitments for the foreseeable future.

"FAR enters this quarter with a strong cash position of A\$67 million after the capital raising of \$46.7 million in October (before costs) (*reference: ASX release 20/10/2014*) through the issue of 424,961,685 shares at 11c to institutional and sophisticated investors.

"Recognising the significance of the two discoveries offshore Senegal, FAR has completed a strategy review undertaken in December. As a result FAR has re-organised the management team to ensure the company is well resourced for the year ahead.

\* Refer to Cautionary Statement in this report (page 7) relating to estimates of prospective resources

*“Peter Nicholls, exploration manager, continues to lead the successful FAR subsurface team and Ben Clube is promoted to chief operating officer (Mr Clube is also a director of FAR) and will be responsible for the management of all FAR projects and joint ventures. FAR welcomes Gordon Ramsay, formerly of UBS, to the team as the executive general manager of business development (reference: ASX release 22/01/2015). Alongside the executive team, Mr Ramsay will work on new business opportunities and be a key member of the team as we move towards commercialisation of the Senegal discoveries.*

*“Reaching commerciality on each of the Senegal discoveries is the priority for FAR in 2015. Preliminary assessment of the well results indicate that both are likely to be large enough to be standalone developments and the joint venture is currently preparing an appraisal drilling program to determine commerciality. Further, work to finalise evaluation of the wells with a priority on the SNE-1 well results is expected to be completed by the end of Q1 2015.*

*“In addition to assessing the commercial viability of the two discoveries, the joint venture will, in parallel, plan an exploration program to explore the undrilled prospects offshore Senegal. This program will piggy-back on the appraisal program to commence towards the end of 2015, resulting in a multi-well drilling plan. The exploration drilling is aimed at unlocking the prospectivity of the shelf offshore Senegal where there is large upside potential (reference: FAR ASX release of 27/2/2013 and FAR Investor Presentation 14/10/2014).*

*“To accommodate a period of rig maintenance and additional time spent on “success case” logging and drilling for both wells, FAR is still to pay approximately A\$26 million to complete the drilling of the two wells. The company can comfortably cover these costs with current cash reserves.*

*“In Kenya, a third farm out to the Milio group of companies was completed for the onshore portion of the Kenya L6 Block in early 2014. Security incidents hampered the commencement of the seismic survey to be conducted by Milio and as a result the seismic survey has been delayed until late in Q1 2015 with drilling estimated to commence in late 2015. The Government of Kenya awarded the joint venture a one year extension to the current PSC period in order to complete the work program in a safe manner.*

*“A farm out initiative is progressing to secure funding for the drilling of an offshore well on Block L6.*

*“FAR plans to participate in a speculative 3D seismic survey commencing in late January 2015 to evaluate its WA-457-P and WA-458-P permits on the North West Shelf offshore Western Australia. In mid-July, FAR Ltd was awarded a 12 month extension to the current exploration period to allow it to acquire data in an optimum weather window and take advantage of vessels in the region.*

*“FAR will withdraw from its remaining onshore Australian interests in the next quarter as they are not in line with the company’s exploration or funding strategy going forward.*

*“Given current oil prices, FAR acknowledges that investment in the oil and gas industry has tightened and prudent capital management is key in the coming months. However, along with the decline in oil prices, there has been a commensurate dramatic fall in the daily lease rates for offshore rigs. FAR’s joint venture partner, Cairn Energy has stated that the forthcoming appraisal wells could be completed for US\$30-40 million (gross), a substantial reduction in the cost of drilling the two discovery wells. In the case of a 3-well drilling program commencing late in 2015, FAR’s 16.67% share of this possible program could be paid for with our current cash reserves.*

*“FAR looks forward to the forthcoming quarter and releasing information regarding progress of the evaluation of the Senegal well data and future plans for the project as they are agreed by the joint venture. The Senegal project remains at the forefront of FAR’s plans.”*

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**For more information please contact**

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## Disclaimers

**\*Prospective Resource Estimates Cautionary Statement** - With respect to the prospective resource estimates contained within this report, it should be noted that the estimated quantities of Petroleum that may potentially be recovered by the future application of a development project may relate to undiscovered accumulations. These estimates have an associated risk of discovery and risk of development. Further exploration and appraisal is required to determine the existence of a significant quantity of potentially moveable hydrocarbons.

**Prospective Resources** - All prospective resource estimates presented in this report are prepared as at 27/2/2013, 11/3/2014 and 5/2/2014. (Reference: FAR ASX releases of 27/02/2013, 11/3/2014, 5/2/2014). The estimates have been prepared by the Company in accordance with the definitions and guidelines set forth in the Petroleum Resources Management System, 2007 approved by the Society of Petroleum Engineer and have been prepared using probabilistic methods. Unless otherwise stated the estimates provided in this report are Best Estimates and represent that there is a 50% probability that the actual resource volume will be in excess of the amounts reported. The estimates are unrisks and have not been adjusted for both an associated chance of discovery and a chance of development. The 100% basis and net to FAR prospective resource estimates include Government share of production applicable under the Production Sharing Contract.

**Competent Person Statement Information** - In this report relating to hydrocarbon resource estimates has been compiled by Peter Nicholls, the FAR Limited exploration manager. Mr Nicholls has over 30 years of experience in petroleum geophysics and geology and is a member of the American Association of Petroleum Geology, the Society of Petroleum Engineers and the Petroleum Exploration Society of Australia. Mr Nicholls consents to the inclusion of the information in this report relating to hydrocarbon Prospective Resources in the form and context in which it appears. The Prospective Resource estimates contained in this report are in accordance with the standard definitions set out by the Society of Petroleum Engineers, Petroleum Resource Management System.

**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 "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.

## Project table

Project and Location	Tenement	Beneficial Interest at end of quarter	Acquired during the quarter	Disposed during the quarter
Guinea-Bissau (offshore)	Sinapa Block 2	15.00%	N/A	N/A
	Esperanca Blocks 4A & 5A	15.00%	N/A	N/A
Senegal (offshore)	Rufisque,	15.00%	N/A	N/A
	Sangomar	15.00%	N/A	N/A
	Sangomar Deep	15.00%	N/A	N/A
Kenya (offshore)	Block L6	60.00%	N/A	N/A
Kenya (onshore)	Block L6	24.00%	N/A	N/A
Kenya (offshore)	Block L9	30.00%	N/A	N/A
Australia (WA offshore)	WA-457-P	100.00%	N/A	N/A
	WA-458-P	100.00%	N/A	N/A
Australia (WA onshore)	EP104	8.89%	N/A	N/A
	R1	8.00%	N/A	N/A
	L15	12.0%	N/A	N/A



## Q and A: FAR's discoveries in Senegal

Question and answer session with Cath Norman, Managing Director of FAR Limited (ASX:FAR) regarding the recent successes in Senegal.

Q: The Senegal exploration program reads like a Cinderella story for FAR Ltd. What was the magic ingredient behind these two discoveries?

A: *There is no magic in the Senegal exploration success. These discoveries are the result of strong technical work by the FAR technical team to identify and map the opportunities which we immediately saw as enormous. In addition our commercial team then worked on securing high quality partners (Cairn Energy and ConocoPhillips) to further explore the various opportunities. These commercial deals allowed FAR to access "best in class" drilling expertise and secure funding for drilling two exploration wells while retaining a significant equity ownership interest in the Senegal blocks. Our partners shared our assessment of the exploration potential and bought into the project by funding the first \$200 million of drilling costs for the first two wells.*

*For FAR shareholders this has been hugely successful, with around \$22 million of our company's money invested in Senegal exploration while FAR was free-carried for over \$200 million in net exploration costs resulting in two significant oil discoveries. This has resulted in very substantial value creation for shareholders.*

Q: And yet these were the first wells drilled in 20 years in the country. Why the reluctance to explore offshore in Senegal?

A: *There are a number of geological factors that need to be present for oil exploration to be successful. The prospect sizes that we have mapped offshore Senegal are large and hence require a large volume of oil being produced to fill them. As an industry, the understanding of the deep water source rock offshore West Africa is only beginning to be understood. Until the Jubilee field was discovered offshore Ghana in 2007, very few wells had been drilled offshore Africa in deep water fan plays such as FAN-1. While the potential of frontier exploration can be substantial, the risks are high.*

Q: What is the significance of the discoveries for FAR?

A: *Prior to drilling, FAR had mapped prospects in its offshore Senegal blocks with prospective resources totalling about 3.5 billion barrels of oil\*. Clearly, if this potential is realised, then FAR's 15% interest in the project is highly significant to our company.*

*Key to realising anything like this enormous volume of oil being trapped was the existence of an extensive, working source rock. The discovery of a 500 metre interval of oil in the first well, FAN-1, proved there are very large volumes of oil being produced and, if our migration model is correct, then there could be enough oil being generated to fill all of our prospects. The presence of oil in SNE-1 went a long way to proving this migration model so we are one step closer to unlocking the 3.5 billion barrels.*

*With respect to the two discoveries themselves, they appear to be of a scale that will support a stand-alone development on each. To have made two potentially commercially viable discoveries from two frontier wells is significant in itself and a very rare occurrence in our industry. For FAR shareholders this will mean the company has two standalone developments, both of which appear to offer significant value creation potential.*

*FAR's discovery in the SNE-1 well is ranked number 1 by size on IHS's list of top ten global discoveries for 2014 (IHS is an industry leader in the analysis of global oil and gas data).*

Q: Is the SNE-1 discovery more meaningful to FAR than the FAN-1 discovery?

A: *From the information we have obtained so far - the answer is potentially yes. The reservoir in SNE-1 is excellent and the structure is very well defined and we expect the path to project sanction and a commercial development is relatively clear and straight forward for SNE-1. Even on highly conservative recoverable oil volume estimates SNE-1 will be an attractive project capable of generating substantial value for shareholders. If there are 330mmbbls of recoverable oil\* as estimated by the Operator this will clearly be a commercial project. The value of each barrel of oil will be relatively high due to the moderate capital costs and the attractive fiscal terms that FAR has secured in Senegal.*

*The FAN-1 discovery is a relatively more complex geological story at present. The fact that we have assessed to date 29 metres of net pay over a very large area resulted in the Operator announcing an estimate of 950 million barrels of oil in place on a P50 basis. As a joint venture, we are yet to finalise our assessment of the net*

\* Refer to Cautionary Statement in this report (page 7) relating to estimates of prospective resources

reservoir, but if we apply a 30% recovery factor to this oil in place estimate then we have another large discovery in FAN-1. What is particularly exciting about FAN-1 is that we did not reach the oil-water contact in the well. This means that the size of the potential pool of oil could be much larger than we have estimated and significantly larger than the SNE-1 discovery. We won't know how big the FAN-1 discovery is until we have completed our analysis of the FAN-1 well data and drilled at least one appraisal well.

It would be fair to say that FAN-1 is more complex to understand given there is evidence that a number of hydrocarbon columns exist within the well. This is evidenced by the range of pressure regimes and the different oils sampled in the FAN-1 well (ranging from 28 – 42 degrees API).

**Q:** The SNE-1 was targeting two prospects, the upper sand and the lower carbonates, why was there only oil in the upper sand?

**A:** The upper Albian sand was the section in which we discovered gas, oil and saw the oil-water contact indicating the base of the hydrocarbon column. In our ASX release, we stated that the amount of oil discovered in this level more than compensated for the lack of oil in the lower carbonates – in fact, on an unrisksed basis, we discovered more than twice our pre-drill estimate and on a risksed basis, nearly ten times our pre-drill estimate.

**Q:** What about the remaining potential of Senegal?

**A:** As stated previously, our ultimate aim is to realise the multi-billion barrel potential of the basin. Our team will be reviewing the prospective resources inventory from the undrilled prospects and, in light of the discoveries, re-assessing the volumes and geological chance of success for each prospect. We expect we will release a revised assessment of our prospective resource inventory in the first quarter 2015.

Prior to drilling, we gave the fan play a one in six chance of success and the shelf play a one in four chance of success, so the risksed numbers will change for these plays as we incorporate the success and report contingent resources for the discoveries and the prospective resources for the inventory of prospects yet to be drilled.

We expect these resources will increase as we now understand the plays in much greater detail. There are three main, broad play types offshore Senegal: the fans, the shelf edge and the buried hills. Both the fan and shelf edge plays have been tested through drilling and have been proven to be successful and we would hope to drill the buried hills play in the future.

**Q:** What will the next 12 months entail?

**A:** We have enjoyed two fantastic successes and now we face a new set of challenges. The completion of the two wells has satisfied our work program obligations to the Government of Senegal until early February 2016. We have now handed the rig to the next operator. We are aiming to finalise our analysis of the well results and release updated contingent resource estimates for both FAN-1 and SNE-1 in the first quarter of 2015.

The formal declaration of the two discoveries to the Government means that we have six months to reach agreement on an appraisal program. The finalisation of the appraisal program and the preparations for appraisal and further exploration will dominate this year's activities.

**Q:** Is the company sufficiently funded for this period?

**A:** We were successful in raising A\$47 million through a placement at 11cps on the news of the first oil discovery in FAN-1, resulting in A\$88m of cash on hand and the company is now amply funded for its current commitments. We expect any Senegal appraisal program will be conducted over the next three years, providing FAR and its shareholders ample time to fund the entire program.

The company is already evaluating its various strategic options to fund any appraisal program. We expect we will be able to fund the next several years of the program with future funding likely to come from a combination of asset sales, equity raisings or other forms of financing.

**Q:** Why has the stock price barely reacted to the drilling success?

**A:** The FAR share price has declined through the course of the last few weeks despite FAR announcing a second discovery in the SNE-1 well, adding approximately 50mm bbl of net contingent resources to FAR\*. As mentioned above we believe this is a high quality discovery and will likely result in a commercial standalone development in due course.

The timing of the discoveries could not have been worse due to the rapidly falling global oil price. The significance of the exploration results is taking some time to be absorbed given the highly technical nature of these discoveries. The size of the discoveries, the upside potential, the attractive fiscal terms in Senegal and the desire by the joint venture partners to drive forward into appraisal and potentially a development means that

\* Refer to Cautionary Statement in this report (page 7) relating to estimates of prospective resources

*the market should quickly begin to understand the value proposition these discoveries offer to FAR.*

*We believe FAR offers a unique opportunity as it provides shareholders with exposure to two significant oil discoveries, each of which are likely to offer sizeable standalone developments in Senegal. In addition, the discoveries of the Shelf and Fan wells, de-risk several geological prospects and leads, which in due course will be unlocked in this frontier basin.*

*Some points to note:*

- The oil price has suffered a significant correction with the OPEC decision resulting in the capitulation of the oil price from around \$80 to \$65 per barrel during the period in which we have made our discoveries, a decline of 20%. The forecast for the forthcoming 6 – 12 months is for the oil price to remain around these levels with the longer term showing a forecast strength in oil prices;*
- Investor sentiment is very weak, with limited buying support seen across the sector and significant retail selling;*
- The energy sector has been hit particularly hard over the last two weeks with our peers down similar levels; and*
- There is limited apparent investor understanding of the quality of the SNE-1 well result, which we believe today's Q and A should help to resolve.*

**FAR Top 10 shareholders (as at 31 December 2014)**

	Shareholder	Number of shares	Percentage
1	FARJOY PTY LTD	342,645,785	10.958%
2	J P MORGAN NOMINEES AUSTRALIA LIMITED	198,023,352	6.333%
3	HSBC CUSTODY NOMINEES (AUSTRALIA) LIMITED	155,889,887	4.986%
4	CITICORP NOMINEES PTY LIMITED	109,739,128	3.510%
5	MR OLIVER LENNOX-KING	75,647,869	2.419%
6	TOAD FACILITIES PTY LTD <JP NETTLETON/TOAD S/F A/C>	58,800,000	1.881%
7	FOUNTAIN OAKS PTY LTD	32,200,366	1.030%
8	MERRILL LYNCH (AUSTRALIA) NOMINEES PTY LIMITED	30,466,778	0.974%
9	UBS NOMINEES PTY LTD	25,037,637	0.801%
10	NATIONAL NOMINEES LIMITED	24,405,754	0.781%
	<b>Total</b>	<b>1,052,856,556</b>	<b>33.672%</b>
	<b>Total Issued Capital</b>	<b>3,126,808,427</b>	<b>100.000%</b>