

1 September 2016

## *ASX Announcement & Media Release*

### **SNE oil field commercial viability confirmed**

---

- SNE assessed by FAR to be a commercially viable project with Minimum Economic Field Size (“MEFS”) threshold achieved
- SNE project at pre-FEED stage. Well placed to benefit from project optimisation and cost deflation
- SNE first oil expected in 2022 and production plateau of 140,000 bbls/d
- SNE Contingent Resources recently upgraded to: 1C 348 mmbbls; 2C 641 mmbbls; 3C 1128 mmbbls
- FAR’s economic assessment of SNE field consistent with Cairn Energy PLC reported valuations

### **SNE oil field development concept**

Following the successful results of the 2015/2016 appraisal program of the SNE oil field offshore Senegal in West Africa, FAR Ltd (ASX: FAR) has assessed that the Minimum Economic Field Size for a commercial development has been achieved. Cairn Energy PLC, the Operator, had previously assessed the Minimum Economic Field Size for the SNE project to be approximately 200 million barrels.

On 23 August 2016 FAR disclosed upgraded SNE Contingent Resources estimates independently certified by RISC Operations Pty Ltd (“RISC”). FAR’s revised contingent resource estimates on a 100% basis were:

- 1C (P90) 348 mmbbls; 2C (P50) 641 mmbbls; 3C (P10) 1128 mmbbls,
- 14% and 26% increase in 2C and 1C Contingent Resources respectively.

With the successful completion of the 2015/2016 appraisal drilling program (SNE-2, SNE-3 BEL-1 and SNE-4), the project is at the pre-FEED stage (Front End Engineering and Design) and development planning is underway. FAR has completed pre-engineering studies with engineering consultancy AMOG and has prepared an SNE field concept development plan based on its upgraded P50 (2C) Contingent Resource estimate of 641 mmbbls.

A standalone FPSO development is envisaged with topside expansion capability for later SNE field development phases and satellite tie-backs. FAR’s development concept represents a phased development approach with a plateau production rate of 140,000 bopd and first oil in 2022. FAR’s cost estimates are as follows:

- Development expenditure: \$13-15/bbl
- Operating expenditure: \$12-14/bbl (including FPSO lease costs)
- Development cost split: Drilling and completions 45%; Subsea 46%; Project + Other 9%

The SNE development is well placed to benefit from cost deflation resulting from the current low oil

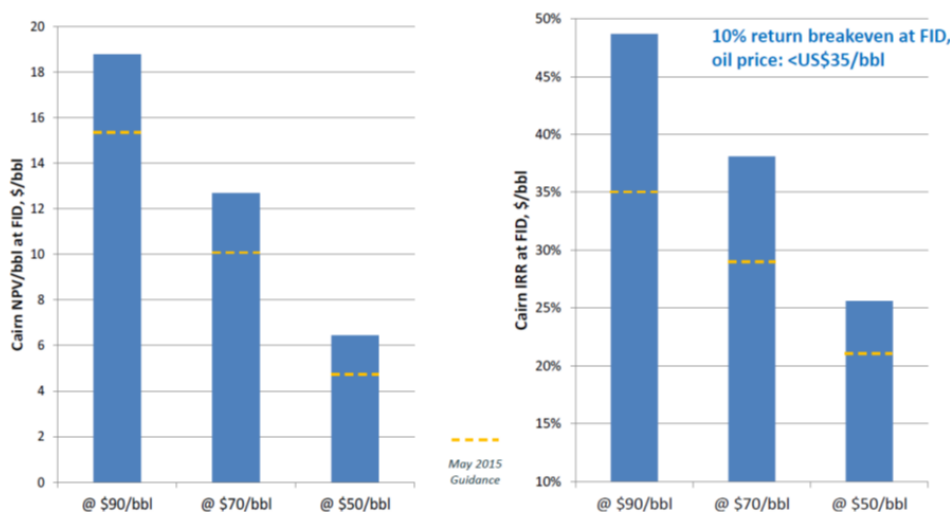
price environment. Over the last 24 months offshore drilling and subsea costs have decreased by in excess of 20%. Opportunities to further reduce well and subsea costs through design optimisation and standardisation will be investigated. The current market also offers potential, cost-effective FPSO conversion opportunities that could also enable accelerated production.

FAR’s development concept is based on 70-80 development wells through field life (50% producers, 50% injectors) with an average Estimated Ultimate Recovery (“EUR”) per well of >8mmbo (based on total wells). FAR’s first phase development requires 20-25 wells. Reservoir and Wells Basis of Design have been completed and various well types established which are mostly horizontal 1,500m laterals or high angle deviated wells.

Further appraisal drilling on the SNE oil field will evaluate the connectivity of the upper reservoirs and to improve definition and scale of the first phase development project. FAR expects further appraisal drilling to start in late 2016.

In its recent half year results announcement, Cairn Energy PLC reported economic scenarios for a standalone SNE development project (see graphs below). Breakeven oil price was estimated at US\$35/bbl and based on a US\$70/barrel oil price; NPV at FID was US\$12.5 per barrel and IRR at FID of 38%. Cairn’s valuations are consistent with FAR’s estimates.

**Standalone SNE Development: 2C Contingent Recoverable Resource**



Source: Cairn Energy Half Yearly Result 16/08/2016

\*Reference: FAR ASX announcement “Material 14% increase in SNE field contingent recoverable resources.” RISC audited. 23/08/2016

**FAR Managing Director Cath Norman said;**

*“FAR’s recently released third upgrade to the SNE oil field contingent resources and preparation of a detailed concept development plan supports FAR’s view that SNE is a world class oil field that can support a commercial development.*

*FAR has assessed that the SNE field has surpassed the Minimum Economic Field Size and the project is at the Pre-FEED stage with development planning underway. The focus is on optimising and scaling a first phase development project.*

*The project is well positioned to benefit from cost deflation. Development and operating costs estimates for the concept development are relatively low, making the break-even oil price very competitive in the current oil price environment at less than US\$40 per barrel.*

*Further appraisal drilling expected to start in late 2016 will target understanding the connectivity of the upper reservoirs and help optimise and scale the development.”*

\* Refer to Cautionary Statement in this report (Page 3) relating to estimates of resources

## 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 and Contingent Resources** - All contingent and prospective resource estimates presented in this report are prepared as at 27/2/2013, 11/3/2014, 5/2/2014, 13/04/2015, 13/4/2016 and 23/08/2016 (Reference: FAR ASX releases of the same dates). 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. The contingent resource estimates provided in this report are those quantities of petroleum to be potentially recoverable from known accumulations, but the project is not considered mature enough for commercial development due to one or more contingencies. The prospective resource 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 contingent and 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 Contingent and Prospective Resources in the form and context in which it appears. The Contingent and 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.

---

### For more information please contact:

#### FAR Limited

**Cath Norman** Managing Director  
**Gordon Ramsay** Executive General Manager  
Business Development

T: +61 3 9618 2550  
F: +61 3 9620 5200  
E: [info@far.com.au](mailto:info@far.com.au)

Level 17, 530 Collins Street  
Melbourne VIC 3000 Australia  
[far.com.au](http://far.com.au)

#### Media enquiries

**Ian Howarth** Collins Street Media

M: +61 407 822 319  
[ian@collinsstreetmedia.com.au](mailto:ian@collinsstreetmedia.com.au)

