



ABN 41 009 117 293

21 September 2011

Company Announcements Office
ASX Limited
Level 8, Exchange Plaza,
2 The Esplanade,
Perth WA 6000

Takeover documents for the merger with Flow Energy Limited

FAR Limited ACN 009 117 293 (**FAR**) is pleased to provide:

- a copy of its bidder's statement (**Bidder's Statement**) and its offer to acquire all of the shares in Flow (**Offer**), and
- a copy of Flow's target's statement (**Target's Statement**) received from Flow earlier today.

The Bidders statement and offer documents are provided pursuant to item 5 of s633 (1) of the *Corporations Act 2001* (Cth).

Yours faithfully
FAR Limited

A handwritten signature in black ink, appearing to be 'Michael Evans', written over a horizontal line.

Michael Evans
Executive Chairman

BIDDER'S STATEMENT

FAR



LIMITED

containing a recommended offer by
FAR Limited ACN 009 117 293

to acquire all of your ordinary shares in
Flow Energy Limited ACN 111 418 270

**For every Flow Share you will
receive 42.66 FAR Shares**



**THE FLOW DIRECTORS
RECOMMEND YOU ACCEPT THE OFFER**
in respect of Your Shares in the absence
of a Superior Proposal.

Offer closes at 5.00 pm (Perth time) on
Friday, 21 October 2011, unless extended

This is an important document and requires your immediate attention
If you are in any doubt as to how to deal with it, please consult your
stockbroker, legal or financial adviser

Financial Adviser



Legal Adviser

**CORRS
CHAMBERS
WESTGARTH**
lawyers

Key dates

Announcement Date	21 September 2011
Date that this Bidder's Statement was lodged with ASIC	21 September 2011
Date of the Offer	21 September 2011
Offer closes (unless extended or withdrawn)	5.00 pm 21 October 2011 (Perth time)

Important notices

This Bidder's Statement is given by FAR Limited ACN 009 117 293 (**FAR**) to Flow Energy Limited ACN 111 418 270 (**Flow**) under Part 6.5 of the Corporations Act and sets out certain disclosures required by the Corporations Act, together with the terms of the Offer to acquire Your Shares.

This Bidder's Statement is dated 21 September 2011. It includes an Offer dated 21 September 2011 on the terms set out in this Bidder's Statement.

A copy of this Bidder's Statement was lodged with ASIC on 21 September 2011. Neither ASIC nor its officers take any responsibility for the content of this Bidder's Statement.

Defined terms

A number of defined terms are used in this Bidder's Statement. Unless the contrary intention appears, the context requires otherwise or words are defined in section 12, words and phrases in this Bidder's Statement have the same meaning and interpretation as in the Corporations Act.

Investment decisions

In preparing this Bidder's Statement, FAR has not taken into account the individual objectives, financial situation or particular needs of individual Flow Shareholders. Accordingly, before making a decision whether or not to accept the Offer, you should consider seeking independent financial and taxation advice.

Disclaimer as to forward looking statements

Some of the statements appearing in this Bidder's Statement are in the nature of forward looking statements, including statements of current intention (which include those in sections 5 and 6), statements of opinion and predictions as to possible future events.

You should be aware that such statements are not statements of fact and there can be no certainty of outcome in relation to the matters to which the statements relate. Forward looking statements and statements in the nature of forward looking statements are only predictions and are subject to inherent risks and uncertainties before actual outcomes are achieved. Those risks and uncertainties are not all within the control of FAR and cannot be predicted by FAR and include changes in circumstances or events that may cause objectives to change as well as risks, circumstances and events specific to the industry, countries and markets in which FAR and Flow and their respective related bodies corporate operate and/or joint-ventures and associated undertakings operate. They also include general economic conditions, acts of terrorism, health epidemics, prevailing exchange rates and interest rates and conditions in the financial markets that may cause objectives to change or may cause outcomes not to be realised. Although FAR believes that the expectations reflected in any forward looking statements included in this Bidder's Statement are reasonable, no assurance can be given that such expectations will prove to have been correct. Actual outcomes, events or results may differ materially from the outcomes, events or results expressed or implied in any forward looking statement and any statement in the nature of a forward looking statement in this Bidder's Statement.

See section 8 for a discussion of potential risk factors underlying and other information relevant to the forward looking statements and information.

Flow securityholders should note that the historical performance of FAR is no assurance of its or the Combined Group's future financial performance.

None of FAR, or its respective officers, its financial adviser or persons named in this Bidder's Statement with their consent or any person involved in the preparation of this Bidder's Statement makes any representation or warranty (express or implied) as to the likelihood of fulfilment of any forward looking statement, or any outcomes expressed or implied in any forward looking statement and any statement in the nature of a forward looking statement. You are cautioned not to place undue reliance on any forward looking statement or any statement in the nature of a forward looking statement having regard to the fact that the outcome may not be achieved. The forward looking statements and statements in the nature of forward looking statements in this Bidder's Statement reflect views held only as at the date of this Bidder's Statement.

Disclaimer as to Flow and Combined Entity information

The information on Flow and Flow's securities contained in the Bidder's Statement has been prepared by FAR using publicly available information and certain non-public information made available to FAR by Flow.

The information in the Bidder's Statement concerning Flow and the assets and liabilities, financial position and performance, profits and losses and prospects of Flow, has not been independently verified by FAR or Flow. Accordingly, FAR and Flow do not, subject to the Corporations Act, make any representation or warranty, express or implied, as to the accuracy or completeness of such information.

The information on the Combined Entity contained in the Bidder's Statement, to the extent that it incorporates or reflects information on Flow has also been prepared using publicly available information and certain non-public information made available to FAR by Flow. Accordingly, information in relation to the Combined Entity is subject to the foregoing disclaimer to that extent. Further information relating to Flow's business is included in the Target's Statement, a copy of which accompanies this Bidder's Statement.

Risks

Flow Shareholders who accept the Offer will become shareholders in FAR. The financial performance and operations of FAR's businesses, the price of FAR Shares and the amount and timing of any dividends that FAR pays will be influenced by a range of factors. Some of these factors can be mitigated by the use of safeguards and appropriate commercial action. However, many of these factors are beyond the control of FAR and the FAR Board. Many of these factors also affect the businesses of other companies operating in the same industry.

Please refer to the 'Summary of key risks' section on page 15 and 16 of this Bidder's Statement and detailed risk factor information in section 8 for further information in relation to certain risk factors associated with an investment in FAR. Flow Shareholders should consider carefully these risk factors and the other information contained in this Bidder's Statement, and their personal circumstances. If necessary, Flow Shareholders should consult their legal, financial or other professional adviser before deciding whether to accept the Offer.

Offers outside Australia and its external territories

- Shareholders should note that the consideration under the Offer is FAR Shares, which are shares in an Australian public company listed on ASX. The Offer is subject to disclosure requirements in Australia which are different from those applicable in other countries. Subject to paragraph 2 below, Flow Shareholders whose address in Flow's register of members is not in Australia and its external territories, Canada, Hong Kong, New Zealand or the United Kingdom will not be entitled to receive FAR Shares on acceptance of the Offer (unless FAR determines otherwise). Ineligible Foreign Shareholders who accept the Offer will receive a cash amount calculated in accordance with section 11.7.

This Bidder's Statement does not constitute an offer to issue or sell, or the soliciting of an offer to buy, any securities referred to in this Bidder's Statement in any jurisdiction in which the issue of such securities would be unlawful. This Bidder's Statement may not be distributed into any country outside Australia and its external territories, Canada, Hong Kong, New Zealand and the United Kingdom except as FAR may determine is permissible under applicable law.

The contents of this Bidder's Statement have not been reviewed by any regulatory authority (in Australia or otherwise). You are advised to exercise caution in relation to the Offer. If you are in any doubt about any of the contents of this Bidder's Statement, you should obtain independent professional advice.

- Flow Shareholders whose address in Flow's register of members is in Hong Kong or the United Kingdom may be entitled to receive FAR Shares on acceptance of the Offer if they agree to and, where applicable, satisfy the requirements set out for their relevant jurisdiction in paragraph 3 below.

Nominees holding Flow Shares on behalf of persons in Australia and its external territories, and New Zealand, may forward this Bidder's Statement to beneficial shareholders in those countries but not any other country without the consent of FAR.

The information in this Bidder's Statement does not constitute a public offer of FAR Shares, whether by way of sale or subscription, in the People's Republic of China (excluding, for purposes of this paragraph, Hong Kong Special Administrative Region, Macau Special Administrative Region and Taiwan). FAR Shares may not be offered or sold directly or indirectly in the PRC to legal or natural persons other than directly to 'qualified domestic institutional investors'.

This Bidder's Statement may not be released or distributed in the United States. This document does not constitute an offer to sell, or a solicitation of an offer to buy, securities in the United States. Any securities described in this document have not been, and will not be, registered under the US Securities Act of 1933 and may not be offered or sold in the United States except in transactions exempt from, or not subject to, registration under the US Securities Act and applicable US state securities laws.

- Notice to Flow Shareholders in Hong Kong and the United Kingdom

Hong Kong

Warning – The contents of this document have not been reviewed by any regulatory authority in Hong Kong. You are advised to exercise caution in relation to the Offer. If you are in any doubt about any of the contents of this document, you should obtain independent professional advice.

This document does not constitute a prospectus (as defined in section 2(1) of the Companies Ordinance) or notice, circular, brochure or advertisement offering any securities to the public for subscription or purchase or calculated to invite such offers by the public to subscribe for or purchase any securities, nor is it an advertisement, invitation or document containing an advertisement or invitation falling within the meaning of section 103 of the Securities and Futures Ordinance. Accordingly, unless permitted by the securities laws of Hong Kong, no person may issue or cause to be issued this document in Hong Kong, other than to persons who are 'professional investors' as defined in the Securities and Futures Ordinance and any rules made thereunder or in other circumstances which do not result in the document being a 'prospectus' as defined in the Companies Ordinance or which do not constitute an offer to the public within the meaning of the Companies Ordinance; and no person may issue or have in its possession for the purposes of issue, this document or any invitation or document relating to the Offer, whether in Hong Kong or elsewhere, which is directed at, or the contents of which are likely to be accessed or read by, the public in Hong Kong (except if permitted to do so under the securities laws of Hong Kong) other than any such invitation or document relating to the Offer that are or are intended to be disposed of only to persons outside Hong Kong or only to 'professional investors' as defined in the Securities and Futures Ordinance and any rules made thereunder.

The document is for the exclusive use of Flow Shareholders in connection with the Offer, and no steps have been taken to register or seek authorisation for the issue of this document in Hong Kong.

This document is confidential to the person to whom it is addressed and must not be distributed, published, reproduced or disclosed (in whole or in part) by Flow Shareholders to any other person in Hong Kong or use for any purpose in Hong Kong other than in connection with Flow Shareholders' consideration of the Offer.

United Kingdom

Neither the information in this document nor any other document relating to the Offer has been delivered for approval to the Financial Services Authority in the United Kingdom and no prospectus (within the meaning of section 85 of the Financial Services and Markets Act 2000, as amended (**FSMA**)) has been published or is intended to be published in respect of the FAR Shares. This document is issued on a confidential basis to 'qualified investors' (within the meaning of section 86(7) of FSMA) and to fewer than 150 persons (other than 'qualified investors' (within the meaning of section 86(7) of FSMA)) in the United Kingdom, and FAR Shares may not be offered or sold in the United Kingdom by means of this document, any accompanying letter or any other document, except in circumstances which do not require the publication of a prospectus pursuant to section 86(1) FSMA. This document should not be distributed, published or reproduced, in whole or in part, nor may its contents be disclosed by recipients to any other person in the United Kingdom.

Any invitation or inducement to engage in investment activity (within the meaning of section 21 FSMA) received in connection with the issue or sale of FAR Shares has only been communicated or caused to be communicated and will only be communicated or caused to be communicated in the United Kingdom in circumstances in which section 21(1) FSMA does not apply to FAR.

In the United Kingdom, this document is being distributed only to, and is directed at, persons to whom it may lawfully be made within the circumstances described in Article 62 of the Financial Services and Markets Act 2000 (Financial Promotions) Order 2005 (members of certain bodies corporate), or to whom it may otherwise be lawfully communicated (together 'relevant persons'). The investments to which this document relates are available only to, and any invitation, offer or agreement to purchase will be engaged in only with, relevant persons. Any person who is not a relevant person should not act or rely on this document or any of its contents.

Privacy

FAR has collected your information from the Flow register of shareholders for the purpose of making the Offer and, if accepted, administering your holding of Flow Shares. The type of information FAR has collected about you includes your name, contact details and information on your shareholding in Flow. Without this information, FAR will be hindered in its ability to carry out the Offer. The Corporations Act requires the name and address of shareholders to be held in a public register. Your information may be disclosed on a confidential basis to FAR's related bodies corporate and external service providers, and may be required to be disclosed to regulators such as ASIC. If you would like details of information about you held by FAR please contact them at the following address: Suite 2, Level 1, 254 Rokeby Road, Subiaco, Western Australia, 6008.

Maps and diagrams

Any diagrams and maps appearing in the Bidder's Statement are illustrative only and may not be drawn to scale. Unless stated otherwise, all data contained in charts, maps, graphs and tables is based on information available at the date of this Bidder's Statement.

Internet

Both FAR and Flow maintain internet sites. The FAR internet site is <http://www.far.com.au>. The Flow internet site is <http://flowenergy.net/>. Information contained in, or otherwise accessible through, these internet sites is not a part of this Bidder's Statement. All references in this Bidder's Statement to these internet sites are inactive textual references to these sites and are for your information only.

How to accept

Acceptances of the Offer must be received in sufficient time to be acted upon before the close of the Offer Period. To accept the Offer, you should follow the instructions set out in section 11.3.

Enquiries

If you have any queries in relation to the Offer, you can call the Offer Information Line on 1800 821 475 (toll free within Australia) or +61 2 8256 3395 (for callers from outside Australia).

If you are in any doubt as to how to deal with this document, you should contact your broker or your legal, financial or other professional adviser.

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Letter from the Chairman



ABN 41 009 117 293

Dear Flow Shareholder

On 21 September 2011, FAR and Flow announced the friendly off-market takeover (**Offer**) of Flow by FAR which both companies believe presents a compelling opportunity for both FAR and Flow Shareholders.

The Offer has been unanimously recommended by the Flow Directors in the absence of a superior offer.

1 Rationale for the takeover bid

The rationale for the Offer is to create wealth for both the FAR and Flow Shareholders through the combination of prospective exploration oil and gas assets in West and East Africa.

FAR currently has a portfolio of exploration assets in West Africa that are considered to be prospective for large oil accumulations. Earlier this year, FAR drilled the first of its wells in the region and plans to continue to offer our shareholders exposure to drilling high impact projects in our West African permits. We remain focused on delivering these opportunities to our shareholders and believe that the underexplored basins off Africa offer enormous opportunities for the future. The influx of large and major oil companies into Africa in the last two years and the recent discoveries of world class oil and gas fields offshore Africa has meant that the investment community is also supporting the search for oil and gas in the region and funding for exploration in Africa is growing.

For this reason, FAR wishes to expand its footprint in Africa outside West Africa into East Africa, and into other high impact opportunities around the world, but with a core focus on Africa.

Flow has two high impact exploration permits in Kenya. Following Anadarko and BG's drilling success in Mozambique and Tanzania to the south and the large oil discoveries made by Tullow in Uganda, East Africa has seen considerable investment and activity for oil exploration in the last two years. In Kenya, Apache is planning to drill the first exploration well between Flow's two permits early in 2012 and Anadarko and BG have recently taken up most of the open acreage offshore Kenya. FAR believes that the addition of Flow's East African projects to its West African portfolio will produce a strong African exploration entity for the future.

Flow's two Kenyan blocks require significant funding over the next 12 months to progress the exploration to the drilling stage. With a cash balance of approximately \$26 million, the Combined Entity will be better funded to drive the exploration programmes planned for Flow's Kenyan and Jamaican projects than Flow on a standalone basis. This will provide stronger funding through the current period of market instability where access to capital, particularly for exploration, is limited.

Further, the Combined Entity will increase to a size that is more appealing to institutional shareholders. As the capital requirements of the combined company grow through the

need to drill for exploration and possible appraisal and development of discoveries it will be important to attract these larger investors.

By accepting shares in FAR you will hold shares in an entity:

- with a cash balance of approximately \$26 million and better funded to pursue its exploration programmes;
- that is listed on the Australian Securities Exchange (**ASX**) and has a strong track record of accessing capital to fund high impact exploration programmes;
- with a broad portfolio of prospective, high impact oil and gas exploration assets in Senegal, Guinea Bissau, AGC Profond, Kenya, Jamaica and Australia;
- with a deep and diversified pipeline of projects that vary from entry level positions in blocks with strong farm-out potential to high impact drill ready projects;
- that has a high level of liquidity with an average daily turnover of approximately 8 million shares on the ASX over the past 12 months and approximately 6 million shares over the past 1 month; and
- if you accept the Offer and FAR acquires at least 80% of the voting shares in Flow, you will likely have access to scrip for scrip rollover relief, in which case you will not incur capital gains tax as a result of this transaction.

2 Your directors unanimously recommend the Offer

The Flow Directors unanimously recommend that Flow Shareholders accept the Offer, in the absence of a superior offer.

Each Flow Director has indicated that he or she intends to accept, or procure the acceptance of, the Offer in respect of all Flow Shares he or she holds or in which they otherwise have a Relevant Interest, in the absence of a Superior Proposal. In aggregate this represents approximately 15% of Flow's Shares.

Key Flow Shareholders (excluding management and Directors) have signed Pre-Bid Acceptance Agreements representing 19.86% of Flow's Shares agreeing to accept the Offer.

3 Flow shareholder consideration and director representation in the Combined Entity

FAR is offering Flow shareholders 42.66 shares for every Flow share. As a result, the Flow shareholders will hold 41.3% of the Combined Entity. FAR is also very pleased to offer Catherine Norman, the Flow Managing Director, the Managing Director role in the Combined Entity and Nicholas Limb, a current Non-Executive Director of Flow, a Non-Executive Directorship in the Combined Entity. We believe that the Combined Entity will have a strong board and management team well equipped to pursue and deliver the strategy and plans for the company going forward.

4 Acceptance of the Offer

This Offer is currently scheduled to close at 5.00 pm (Perth time) on Friday, 21 October 2011, unless extended or withdrawn. I urge you to read this Bidder's Statement and the accompanying Target's Statement carefully and accept the Offer.

To accept this Offer, please follow the instructions on the enclosed Acceptance Form.

5 The Offer presents a compelling opportunity

The board of FAR believes that the Offer presents a compelling opportunity for Flow Shareholders to realise value for their Flow Shares by being listed on the ASX, retain exposure to the Flow assets alongside the West African assets of FAR, and becoming part of a better funded exploration company with a portfolio of prospective, high impact projects in frontier basins.

The combined portfolio, management and size of the company will result in a strong exploration company positioned for the future with the cash resources to fund further growth of the company in uncertain market times.

Whilst acknowledging the risks inherent with frontier exploration, as more fully detailed in this Offer, there is a strong case that the Combined Entity will provide a better platform to pursue the rewards that are possible in the event of successful exploration outcomes.

We look forward to welcoming you as a shareholder in FAR, an exciting frontier oil and gas exploration company.

A handwritten signature in black ink, appearing to be 'Michael Evans', with a long horizontal line extending to the right.

Michael Evans
Chairman

Features of the Offer

This summary provides an overview of the Offer and is qualified by the detailed information contained in this Bidder's Statement. You should read this Bidder's Statement, and the accompanying Target's Statement, in full before deciding whether or not to accept the Offer.

Feature	Description	Further information
The bidder	FAR is making the Offer. FAR is an ASX listed (ASX code: FAR) oil and gas explorer with key interests in West Africa. FAR has a large footprint of oil & gas exploration assets along the Central Atlantic Margin south of Mauritania and north of Guinea. This leaves FAR leveraged to exploration success in a frontier that is experiencing a significant increase in exploration activity.	section 1
Offer	FAR offers to acquire all of Your Shares.	section 11.1
Offer price	42.66 FAR Shares for every 1 of Your Flow Shares.	section 11.1
Closing date	The Offer closes at 5.00 pm (Perth time) on Friday, 21 October 2011, unless it is extended or withdrawn by FAR.	section 11.2
Payment date	The earlier of: <ul style="list-style-type: none"> • one month after you accept the Offer or, if this Offer is still conditional at the time of your acceptance, one month after the Offer becomes unconditional; and • 21 days after the end of the Offer Period, provided that the Offer has become unconditional. 	section 11.6
Conditions	In summary, the Offer is subject to the following conditions: <ul style="list-style-type: none"> • 90% minimum acceptance • no prescribed occurrences between the Announcement Date and service of this Bidder's Statement • no action by a Public Authority adversely affecting the Offer • FAR obtaining all necessary Approvals by Public Authorities • no material acquisitions, disposals of assets by Flow • Flow not giving or agreeing to give any break fees • non-existence of certain rights over Flow and its assets • Flow conducting its business in the ordinary course and in accordance with the agreed Budget • no force majeure event • no material adverse change to Flow • Flow maintaining all necessary Approvals for the operation of its business 	sections 11.9, 11.10 and 11.11

Combined Entity exploration portfolio

High Impact World Class Exploration Potential



Country	Block ¹	Area (km ²) ⁵	Operator (%) ^{3,4}	JV Partners (%) ^{3,4}
Senegal	Rufisque, Sangomar and Sangomar Deep	7,490	FAR (90%) ²	Petrosen (10%)
AGC	AGC Profond	9,838	Ophir (44.2%)	FAR (8.8%), Noble Energy (30%), Rocksource (5%), Enterprise (12%)
Guinea-Bissau	Sinapa (Block 2) and Esperanca (Blocks 4A & 5A)	5,832	Svenska (55%)	FAR (15%), Petroguin (30%)
Australia	EP-104/R1	981	Buru (38.95%)	FAR (8%), others (53.05%)
Australia	L15	163	Buru (15.5%)	FAR (12%), others (72.5%)
Australia	WA-254-P	321	Apache (72.27%)	FAR (10.71%), others (17.02%)
Kenya	Block L-6	3,134	Flow (60%)	Pancontinental Oil & Gas (40%)
Kenya	Block L-9	5,100	Dominion Petroleum (60%)	Flow (30%), Avana Petroleum (10%)
Jamaica	Blocks 6, 7, 10, 11, 12	14,335	Finder Exploration (50%)	Flow (50%)
Australia	WA-458-P	243	Flow (100%)	-
Australia	WA-457-P	323	Flow (100%)	-

Notes:

- Assets listed above only refer to the key assets of FAR and Flow respectively.
- Subject to Ophir Energy plc's option to acquire a 25% interest in the Senegal Licence areas.
- All FAR and Flow interests refers to equity interests (not paying interests).
- Government participation rights may exist in respect of certain of FAR and Flow's interests.
- Flow areas sourced directly from the relevant government contracts (Production Sharing Contract with Republic of Kenya for Blocks L15 and L6 and subsequent amendments following relinquishments of L6, Production Sharing Agreements for blocks 6, 7, 10, 11, 12 offshore Walton Basin with the Petroleum Corporation of Jamaica and Contracts for WA-457-P and WA-458-P with the Government of Western Australia). Note area quoted as 100% of the respective block area for which FAR and Flow have a respective percentage interest. Note that the FAR area does not include North American assets.

Why you should accept the Offer

The Directors of FAR believe that there are very compelling reasons to accept the Offer. These reasons, which are summarised below, are fully explained in further detail in this section.

- 1 FAR's strong cash position can provide funding in uncertain market conditions
- 2 FAR is an ASX listed entity, Flow Shareholders will have tradeable stock if they accept the Offer and FAR achieves 100% of Flow
- 3 Flow Shareholders will remain exposed to the current Flow projects and also gain exposure to FAR's West African exploration projects
- 4 FAR Shares are highly liquid
- 5 The Combined Entity will have a strong board and management team that can deliver the strategy and growth going forward
- 6 The Combined Entity will have a diverse asset base and project pipeline with near term wells
- 7 Your Flow Board unanimously supports the Offer
- 8 Access to capital gains tax relief if, as a result of the Offer, FAR becomes the holder of 80% or more of the voting shares in Flow

These reasons should be considered in conjunction with the risks associated with holding shares in FAR and with the merger. These are summarised on page 15 and 16 and set out in detail in section 8.

1 FAR's strong cash position can provide funding in uncertain market conditions

FAR currently has a cash balance of approximately \$26 million.

In addition, FAR is expecting to receive a further US\$6 million from the conditional staged, development milestone payments in respect of the sale of FAR's 5% interest in the Beibu Gulf (Block 22/12), China project announced to ASX in April 2009.

In October 2010 FAR raised \$34 million by way of a placement of new shares and share purchase plan to fund future drilling programmes, bond requirements, seismic acquisition programmes and general working capital. The placement was widely supported by global institutional investors looking for exposure to frontier, high impact oil and gas exploration projects.

Flow currently has approximately \$0.8 million cash on hand and will require further capital to fund its existing commitments. Flow has been investigating a number of funding options including an initial public offering, raising further capital and investigating merger opportunities. If the Offer is not successfully completed then Flow will very likely have an immediate requirement for new capital. Given the current market conditions, this will be a difficult to achieve.

Following completion of the Offer the Combined Entity will be better funded and better positioned to progress exploration activities across a broad portfolio of assets.

2 FAR is an ASX listed entity, Flow Shareholders will have tradeable stock if they accept the Offer and FAR achieves 100% of Flow

Flow has been investigating the opportunity to list on a stock exchange to assist in facilitating the raising of new capital, to provide its shareholders with liquidity and to establish a market in Flow Shares which will place a value on Flow's assets which, as an unlisted entity, is not currently readily assessable.

A listing on a stock exchange such as the ASX or the London based Alternative Investment Market (**AIM**) is an expensive and lengthy process with completion of the process and a successful capital raising subject to the prevailing market conditions and sentiment.

By accepting the Offer and FAR achieving 100% of Flow (unless FAR elects to waive the 90% minimum acceptance condition and the Offer becomes unconditional) you will receive shares in an ASX listed entity without Flow incurring the costs associated with an initial public offering or the uncertainty inherent with the listing process. Your FAR Shares will be tradeable on the ASX market and accordingly a value will be attributed to your FAR shares.

3 Flow Shareholders will retain exposure to the current Flow projects and also gain exposure to FAR's West African exploration projects

By accepting the Offer you will receive FAR shares and you will continue to share in the benefits associated with the exploration of the Flow assets.

On completion of the Offer, Flow Shareholders will have an interest of approximately 41.3% in the Combined Entity. On this basis Flow Shareholders will maintain a material exposure to the exploration upside in Flow's Kenyan, Jamaican and Australian projects while gaining exposure to FAR's West African projects.

FAR has built up a broad portfolio of exploration assets in offshore West Africa. FAR has a track record of offering investors the opportunity of investing in highly leveraged, frontier plays.

FAR has been an early mover in securing significant acreage in offshore Senegal, a relatively underexplored frontier. Since 2006 when FAR secured an interest in the Rufisque, Sangomar and Sangomar deep offshore blocks there have been a number of successful wells drilled along the trend of the West African Margin in neighbouring countries. FAR is the operator of, with a 90% beneficial interest (subject to an Ophir Energy option to farm-in¹) in, the three Senegalese blocks with the remainder held by Petrosen, the national oil company of Senegal. The blocks have 2,086 km² of 3D seismic with multiple prospects including a carbonate platform and slope fans. FAR is in the process of attracting a farm-in partner and renewing the Production Sharing Contract (**PSC**).

In addition to the Senegal blocks FAR has interests in Guinea Bissau (FAR 15% beneficial interest) and AGC Profond (FAR 8.8% beneficial interest).

FAR has interests in the Sinapa (Block 2) and Esperanca (Blocks 4A and 5A) blocks in offshore Guinea Bissau covering 5,832km². The joint venture partners have acquired 3D seismic data with the objective of identifying preferred targets for drilling of up to two wells in 2012.

AGC Profond is a joint venture commission set up by the governments of Guinea Bissau and Senegal to administer the maritime zone between the two countries. The AGC Profond block covers an area of 9,838 km² and FAR is in joint venture with Ophir, the operator of the block, Noble Energy Inc and Rocksource Norway. Although the recently drilled Kora-1 well did not successfully encounter commercial hydrocarbons, FAR believes that the block remains prospective and further analysis is being undertaken by the joint venture partners.

By accepting the Offer, as a FAR Shareholder you will gain exposure to this broad portfolio of prospective, high impact exploration oil and gas assets in offshore West Africa.

¹ Agreement entered into between FAR and Ophir Energy plc announced to ASX on 11 October 2010. The agreement is subject to a number of conditions including regulatory approval by the relevant authorities being the AGC joint authority and the Republic of Senegal. The agreement gives Ophir the ability to acquire a 25% interest in the Senegal blocks within 60 days of drilling the Kora Prospect and, in the event Ophir exercises its option, it will be appointed as operator

4 FAR Shares are highly liquid

The recent average daily turnover of FAR Shares has been:

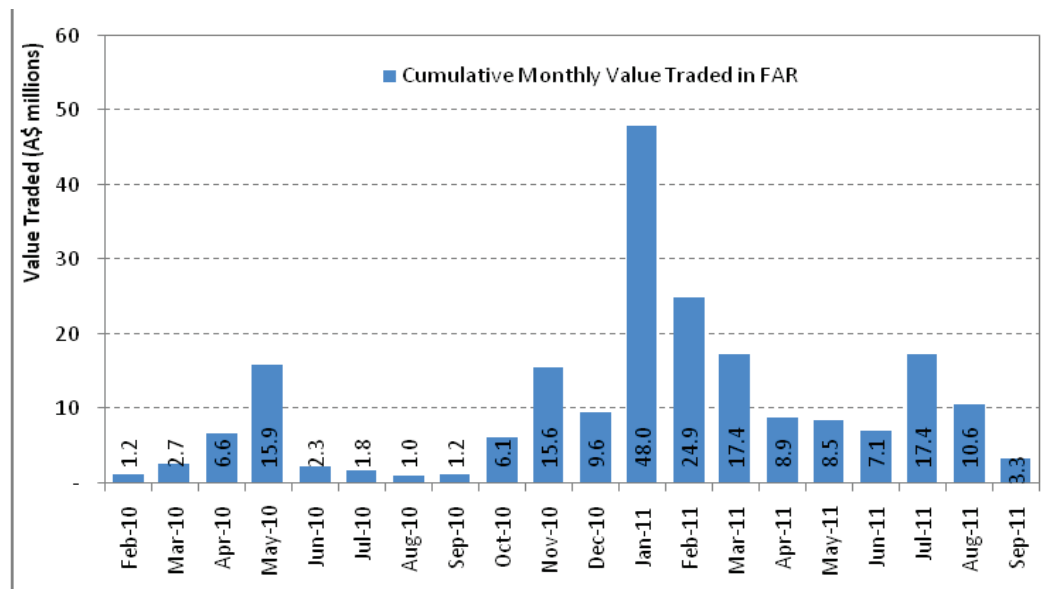
- approximately 11 million shares per day (approximately \$500,000) over the past three months;
- approximately 8 million shares per day (approximately \$450,000) over the past six months; and
- approximately 7.5 million shares per day (approximately \$700,000) over the past twelve months.

Over the last twelve months approximately 170% of the total FAR Shares on issue has turned over.

These relatively high levels of liquidity provide a market for investors to buy and sell shares with less impact on the share price and a tighter spread between the bid price and ask price on ASX. The relatively higher liquidity is also more attractive to institutional investors. The ability to attract institutional investors into the secondary market has been of assistance to FAR in raising funds for exploration.

By accepting the Offer, as a FAR Shareholder you will benefit in having access to the liquidity of FAR Shares.

Please refer to section 4.6 for further information on the low volume market for Flow Shares.



5 The Combined Entity will have a strong board and management team that can deliver the strategy and growth going forward

The Combined Entity will invite your Flow Managing Director to act as the Managing Director of the Combined Entity, and Nicholas Limb, a current Non-Executive Director of Flow, to act as a Non-Executive Director of the Combined Entity. The Combined Entity will have a strong board and management team well equipped to pursue and deliver the strategy and plans going forward.

6 Diversification of asset base and project pipeline

The Combined Entity will have a broad portfolio of prospective, high impact exploration oil and gas assets in Senegal, Guinea Bissau, AGC Profond, Kenya, Jamaica and Australia.

The combined asset base will be geographically diversified which spreads the overall sovereign risk exposure and will mean the Combined Entity is well placed to pursue further opportunities in offshore Africa.

The Combined Entity's deep and diversified pipeline of projects will vary from entry level positions in blocks with strong farm-out potential to drill ready, high impact projects.

7 Unanimous support from the Flow Board for the Offer

The Flow Directors recommend that Flow Shareholders accept the Offer in the absence of a Superior Proposal.

In addition, each Flow Director has informed FAR that it will accept, or procure the acceptance of, the Offer in respect of all the Flow Shares that they hold or in which they otherwise have a Relevant Interest, in the absence of a Superior Proposal.

Collectively the Flow Directors own or otherwise have a Relevant Interest in 3,096,418 Flow Shares representing approximately 15% of Flow's ordinary shares on issue at the date of this Bidder's Statement.

In a sign of support for the Offer, following successful completion of the Offer, Catherine Norman and Nicholas Limb will enter into an escrow agreement whereby the FAR Shares which they received under the Offer will be voluntarily escrowed for a period of twelve months.

8 Access to capital gains tax relief

Flow Shareholders may have access to scrip for scrip rollover relief, in which case they will not incur capital gains tax (**CGT**) as a result of accepting the Offer.

If, as a result of the Offer, FAR becomes the holder of 80% or more of the voting shares in Flow, Flow Shareholders who would otherwise make a capital gain from the disposal of their Flow Shares pursuant to the Offer may be able to choose to obtain full scrip for scrip rollover relief.

If scrip for scrip rollover relief is available and is chosen by Flow Shareholders who would otherwise have made a capital gain on the disposal of their Flow Shares under the Offer, all of the capital gain from the disposal may be disregarded.

However, Flow Shareholders may be subject to capital gains tax as a result of a later taxable event (such as a disposal) happening to the FAR Shares received as consideration under the Offer.

Please refer to section 9 for more information.

Summary of key risks

Flow Shareholders who accept the Offer will become shareholders in FAR. The financial performance and operations of FAR's businesses and the price of FAR Shares will be influenced by a range of factors. Some of these factors can be mitigated by the use of safeguards and appropriate commercial action. However, many of these factors are beyond the control of FAR and the FAR Board. Many of these factors also affect the businesses of other companies operating in the same industry, including Flow.

This section provides a summary of the key risks associated with FAR, the Combined Entity and accepting the Offer. Please refer to section 8 for further detailed information in relation to certain risk factors associated with an investment in FAR, the Combined Entity and the merger generally. Flow Shareholders should consider carefully these risk factors and the other information contained in this Bidder's Statement, and their personal circumstances. If necessary, Flow Shareholders should consult their legal, financial or other professional adviser before deciding whether to accept the Offer.

Risk	Description	Further information
Approvals required for FAR's projects in Senegal	FAR's renewal of title to its interests in the Senegal projects is subject to Ministerial Approval, and requires a Presidential Decree. There can be no guarantee this will occur.	section 8.2(a)
Senegal farm out arrangements to be clarified	There is a risk that farm-out partners for FAR's Senegal projects may not be found, or may not be found in time to take advantage of FAR's interests. There is a significant risk that FAR would not be able to conduct the proposed exploration activities by itself, if other sources of funding cannot be found.	section 8.2(b)
China asset sale proceeds remain conditional and outstanding	A balance of US\$6 million remains payable for a previously announced sale of FAR's 5% interest in Beibu Gulf Block 22/12, located in China. There is a risk that the pre-conditions to payment may not be met, or may be deferred for a lengthy period of time.	section 8.2(c)
Oil and gas exploration is speculative	By its nature, the business of oil and gas exploration and/or production is speculative and contains risks. These include: <ul style="list-style-type: none"> risks in predicting the location and nature of potential petroleum accumulations in the sub-surface; a risk that any discovery will not be commercially viable or recoverable; and risks in relation to drilling operations themselves, including break-downs, delays due to weather or sea conditions and shortages of critical equipment or materials. 	section 8.2(d)
Title renewal or extension risks	The renewal of the term of each tenement owned by FAR is at the discretion of various authorities and governments of the countries within which FAR conducts exploration activities.	section 8.2(f)

Developing country risks	The spread of countries where FAR has or will have projects includes a number of developing countries, which in turn gives rise to certain political and sovereign risks associated with operating in those jurisdictions (including the potential loss of legal title to assets).	section 8.2(h)
Future capital needs and additional funding	Whilst FAR has been able to raise funds when necessary in the past, in the event that FAR requires additional funding, there can be no assurance that additional funding will be available on acceptable terms, or at all. If additional capital is not raised where necessary, then FAR's operations will not be able to be funded.	section 8.2(j)
Reliance on AGC for AGC Profond PSC	AGC is a joint commission set up by the governments of Guinea-Bissau and Senegal to administer the maritime zone between the two countries. Should the agreement between Senegal and Guinea-Bissau establishing the AGC come to an end, FAR would need to obtain recognition of its rights to the AGC Profond PSC from each of those governments.	section 8.2(g)
Flow's existing risks	All the business risks which currently affect Flow and an investment in Flow Shares will continue to affect Flow, regardless of whether it becomes a subsidiary of FAR.	section 8.2(o)
Merger risks	<p>There are a number of key risks associated with the merger of FAR and Flow, including:</p> <ul style="list-style-type: none"> • if the integration is not achieved in an orderly fashion and within a reasonable time period, the full benefits, cost savings and other expected synergies may be achieved only in part, or not at all, and this could adversely impact the Combined Entity's financial performance; and • if the Offer triggers a change of control provision in Flow's PSCs, the operation of those provisions could have a material adverse effect on the Combined Entity if any consent required from the relevant Public Authority is not obtained. 	section 8.3

What you should do next

What you should do next

1 Carefully read the entire Bidder's Statement and consider the information provided.

2 Read the Target's Statement provided by Flow, a copy of which accompanies this Bidder's Statement.

3 If you need advice, consult your broker or your legal, financial or other professional adviser.

If you have any queries about this document, the Offer or how to accept the Offer, please contact the Offer Information Line on:

For Australian callers: 1800 821 475 (toll free)

For international callers: +61 2 8256 3395

How to accept the Offer

If you wish to accept the Offer, you may do so by completing the enclosed Acceptance Form by following the instructions provided on it, and returning the signed form in the enclosed self addressed envelope or to the address below:

Postal delivery: Advanced Share Registry
 PO Box 1156
 Nedlands WA 6909

Hand delivery: Advanced Share Registry
 150 Stirling Highway
 Nedlands WA 6009

Acceptance Forms must be received by no later than 5.00pm (Perth time) on the last day of the Offer Period.

The Offer is for all of Your Shares. Your acceptance of the Offer will be treated as being for all Your Shares registered as held by you at the date your acceptance is processed.

Further information on accepting the Offer is set out in section 11.3.

Frequently asked questions about the takeover process

Some key questions that you may have about the takeover process are answered below. They are qualified by, and should be read in conjunction with, the detailed information contained in this Bidder's Statement. You should read the Bidder's Statement, and the accompanying Target's Statement, in full before deciding whether or not to accept the Offer.

If you have further questions, you can call the Offer Information Line on 1800 821 475 (toll free within Australia) or +61 2 8256 3395 (for callers from outside Australia).

Question	Answer	Further information
What is the Offer?	The Offer is 42.66 FAR Shares for every 1 of Your Shares .	section 11.1
What is the implied price of the Offer?	The implied price of the Offer, based on the last recorded sale price of FAR Shares on ASX on 20 September 2011 (being the last trading day before the Announcement Date) of \$0.028 and the Offer of 42.66 FAR Shares for each of Your Shares, is \$1.19 per Flow Share.	section 2.5
What is this Bidder's Statement?	This Bidder's Statement was prepared by FAR for distribution to Flow Shareholders. It sets out the terms of the Offer for Your Shares and information relevant to your decision whether or not to accept the Offer.	Inside Front Cover
How do I accept the Offer?	To accept the Offer, you should follow the instructions set out in this Bidder's Statement and in the enclosed Acceptance Form.	section 11.3 Acceptance Form
If I accept the Offer, when will I receive the FAR Shares	Generally, FAR will provide the consideration to you under this Offer on or before the earlier of: <ul style="list-style-type: none"> one month after this Offer is accepted or one month after all of the conditions to this Offer have been freed or fulfilled (whichever is the later); and 21 days after the end of the Offer Period. 	section 11.6
Will I need to pay brokerage, stamp duty or GST if I accept the Offer?	You will not incur any brokerage fees or be obliged to pay stamp duty or GST in connection with your acceptance of the Offer.	sections 9.6 and 11.16
What are the tax implications of acceptance?	A general summary of the likely Australian tax consequences of accepting the Offer is set out in section 9. FAR recommends that you seek independent professional advice in relation to your own particular circumstances.	section 9

Question	Answer	Further information
Can I accept the Offer for part of my holding?	No. You cannot accept the Offer for part of your holding. You may only accept the Offer for ALL of Your Shares. However, if you hold one or more parcels of Flow Shares as trustee or nominee, refer to section 11.1(h) of this Bidder's Statement.	sections 11.1(a) and 11.3 section 11.1(h)
When does the Offer close?	The Offer is currently scheduled to close at 5.00 pm (Perth time) on Friday, 21 October 2011 unless extended or withdrawn.	section 11.2
Can FAR extend the Offer Period?	Yes, the Offer Period can be extended at the election of FAR. Flow Shareholders will be sent written notice of any extension.	section 11.2
Can I withdraw my acceptance?	Under the terms and conditions of the Offer, you cannot withdraw your acceptance unless a withdrawal right arises under the Corporations Act. Such a withdrawal right will arise if, after you have accepted the Offer, the bid remains conditional and FAR varies the Offer in a way that postpones, for more than one month, the time when FAR has to meet its obligations under the Offer.	section 11.5(a)
Can I sell my Flow Shares?	Yes, but as Flow Shares are not listed on any securities exchange, this may be difficult for you to do. If you have already accepted the Offer, you will be unable to settle any subsequent sale of Your Shares, subject to you withdrawing your acceptance.	'Can I withdraw my acceptance?' above.
What happens if the conditions of the Offer are not satisfied or waived?	If the conditions of the Offer, which are set out in detail in section 11.9 are not satisfied or waived before the Offer closes the Offer will lapse. FAR will make an announcement to ASX if the conditions of the Offer are satisfied or waived during the Offer Period.	sections 11.9, 11.10 and 11.11(b)
What happens if I do not accept the Offer and FAR achieves a Relevant Interest in 90% of the Flow Shares?	If you do not accept the Offer and FAR acquires a Relevant Interest in at least 90% of all of the Flow Shares and the other conditions of the Offer are satisfied or waived, FAR intends to proceed to compulsorily acquire Your Shares. If this occurs, you will be paid the Offer consideration at the conclusion of the compulsory acquisition process. In these circumstances, you would have received the Offer consideration sooner if you had accepted the Offer prior to its close.	section 6.3(a)

Detailed information sections

The information in the previous sections of this Bidder's Statement is only a summary of the Offer and is qualified by the detailed information set out in the remainder of this Bidder's Statement.

You should read the entire Bidder's Statement and the Target's Statement that Flow has prepared and which accompanies this Bidder's Statement before deciding whether to accept the Offer.

1 Information on FAR

1.1 Corporate Information

FAR is an independent ASX listed (ASX code: FAR) Australian oil and gas exploration company with key interests in West Africa. FAR's key projects are in Senegal, AGC Profond and Guinea-Bissau. FAR also has non-core assets in Australia, the United States and Canada.

FAR is a well-funded company with approximately \$26 million in cash on hand and a long and demonstrable history of successful capital raisings. In addition, FAR is expecting to receive a further US\$6 million from the conditional staged, development milestone payments in respect of the sale of FAR's 5% interest in the Beibu Gulf (Block 22/12), China project announced to ASX in April 2009.

1.2 Overview of FAR's principal activities

The principal activities of FAR are:

- exploring for and producing oil and gas; and
- the acquisition and sale of oil exploration and production interests.

FAR has a large footprint of oil and gas exploration assets along the Central Atlantic Margin south of Mauritania and north of Guinea encompassing blocks in Senegal, AGC Profond and Guinea-Bissau. FAR is highly leveraged to exploration success in a frontier that is experiencing a significant increase in exploration activity.

Incorporated in Western Australia in 1984 as First Australian Resources NL, the company became a listed public entity in 1985. In recognition of its shift from its exploration roots in Australasia and the Gulf of Mexico, the company changed its name to FAR Limited in 2010. While FAR continues to manage assets already accumulated in North America and Australia, its primary focus is on its projects in the Central Atlantic Margin of West Africa, where FAR has an early mover advantage.

In June 2011 FAR was involved in the first deepwater well (the Kora-1 well) ever drilled north of Sierra Leone and South of Mauritania. The Kora-1 well was drilled in the AGC Profond block (a maritime zone between the two jurisdictions which the governments of Senegal and Guinea-Bissau jointly administer). Whilst unsuccessful, the Kora well is likely to provide valuable geological data for further assessment of opportunities within the blocks.

FAR is continuing with its advanced exploration on three promising blocks offshore of Guinea-Bissau, with up to two wells possible in late 2012, subject to the outcome of a recent 3D seismic program and regulatory Approval.

FAR's core exploration programme is in Senegal where it controls three deepwater blocks and has committed to drill one well subject to Presidential Decree and farm-out.

FAR's mission is to reward shareholder investment as well as employee and partner support with continued growth and exploration success.

(a) **Senegal**

FAR is the operator in respect of, and has a 100% paying interest (90% beneficial interest) in, three blocks offshore of Senegal.

Pursuant to the farm-in agreement on the AGC Profond block, Ophir Energy Plc (**Ophir**) has an option to acquire a 25% interest in the Senegal licence areas.

Senegal has been a functioning democracy since independence from France in 1960 and enjoys free and fair elections.

FAR's interests in Senegal comprise the Rufisque, Sangomar and Sangomar Deep offshore blocks. The PSC covers an area of approximately 7,490 km² over the shelf, slope, and basin floor of the Senegalese portion of the productive Mauritania-Senegal-Guinea-Bissau Basin.

Multiple prospects exist across the three blocks with probabilistic oil in place (**OOIP**) estimates, ranging from 200 million barrels (**bbl**) to greater than 1 billion bbl potential. A total of 2,086 km² of 3D seismic has been acquired, which identifies several fans and a giant buried hills play.

Particular focus has been drawn to analogue fields including the Cantarell field, recognised as a super-giant accumulation being Mexico's largest field. In pre-rift time, Senegal was considered to be adjacent to Mexico before the African and American continents pulled apart.

FAR has given notice under the terms of the PSC to enter the second renewal period which commenced on 23 November 2010 and requires one well to be drilled.

This application is awaiting formal decree, and requires a US\$5 million recoverable performance bond payable by FAR.

(b) **Guinea-Bissau**

FAR has a 21.43% paying interest (15% beneficial interest) in the Sinapa (Block 2) and Esperanca (Blocks 4A and 5A) offshore licences in Guinea-Bissau. The operations are being managed by Svenska, a Swedish oil and gas company. FAR's entry into these blocks in 2009 widened FAR's footprint offshore of West Africa and provides excellent synergy with FAR's offshore Senegal blocks.

The underlying exploration potential of offshore Guinea-Bissau has long been recognised given the functioning hydrocarbon system, good potential reservoirs and multiple drillable prospects in a wide shallow water shelf setting.

Significant potential lies in the yet to be appraised Sinapa discovery. These offshore blocks cover an area of approximately 5,832 km² and lie in water depths ranging from 10 metres to in excess of 1,000 metres. The licences lie on the continental shelf around 180 kilometres off the Guinea-Bissau coast and west of the Bissau river estuary. Immediately to the north of FAR's holdings lies the billion barrel Dome Flore heavy oil discovery.

The Licences include the Sinapa oil discovery in 30 metres of water depth and several large untested prospects including the Sardinha prospect .

FAR completed a 1,600 km² 3D seismic programme in late 2010, which is currently being processed. Appraisal and exploration drilling in the areas is possible in late 2012, subject to these seismic results.

(c) **AGC Profond**

AGC is a joint commission set up by the governments of Guinea-Bissau and Senegal to administer the maritime zone between the two countries. FAR has a 10% working interest (8.8% beneficial interest) in the AGC Profond block which consists of the deepwater portions of two blocks previously known as Cheval Marin and Croix du Sud. The block covers an area of 9,838 km² and is located in water depths ranging from approximately 50 to 3,500 metres. The PSC relating to the block is in the first renewal period, which has been extended to 19 September 2012.

The Kora-1 frontier exploration well, operated by Ophir, spudded on 28 June 2011 using the semisubmersible rig, the 'Maersk Deliverer', targeting a salt-cored, dip-closed anticlinal prospect supported by a combination of 3D seismic, CSEM (**Controlled Source Electromagnetic**) and oil seepage studies. Kora-1 was located approximately 280 kilometres SSW of Dakar in 2,600 metres of water. The well was drilled to a total depth of 4,447.5 metres subsea and was plugged and abandoned after logs showed the well failed to intersect reservoir quality sandstone.

A fuller analysis of the logging data will be required before the wider implications for the prospectivity of the Casamance Sub Basin of the MSGBC Basin (Mauritania-Senegal-Guinea Bissau-Guinea Conakry) can be determined. Whilst valuable information will be gained from the Kora-1 well, it should be noted that it was located in a different sub basin of the larger MSGBC basin to FAR's Senegal PSCs notwithstanding their modelling on similar concepts.

Subsequent to the Kora-1 drilling, there remains several prospects within the AGC Profond PSC, which covers a substantial area. Future work will be directed at integrating the Kora-1 results to better understand this remaining potential.

(d) **Competent Person Statement**

The geological information in this Bidder's Statement has been reviewed by Dr Igor Effimoff, a geologist with 39 years experience. He is a member of the American Association of Petroleum Geology, the Society of Petroleum Engineers, the Society of Exploration Geophysicists and the Geological Society of America. Dr Igor Effimoff consents to the inclusion in this Bidder's Statement of the matters based on his information in the form and context in which it appears.

1.3 Directors and executive officers of FAR

Brief profiles of the directors and executive officers of FAR as at the date of this Bidder's Statement are as follows. Further details about the qualifications and experience of the directors and executive officers are available from www.far.com.au.

(a) **Michael Evans – Executive Chairman and Chief Executive Officer**

Michael is the Executive Chairman and Chief Executive Officer of FAR. He has been involved at CEO level in the natural resources sector for three decades. Prior to his engagement with FAR, Michael was primarily responsible for building Forsayth NL (now part of the Barrick Gold group) from a micro-cap company into one of Australia's most successful gold producers. He is a member of the Institute of Chartered Accountants in Australia and the Institute of Chartered Secretaries and has held a managerial position with a big four accountancy firm. He holds a Bachelor of Business degree from Curtin University and a tertiary Degree in Secretarial Studies.

(b) **Charles Cavness – Non-Executive Director**

Charles resides in Denver, Colorado in the United States, and is an Attorney at Law admitted to practice before the Supreme Courts of the United States and of the States of Texas, Alaska, and Colorado. Charles has served in the legal departments of two large American oil companies, Pennzoil Corporation and Arco. He has spent his entire career in the oil industry, and consequently has experience in the United States, Latin America, Europe and the Middle East. Charles has been a director of FAR since 1994.

(c) **Albert Brindal – Non-Executive Director and Company Secretary**

Albert holds a Masters degree in Business Administration, a Bachelor of Commerce degree and is a Fellow Member of the Certified Practising Accountants in Australia. He has been a director of FAR since 2007 and has served as company secretary since 2000.

(d) **Colin Harper – Chief Financial Officer and Company Secretary**

Colin has served as FAR's Chief Financial Officer and company secretary since 2007 and prior to this he held a management position with a big four accountancy firm where he gained significant experience in public company finance in both Australia and the United Kingdom. Colin is a member of the Institute of Chartered Accountants of Scotland, an Associate of the Institute of Chartered Secretaries Australia and holds a Bachelor of Arts degree with Honours in Accounting and Finance.

1.4 Financial information on FAR

(a) Basis of presentation of historical financial information

The historical financial information below relates to FAR on a stand alone basis and accordingly does not reflect any impact of the Offer. It is an extract only and full financial accounts for FAR, which include the notes to the accounts, can be found in FAR's 2010 annual report released on 14 March 2011 and half yearly report released on 5 September 2011 (copies of which are available at www.far.com.au).

(b) Historical financial information of FAR

Consolidated Statement of Financial Position

The historical balance sheet of FAR set out below has been extracted from the reviewed financial statements of FAR as at 30 June 2011, being the last reviewed financial statement prior to the date of this Bidder's Statement.

	30 June 2011 (\$)
ASSETS	
<i>Current assets</i>	
Cash and cash equivalents	32,280,730
Trade and other receivables	3,042,761
Other	210,148
Total current assets	35,533,639
<i>Non-current assets</i>	
Other financial assets	71,830
Property, plant and equipment	246,193
Oil and gas properties	20,168,709
Total non-current assets	20,486,732
Total assets	56,020,371
LIABILITIES	
<i>Current liabilities</i>	
Trade and other payables	2,618,558
Borrowings	2,847,439
Provisions	1,120,612
Total current liabilities	6,586,609
<i>Non-current liabilities</i>	
Other financial liabilities	26,529
Total non-current liabilities	26,529
Total liabilities	6,613,138
Net assets	49,407,233
EQUITY	
Issued capital	103,919,151
Reserves	1,902,073
Accumulated losses	(56,413,991)
Total equity	49,407,233

Consolidated Statement of Comprehensive Income

The historical income statement of FAR set out below has been extracted from the reviewed financial statements of FAR for the half year period ended 30 June 2011, being the last reviewed financial statement prior to the date of this Bidder's Statement.

	Half-year ended 30 June 2011 (\$)
Revenue	1,301,832
Direct operating costs	(157,442)
Depreciation and amortisation expense	(237,794)
Exploration cost written off	(4,656,154)
Finance costs	(301,492)
Administration expenses	(273,612)
Employee benefits expense	(847,523)
Consulting expense	(320,226)
Foreign exchange loss	(672,803)
Other expenses	(166,317)
Loss before income tax	(6,331,531)
Income tax expense	-
Loss for the period attributable to members of FAR Limited	(6,331,531)
<i>Other comprehensive income</i>	
Exchange differences arising on translation of foreign operations	(50,237)
Total comprehensive income for the period attributable to members of FAR Limited	(6,381,768)

(c) **Cash**

FAR currently has a cash balance of approximately \$26 million.

1.5 Publicly available information

The shares of FAR are listed on the ASX (ASX code: FAR). As such, FAR is a listed disclosing entity for the purposes of the Corporations Act and is subject to regular reporting and disclosure obligations. Specifically, as a listed company, FAR is subject to the ASX Listing Rules. A substantial amount of information concerning FAR is publicly available and may be accessed at www.far.com.au.

ASX maintains files containing publicly disclosed information about all listed companies. FAR's file is available for inspection at the ASX during normal business hours. These files may be accessed through the ASX website.

In addition, FAR is also required to lodge various documents with ASIC. Copies of documents lodged with ASIC by FAR may be obtained from, or inspected at, an ASIC office.

On request to FAR and free of charge, Flow Shareholders may obtain a copy of:

- the annual financial report of FAR for the year ended 31 December 2010 (being the annual financial report most recently lodged with ASIC before lodgement of this Bidder's Statement with ASIC);
- any half-year financial report lodged with ASIC by FAR after the lodgement of the annual financial report referred to above and before lodgement of this Bidder's Statement with ASIC; and
- any continuous disclosure notice given to the ASX by FAR since the lodgement with ASIC of the annual report for the year ended 31 December 2010 for FAR referred to above and before lodgement of this Bidder's Statement with ASIC.

1.6 **Announcement by FAR in relation to the Offer**

On 21 September 2011, FAR made a public announcement to the ASX in relation to the Offer. A copy of that announcement is available to Flow Shareholders at request to FAR and free of charge, or alternatively, can be accessed at www.far.com.au.

A list of other public announcements made by FAR since 14 March 2011 (being the date on which FAR lodged its 2010 annual financial report with ASIC) are set out in the **Annexure**.

2 Information on FAR's securities

2.1 Consideration

Subject to all of the conditions to the Offer being fulfilled or freed, if you accept the Offer you will, receive 42.66 FAR Shares for each Flow Share you hold.

Full details of the consideration to which you will be entitled are set out in section 11.

This means that the value of the consideration which you will receive will fluctuate with the value of FAR Shares.

2.2 FAR's issued securities

The total number of securities in each class in FAR at the date of this Bidder's Statement is as follows:

(a) Shares

Class	Number
Fully paid ordinary shares	1,245,401,164

(b) FAR Options

Plan	Expiry Date	Exercise Price	Number
Consultant options	9 March 2012	\$0.200	4,000,000
Consultant options	31 March 2012	\$0.075	4,750,000
Consultant options	30 June 2012	\$0.050	2,000,000
Incentive options	30 June 2012	\$0.070	7,800,000
Consultant options	31 March 2013	\$0.100	4,750,000
Incentive options	30 April 2014	\$0.180	1,500,000

Refer to section 2.8 for the terms and conditions applicable to each FAR Option.

(c) Convertible notes

There are 6,506,419 convertible notes on issue. Each note carries a coupon rate of 15% annually, payable quarterly in arrears and is convertible to 10 ordinary shares on or before 31 January 2012 by payment of 4.5 cents per share. The notes are unsecured, and are quoted on the ASX. Unconverted notes mature on 31 January 2012 with a redemption value of \$2,927,889.

A summary of the material terms of the convertible notes is as follows.

Issue price per convertible note	\$0.45
Interest	15% per annum fixed Interest accrues daily from the date of issue of the convertible notes until the earlier of the maturity date (set out below) and the next interest payment date after receipt of a conversion notice by FAR.

Interest payment dates	Interest accrues for each period of 3 calendar months (ending on 31 December, 31 March, 30 June and 30 September),
Maturity date	The earlier of 31 January 2012 or the date that is 3 months after the issue of the convertible notes provided that on such date the convertible notes have not been admitted to quotation on ASX.
Elective conversion	The convertible notes are convertible at any time into fully paid ordinary FAR Shares upon election by the noteholder on or prior to the maturity date set out above.
Conversion factor	Upon conversion, each convertible note will convert into 10 fully paid ordinary FAR Shares and all such FAR Shares will rank pari passu in all respects with the existing ordinary FAR Shares.
Voting rights	The convertible notes are non-voting and do not confer on the noteholder any rights to attend a general meeting of shareholders (unless otherwise required by the ASX Listing Rules or the Corporations Act). At every meeting of noteholders, each noteholder is entitled to one vote.

Refer to FAR's convertible note prospectus dated 11 February 2009 for further information.

2.3 FAR substantial shareholders

As at the date of this Bidder's Statement, FAR has not received notice of any substantial shareholder in FAR.

2.4 Interests of FAR Directors in FAR securities

As at the date of this Bidder's Statement, the following directors of FAR have the following Relevant Interest in FAR Shares:

Director	Shares	Nature of Relevant Interest
Michael Evans	6,371,250	Indirect
Charles Cavness	1,150,000	Direct
Albert Brindal	126,200	Direct

Michael Evans also has a direct interest in 6 million FAR Options.

As at the date of this Bidder's Statement none of the Flow Directors have a Relevant Interest in FAR Shares.

2.5 Recent trading of FAR Shares

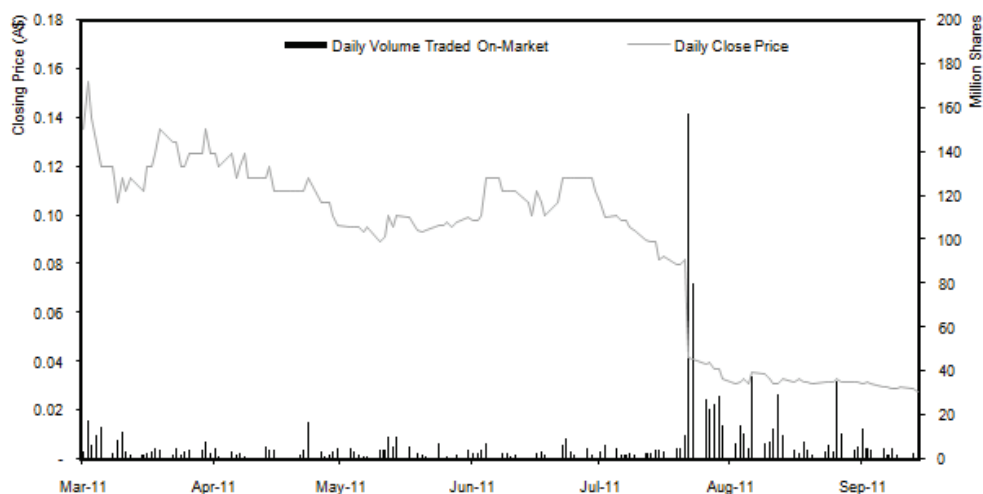
The last recorded sale price of FAR Shares on ASX on 20 September 2011 (being the last trading day before the Announcement Date) was \$0.028, giving FAR a market capitalisation of approximately \$34.9 million².

The highest recorded sale price of FAR Shares on ASX in the last four months before 20 September 2011 was \$0.125.

The lowest recorded sale price of FAR Shares on ASX in the last four months before 20 September 2011 was \$0.028.

² Being the sum of the number of fully paid ordinary shares on issue multiplied by \$0.028.

The following chart shows the last recorded sale price of FAR Shares on ASX in the 6 month period ending 20 September 2011 (sourced from IRESS).



The fact that FAR's share price has fallen in recent times is due to:

- global economic downturn and the resultant market uncertainty and reduced appetite for high risk investment; and
- the failure of the drilling of the Kora-1 well to intersect reservoir quality sandstone, as announced on 27 July 2011.

2.6 Dividend history

FAR has not paid a dividend since its inception.

2.7 Rights and liabilities attaching to FAR Shares

(a) FAR's constitution

The rights and liabilities attaching to the FAR Shares which will be issued as the consideration under the Offer are set out in FAR's constitution and the Corporations Act. A copy of the constitution of FAR can be obtained from FAR (free of charge) by contacting the Offer Information Line on 1800 821 475 (toll free within Australia) or +61 2 8256 3395 (for callers from outside Australia) during the Offer Period.

The main rights and liabilities attaching to FAR Shares are summarised below.

(b) Meetings of shareholders and voting rights

FAR Directors may call a meeting of members whenever they think fit. FAR Shareholders may call a meeting as provided by section 249D of the Corporations Act. FAR's constitution contains provisions prescribing the content requirements for notices of meetings of members, and all members are entitled to a notice of meeting. A meeting may be held in two or more places linked together by audio-visual communication devices. A quorum for a meeting of members is two natural persons, each of whom is or represents different FAR Shareholders who are eligible to vote.

FAR holds its annual general meetings in accordance with the Corporations Act and the ASX Listing Rules.

Subject to any rights or restrictions for the time being attached to any FAR Shares or any class of FAR Shares, each FAR Shareholder is entitled to receive notice of, attend and vote at a general meeting of members. Resolutions of members will be decided by a show of hands unless a poll is demanded. On a show of hands each eligible voter present has one vote. However, where a person present at a general meeting represents personally or by proxy, attorney or representative more than one member, on a show of hands the person is entitled to one vote only, despite the number of members the person represents.

On a poll each eligible member has one vote for each FAR Share held and a fraction of a vote for each partly paid FAR Share determined by the amount paid up on that FAR Share.

(c) **Dividends**

Subject to any rights attaching to FAR Shares which may in the future be issued with special or preferred rights, the FAR Directors may fix the amount, the time for payment and the method of payment of a dividend. Subject to any special rights attaching to FAR Shares (such as preference shares), dividends will be paid proportionately to the number of FAR Shares held by each member. FAR is not required to pay any interest on dividends.

(d) **Winding up**

If on a winding up of FAR there remains a surplus, then under FAR's constitution and subject to any rights attaching to FAR Shares which may in the future be issued with special or preferred rights, all assets representing the surplus that may be legally distributed among FAR Shareholders may be so distributed pursuant to the terms of a special resolution of members.

(e) **Directors**

Under the provisions of the FAR's constitution, unless changed by FAR in general meeting, the minimum number of FAR Directors is 3 and the maximum is 10. The existing FAR Directors and the company in general meeting may appoint a new FAR Director to fill a casual vacancy or as an addition to the FAR Board. A FAR Director appointed to fill a casual vacancy by the existing FAR Directors may retire at the next general meeting of the company and must retire at the next annual general meeting of the company (at which meeting he or she may be eligible for election as a FAR Director). Each FAR Director will retire from office no later than at the third annual general meeting following his or her last election or appointment by a general meeting, but may submit himself or herself for, and will be eligible, for re-election.

The business of FAR is to be managed by or under the direction of the FAR Directors.

(f) **Transfer of shares**

Subject to FAR's constitution, the Corporations Act and the ASX Listing Rules, FAR Shares are freely transferable.

FAR participates in the electronic share registration and transfer system known as CHESS, which is operated by ASX Settlement, a wholly-owned subsidiary of ASX, in accordance with the ASX Listing Rules and ASX Settlement Rules. Under CHESS, FAR will issue holding statements in lieu of share certificates.

All transfers must comply with FAR's constitution, the ASX Listing Rules, the ASX Settlement Rules and the Corporations Act. The FAR Directors may refuse to register a transfer of FAR Shares, or request FAR's share registry to apply a holding lock to prevent a transfer, in the circumstances identified in FAR's constitution or as otherwise permitted or required under the Corporations Act or the ASX Listing Rules. If the FAR Directors refuse to register a transfer, they must give the lodging party written notice in accordance with the ASX Listing Rules. The FAR Directors must refuse to register a transfer of FAR Shares where required to do so by the ASX Listing Rules or the Corporations Act, or where such transfer would be in breach of a restriction agreement entered into by FAR in respect of the relevant FAR Shares.

(g) **Officers indemnities and insurance**

Under FAR's constitution, to the extent permitted by law, FAR indemnifies every person who is or has been a director or secretary of FAR against a liability incurred by that person in his or her capacity as a director or secretary provided that the liability does not arise out of conduct involving his or her own dishonesty, negligence, lack of good faith or breach of duty. FAR may also pay the premiums on director's and officer's liability insurance.

2.8 FAR Options

The terms and conditions attached to the FAR Options are as follows:

- the FAR Options held by each optionholder can be exercised in whole or in part, and if exercised in part, multiples of 5,000 must be exercised on each occasion;
- each FAR Option is exercisable into one FAR Share which shall rank pari passu with existing FAR Shares;
- the optionholder will be permitted to participate in any new pro-rata issue of securities of FAR on prior exercise of the FAR Options in which case the optionholder will be afforded the period of at least 7 Business Days prior to and inclusive of the record date to determine entitlements to the issue to exercise the FAR Options;
- the FAR Options do not confer on the optionholder any right to participate in dividends until FAR Shares are allotted pursuant to the exercise of the FAR Options;

- the FAR Options are non transferable;
- in the event of a reorganisation of the issued capital of FAR, the FAR Options will be reorganised in accordance with the ASX Listing Rules (if applicable) and in any case in a manner which will not result in any benefits being conferred on optionholders which are not conferred on FAR Shareholders and for such purpose FAR may vary the number, exercise price or other terms of the FAR Options in such manner as may be necessary to comply with the listing rules; and
- the number of FAR Shares to be issued pursuant to the exercise of FAR Options will be adjusted for bonus issues made prior to exercise of the FAR Options so that, upon exercise of the FAR Options the number of FAR Shares received by the optionholder will include the number of bonus FAR Shares that would have been issued if the FAR Options had been exercised prior to the record date for the bonus issues. The exercise price of the FAR Options shall not change as a result of any such bonus issues.

3 Summary information on Flow

3.1 Target Statement

Up to date information regarding Flow is included in the Target Statement issued by Flow, which accompanies this Bidders Statement.

3.2 Disclaimer

For the purposes of confirming its assessment whether or not to proceed with the Offer, FAR was given limited access by Flow pursuant to a confidentiality agreement and undertook due diligence in relation to certain information concerning Flow which has not been disclosed generally to Flow Shareholders. Otherwise than as contained elsewhere in this Bidder's Statement or in the Target Statement none of the information to which it was given access is of such a nature and which, if the information were generally available, a reasonable person would expect to have a material effect on the price or value of Flow Shares.

However, the fact that FAR's decision to make the Offer was confirmed by its review of the information to which it had access may itself be regarded as information material to a decision whether or not to accept an Offer.

3.3 Overview of Flow and its principal activities

(a) Brief history

Flow was incorporated as Gippsland Offshore Petroleum Limited (**GOP**) in Australia on 18 October 2004 and was subsequently listed on the ASX on 5 January 2005. Flow delisted from the ASX on 24 June 2009. At this time GOP's share price was \$0.039 (with a market capitalisation of \$5.7 million). Flow has since consolidated its share capital on a 10 for 1 basis. Subsequent to its delisting, Flow successfully issued capital at \$1.00 on 28 June 2010, \$1.00 on 15 October 2010 and \$1.50 on 13 January 2011.

Flow is currently an unlisted public company with 1437 shareholders.

(b) Projects

Flow is presently a junior oil explorer with three key exploration projects. These projects are located in Kenya, Jamaica and Western Australia.

(i) Kenya

The Kenyan project is located in the Lamu Basin, Kenya, and its key assets are the Block L-6 and Block L-9 permits.

Flow is the operator of Block L-6 and holds a 60% equity interest in the block. The licence expiry date is presently 18 March 2014 and the term of any ensuing development period is 30 years.

Flow is seeking a partner with expertise in gas development and who will contribute to the 3D seismic and drilling phase of the Block L-6 project. This process remains underway.

Offshore Block L-9 permit in the Lamu Basin was awarded under a

Heads of Agreement dated March 2011, and a PSC between the operator (Dominion Petroleum Kenya Limited) and Kenya's Ministry of Energy on 15 May 2011. Block L-9 will be held by a joint venture comprising Flow (30% interest), Avana Petroleum Limited (10% interest) and Dominion Petroleum Limited (60% interest and joint venture operator). The joint operating agreement and deeds of assignment for the joint venture in respect of the Block L-9 permit are in the process of being finalised.

(ii) Jamaica

The Jamaican project is located in the Walton Basin, Jamaica, and is owned by the Jamaica Joint Venture (**JJV**). Flow is a 50% equity partner in the JJV, with the other partner being Finder Exploration Pty Ltd. Finder is the operator under each of these projects.

Flow is presently assessing farm-out options to seek a drill partner. The process is still underway.

(iii) Western Australia

In July 2011 Flow was awarded two permits for offshore petroleum exploration in the Dampier Sub Basin in Western Australia. The permits are for a three year initial exploration period and an option to commit to an additional three year exploration period with an obligation to drill one well in the second year of that period.

Flow is in the process of assessing farm-out options for both Western Australian projects.

Further information about Flow's projects is set out in the Target's Statement and are available at its website <http://flowenergy.net/>.

3.4 Directors of Flow

The following are the directors of Flow:

- Phillip Harman – Chairman
- Catherine Norman – Managing Director
- Nicholas Limb – Non-Executive Director
- Oliver Lennox-King – Non-Executive Director
- Harry Wilson – Non-Executive Director

Further information on the background of each Flow Director is set out in the Target Statement.

Catherine Norman will be invited to become the Managing Director, and Nicholas Limb will be invited to become a Non-Executive Director, of FAR if FAR obtains 90% of Flow and declares the Offer unconditional.

3.5 Historical financial information on Flow

Flow's financial reports for the year ending 30 June 2010 (released on 24 November 2010) and the half-year ending 31 December 2010 (released on 7

June 2011) are available on Flow's website. If you do not have internet access, you can obtain a copy of these reports by contacting the Offer Information Line on 1800 821 475 (toll free within Australia) or +61 2 8256 3395 (for callers from outside Australia). The most recent available unaudited financial information on Flow is included in the Target Statement, a copy of which accompanies this Bidder's Statement.

3.6 Risks associated with Flow

Key risks associated with Flow are described in section 5.9 of the Target Statement.

3.7 Further information on Flow

Further information relating to Flow can be found in the Target's Statement and on Flow's website <http://flowenergy.net/>.

Flow is an unlisted disclosing entity for the purposes of the Corporations Act and as such, is subject to regular reporting and disclosure obligations. Flow is required to lodge various documents with ASIC. Copies of documents lodged with ASIC by Flow may be obtained from, or inspected at, an ASIC office.

4 Information on Flow's securities

4.1 Flow's issued securities

The total number of securities in each class in Flow at the date of this Bidder's Statement is as follows:

(a) Shares

Class	Number
Fully paid ordinary shares	20,581,582

(b) Other securities in Flow

Other than ordinary shares, there are no securities on issue in Flow or agreements to issue securities in Flow.

4.2 Flow substantial shareholders

As at the date of this Bidder's Statement, the substantial shareholders of Flow were as follows:

Shareholder	Shares in which Relevant Interest held	Percentage interest
Oliver Lennox-King	1,773,274	8.6%
Mitchell Limb	1,111,857	5.4%

4.3 FAR's interests in Flow's securities

	At the date of this Bidder's Statement	At the date first Offer is sent
Voting power in Flow	19.86% under Pre Bid Acceptance Agreements, details of which are set out in section 10.2	19.86% under Pre Bid Acceptance Agreements, details of which are set out in section 10.2
Relevant Interest in Flow Shares	19.86% under Pre Bid Acceptance Agreements details of which are set out in section 10.2	19.86% under Pre Bid Acceptance Agreements details of which are set out in section 10.2

FAR acquired its interest in Flow on 20 September 2011.

4.4 Interests of Flow Directors in Flow securities

As at the date of this Bidder's Statement, the following directors of Flow have a Relevant Interest in Flow Shares:

Director	Shares	Nature of Relevant Interest
Phillip Harman	200,000	Direct
	65,000	Indirect
Catherine Norman	13,465	Direct
Nicholas Limb	771,405	Indirect
Oliver Lennox-King	1,773,274	Direct
Harry Wilson	273,274	Direct

As at the date of this Bidder's Statement, no FAR Directors have a Relevant Interest in Flow Shares.

4.5 Dealings in Flow Shares

(a) **Previous four months**

Neither FAR or any of its associates has provided, or agreed to provide, consideration for Flow Shares under any purchase or agreement during the four months before the date of this Bidder's Statement.

(b) **Period before Offer**

Neither FAR or any of its associates has provided, or agreed to provide, consideration for Flow Shares under any purchase or agreement during the period starting on the date of this Bidder's Statement and ending on the date immediately before the date of the Offer.

4.6 Recent share price performance of Flow

Flow has been admitted to the Low Volume Market (**LVM**) register maintained by ASIC under the *Corporations (Low Volume Financial Markets) Exemption Notice 2003* issued under section 791C of the Corporations Act.

The LVM register is available to aide trading of low volumes of securities in companies that do not trade on a licensed financial market (such as the ASX).

The LVM is a register of offers to purchase and offers to sell shares in Flow. The register is maintained by Flow electronically and made available on the Flow website. Interested parties can request that this interest in buying or selling shares be recorded on the register. Flow will also include details of recent transactions on the website, being the 'Completed Transaction Register'.

The volume and value restrictions imposed by the LVM are that there be no more than 100 completed trades and that they have a total not exceeding AU\$500,000 in any twelve month period. Flow has given an undertaking to ASIC to monitor, on an ongoing basis, trading in Flow's securities. Flow will suspend trading when it appears that trading will breach either the 'number' or 'value of trades' requirements.

Due to the volume restrictions of the LVM, there is no reliable observable market value for Flow Shares. The last recorded trade available on the website was for 9,476 shares at \$1.00 per share on 13 May 2011.

In lieu of being able to quantify the value of Flow Shares through a public listing, the most appropriate benchmark for the value of Flow Shares is represented by the prices at which Flow most recently raised capital. These prices are as follows:

- \$1.00 on 28 June 2010, to raise a total of \$2,625,837;
- \$1.00 on 15 October 2010 to raise a total of \$701,000; and
- \$1.50 on 13 January 2011, to raise a total of \$450,000.

Since January 2011, there has been a 21.5% fall in the S&P ASX Small

Resources Index, which demonstrates the increased risk in equity markets globally in recent months and so should therefore be factored in when assessing the current value of Flow Shares. The consideration under the Offer is 42.66 FAR Shares for every 1 of Your Shares, implying a consideration of \$1.19, based on the closing price of FAR Shares at 20 September 2011 of \$0.028.

4.7 Pre-bid Acceptance Agreements

On 20 September 2011 FAR entered into a Pre-Bid Acceptance Agreement with the Pre-Bid Accepting Shareholders in respect of 4,088,433 Flow Shares in aggregate, representing 19.86% of Flow's issued capital.

Under the Pre-Bid Acceptance Agreement, each of the Pre-Bid Accepting Shareholders has agreed to irrevocably accept the Offer in respect of 19.86% of Flow Shares.

See section 10.2 for further information on the material terms of the Pre-Bid Acceptance Agreements.

4.8 No pre-Offer benefits

During the period beginning four months before the date on which this Bidder's Statement is lodged with ASIC and ending the day immediately before 21 September 2011, neither FAR or any of its associates gave, or offered to give, or agreed to give a benefit to another person which was likely to induce the other person, or an associate of the other person, to:

- accept the Offer; or
- dispose of Flow Shares,

and which is not offered to all holders of the Flow Shares under the Offer.

4.9 No escalation agreements

Neither of FAR nor any of its associates has entered into any escalation agreement that is prohibited by section 622 of the Corporations Act.

4.10 Further information on Flow's securities

Further information relating to Flow can be found in the Target's Statement, a copy of which accompanies this Bidder's Statement.

5 Effect of acquisition on FAR and the Combined Entity

5.1 Combined Entity

Company	Flow	FAR	Combined Entity
ASX Ticker	n/a	FAR	FAR
Shares on Issue (million) ¹	20.58	1,245.4	2,123.4
Options on Issue (million)	-	24.8	24.8
Convertible Notes on Issue (m) ²	-	6.5	6.5
Cash (A\$m) ³	0.8	26	26.8
Debt (A\$m) ⁴	-	2.93	2.93
Licenses ⁵	9	11	20
Area (km ²) ⁶	23,139	24,625	47,764
3D Coverage (km ²)	560	8,641	9,201
Locations of Operations	Kenya, Jamaica, Australia	Senegal, AGC, Guinea-Bissau, USA, Australia, Canada	Senegal, AGC, Guinea-Bissau, Kenya, Jamaica, Australia, USA, Canada
Value measures implied by the FAR Offer price:			
Share price (A\$) ⁷	1.00	0.028	0.028
Equity Value (A\$m) ⁸	20.58	34.87	59.46
Enterprise Value (A\$m)	19.78	8.87	35.59

Notes:

- 1 Calculated as at 20 September 2011 (the Business Day prior to the date of this Bidder's Statement). The Combined Entity shares on issue assumes that 100% of Flow is acquired and consideration is provided under the offer ratio of 42.66 FAR Shares for each Flow Share.
- 2 Each note carries a coupon rate of 15 percent payable quarterly in arrears and is convertible into 10 ordinary shares on or before 31 January 2012 by payment of 4.5 cents per share. The convertible notes are quoted on the ASX. Unconverted notes mature on 31 January 2012 at a redemption value of \$2,927,889.
- 3 Approximate cash balances at the date of this Bidder's Statement.
- 4 Debt refers to FAR's convertible notes on issue (see footnote 2)
- 5 Refers to all of the license areas for which FAR and Flow have a subsequent percentage interest in, excluding the licences of FAR that are located in North America.
- 6 Flow areas sourced directly from the relevant government contracts (Production Sharing Contract with Republic of Kenya for Blocks L15 and L6 and subsequent amendments following relinquishments of L6, Production Sharing Agreements for blocks 6, 7, 10, 11, 12 offshore Walton Basin with the Petroleum Corporation of Jamaica and Contracts for WA-457-P and WA-458-P with the Government of Western Australia). Note that the FAR area does not include North American assets.
- 7 Based upon the pro forma number of shares on issue multiplied by the price of FAR or Flow Shares (as applicable) as at 20 September 2011 (the Business Day prior to the Announcement Date).
- 8 Calculated as at 20 September 2011 (the Business Day prior to the Announcement Date). The Flow share price assumed here references the last traded price of Flow securities on the LVM (see section 4.6 for further details on the LVM).

5.2 Corporate strategy

The Combined Entity will continue to operate as an oil and gas explorer with a primary focus on Africa. FAR intends that the Combined Entity's strategy will be to secure the early mover advantage leveraging off established credentials with Governments and Industry in prospective oil and gas provinces and adding value through the application of combined commercial and technical expertise.

This approach will target high levels of equity in the early exploration phase through to prospect generation at which point partners will be introduced to minimise cost risk associated with drilling while preserving meaningful equity and preserving significant upside for shareholders.

5.3 Synergies

The Combined Entity may benefit from the realisation of synergies created by the proximity and similarity of FAR's and Flow's key assets.

It is likely that substantial synergistic benefit will also be achieved through the sharing of technical and commercial expertise.

With key projects located throughout Africa, it is possible that considerable operational synergies may be achieved in relation to equipment sharing and personnel deployment.

Until FAR conducts a more detailed study of the Combined Entity's operations and assets, it is not possible for FAR to attribute a value to the potential cost savings that may be made (as any value attributed at this stage would be speculative and potentially misleading for Flow Shareholders). The realisation of cost savings due to potential synergies is also subject to a number of risks, including as set out in section 8.

5.4 Board and management

The board of directors of the Combined Entity is expected to comprise the following directors of FAR and Flow:

- Michael Evans – Executive Chairman
- Catherine Norman – Managing Director
- Charles Cavness – Non-executive Director
- Albert Brindal – Non-executive Director
- Nicholas Limb – Non-executive Director

Colin Harper will remain as Chief Financial Officer, and both he and Albert Brindal will perform the roles of Joint Company Secretary.

Details about the qualifications and experience of the directors and executive officers of the Combined Entity are set out in section 1.3 (in relation to the FAR personnel) and the Target's Statement (in relation to the Flow personnel).

FAR's intentions in relation to the Flow Board are set out in section 6.3(b).

5.5 Pro forma statement of financial position

Given that FAR has the right to waive the conditions to the Offer, it is not possible to predict the exact level of acceptance of the Offer by Flow Shareholders. The unaudited pro forma statement of financial position provided in this section 5.5 has been prepared in accordance with recognition and measurement requirements of Australian Accounting Standards, and indicates the financial impact on FAR of FAR acquiring all of the Flow Shares under the proposed consideration structure. The financial information is provided for illustrative purposes only. In considering the information Flow Shareholders must take into account the following matters:

- the carrying value of the Flow assets have not been subjected to impairment reviews by FAR;
- the Offer price is as stated under the terms of this Offer; and
- it is assumed 100% ownership of Flow is achieved under this Offer and hence the accounts of both companies may be fully consolidated on a line-by-line basis.

The unaudited pro forma statement of financial position for the Combined Entity has been prepared based on the FAR reviewed statement of financial position as at 30 June 2011 and the Flow unaudited statement of financial position as at 30 June 2011. The pro forma statement of financial position is set out in the table below for illustrative purposes as a guide to assist Flow Shareholders in considering the effect of completion of the Offer on FAR. By its nature, pro forma financial information is only illustrative of the types of impacts which a particular set of assumed transactions can have on underlying financial information.

The unaudited pro forma statement of financial position has been prepared to give effect to the pro forma adjustments resulting from the transaction as if the transaction (and other material events, as disclosed in the notes below) had occurred on 30 June 2011. The unaudited pro forma statement of financial position should be read in conjunction with the notes and assumptions set out below.

Unaudited pro forma statement of financial position of Combined Entity

\$'000	FAR 30 June 2011	Flow 30 June 2011	Adjustments	Combined Entity
ASSETS				
<i>Current assets</i>				
Cash and cash equivalents	32,281	284	(5,800)	26,765
Trade and other receivables	3,043	196	-	3,239
Other	210	21	-	231
Total current assets	35,534	501	(5,800)	30,235
<i>Non-current assets</i>				
Property, plant & equipment	246	14	-	260
Oil & gas properties	20,169	7,706	17,025	44,900
Other financial assets	72	-	-	72

\$'000	FAR 30 June 2011	Flow 30 June 2011	Adjustments	Combined Entity
Total non-current assets	20,487	7,720	17,025	45,232
Total assets	56,021	8,221	11,225	75,467
LIABILITIES				
<i>Current liabilities</i>				
Trade and other payables	2,619	403	-	3,022
Borrowings	2,847	100	-	2,947
Provisions	1,121	90	-	1,211
Total current liabilities	6,587	593	-	7,180
<i>Non-current liabilities</i>				
Provisions	-	53	-	53
Other financial liabilities	27	-	-	27
Total non-current liabilities	27	53	-	80
Total liabilities	6,614	646	-	7,260
Net assets	49,407	7,575	11,225	68,207
EQUITY				
Issued capital	103,919	26,373	(1,373)	128,919
Reserves	1,902	527	(527)	1,902
Accumulated losses	(56,414)	(19,325)	13,125	(62,614)
Total Equity	49,407	7,575	16,225	68,207

NOTES TO THE PRO FORMA STATEMENT OF FINANCIAL POSITION

Preparation of pro forma statement of financial position

The information included in this section 5.5 is pro forma financial information for the Combined Entity comprising of the respective groups of FAR and Flow as 30 June 2011 and assumes 100% of Flow Shareholders accept the Offer.

The pro forma statement of financial position of the Combined Entity has been produced by aggregating the individual statement of financial positions from the reviewed half year financial statements of FAR as at 30 June 2011 (which were released to the ASX on 5 September 2011) and the unaudited financial statements of Flow as at 30 June 2011. The financial effect of material events occurring between 30 June 2011 and the date of the Bidder's Statement have been included in the adjustments as if they had occurred prior to 30 June 2011.

The pro forma information has been prepared using AIFRS and reflects the accounting policies of FAR. Amounts presented in the report have been rounded.

The pro forma statement of financial position of the Combined Entity as at 30 June 2011 assumes the acquisition of Flow by FAR had been completed at that date. The actual dates of the acquisition will be at a later date. AASB 3 'Business Combinations' states that the acquirer shall, at the acquisition date, allocate the cost of a business combination by recognising the acquiree's identifiable assets, liabilities and contingent liabilities that satisfy the recognition criteria at their fair values as at that date. Accordingly, FAR will assess the fair value of identifiable net assets of Flow on completion of the acquisition.

The pro forma statement of financial positions are unaudited and are for illustrative purposes only and are based on numerous assumptions that may or may not reflect the actual financial position of the Combined Entity after completion of the Offer. In addition, these pro forma statement of financial positions are presented in a summary format and do not contain all the disclosures required under the Corporations Act.

Financial information relating to Flow has been sourced from its unaudited financial statements for the year ended 30 June 2011. FAR has relied on this information to prepare the pro forma financial information in this section 5.5. FAR does not, except as required by law, make any representations or warranty, express or implied, as to the accuracy or completeness of this information.

FAR has had limited access to the directors, management or staff of Flow and has had limited access to working papers, accounting records or other documentation for the purposes of preparing this financial information. Therefore, it has not been possible to independently verify any of the financial information relating to Flow used in this Bidder's Statement for providing pro forma financial information.

The pro forma financial information presented in this section 5.5 should also be read in conjunction with the risk factors set out in section 8, other information contained in this Bidder's Statement and the accounting policies of FAR and Flow as disclosed in their most recent financial reports.

Assumptions and adjustments

The pro forma statement of financial position reflects the following assumptions and adjustments:

- 1 Increase in capitalised exploration assets: The excess of the purchase consideration of Flow's assets and liabilities has been allocated to the book value of capitalised exploration assets as an approximation of fair value at acquisition. A full purchase price allocation will be undertaken post acquisition and the fair value of the assets and liabilities will be more accurately assessed at that time.
- 2 Sale of French assets by Flow: On 31 August 2011, Flow completed the sale of its 50% share of the St Griede exploration project in France for \$0.9 million cash consideration. The asset had a carrying value of approximately \$0.8 million at 30 June 2011.
- 3 Cancellation of Flow Options: Prior to the acquisition date, all outstanding Flow options were cancelled.
- 4 Exercise of Flow performance rights: All outstanding Flow performance rights at 30 June 2011 vested on 2 September 2011 and were exercised on 12 September 2011, converting them to Flow Shares for nil consideration.
- 5 Increase of Equity: Equity will increase by \$25 million as a result of the issue of new FAR Shares in respect of the purchase consideration.
- 6 Transaction costs: the pro forma statement of financial position does include the impact of transaction costs associated with the Offer. These will be expensed as incurred and will be settled in part through the issue of new FAR Shares post transaction.
- 7 Forecast cash expenditure: Cash expenditure from 30 June 2011 to the date of this Bidder's Statement of \$6.7 million has been included as an estimate for illustrative purposes only. Actual cash expenditure may differ from this amount.
- 8 Kora well costs: Included in the estimated cash expenditures are payments of \$5.9 million in respect of FAR's interest in the Kora exploration well in the AGC Profond licence offshore Senegal and Guinea Bissau. These costs have been expensed as incurred.

5.6 Forecast financial information for the Combined Entity

FAR has given careful consideration as to whether a reasonable basis exists to produce reliable and meaningful forecast financial information for the Combined Entity. The FAR Directors have concluded that, as at the date of this Bidder's Statement, it would be misleading to provide forecast financial information for the Combined Entity.

Financial forecasts of the Combined Entity in any period will be influenced by various factors that are outside the control of the directors and that cannot, at this time, be predicted with a high level of confidence.

5.7 Capital structure

Assuming that 100% acceptances are received for the Offer, the Offer will have the following effect on FAR's capital structure:

Issued Capital	Number
FAR Shares	
Existing FAR Shares	1,245,401,164
FAR Shares (approximately) to be issued pursuant to this Offer	878,010,387
Issued capital (after the Offer)	2,123,411,551
FAR Options	24,800,000
Convertible notes	6,506,419

which are convertible into 10 shares for each convertible note

Following completion of the Offer, and assuming FAR reaches 100% control of Flow, then existing FAR Shareholders will hold 58.7% of the FAR Shares on issue and former Flow Shareholders will hold 41.3% of the FAR Shares on issue.

5.8 Interests of Combined Entity directors in FAR securities

Assuming acquisition of 100% of the Flow Shares by FAR, the following directors of the Combined Entity will have a Relevant Interest in FAR Shares:

Director	Shares	Nature of Relevant Interest
Michael Evans	6,371,250	Indirect
Charles Cavness	1,150,000	Direct
Albert Brindal	126,200	Direct
Catherine Norman	574,417	Direct
Nicholas Limb	32,908,139	Indirect

Michael Evans will continue to hold a direct interest in 6 million FAR Options.

Both Catherine Norman and Nicholas Limb have agreed to execute voluntary restriction agreements in respect of the FAR Shares issued to them under the Offer, such restriction extending for a period of 12 months from the date of issue.

6 Intentions in relation to Flow

6.1 Introduction

This section 6 sets out FAR's intentions in relation to the following:

- the continuation of the business of Flow;
- any major changes to the business of Flow and any redeployment of the fixed assets of Flow; and
- the future employment of the present employees of Flow.

6.2 Review

The intentions set out in this section 6 have been formed on the basis of facts and information concerning Flow and the general business environment which are known to FAR and prevailing market conditions at the time of preparing this Bidder's Statement.

FAR and its advisers have reviewed information that is available concerning Flow and its current business, operations and assets and plans for the future.

At the conclusion of the Offer Period FAR will, to the extent to which it is able, conduct a review of Flow and its operations, assets, liabilities, structure and employees following which it will, as required, review its intentions as set out in this section 6.

Final decisions will only be reached by FAR after that review and in light of circumstances at the relevant time. Accordingly, the statements set out in this section 6 are statements of current intention only and may change as new information becomes available or circumstances change, and the statements in this section 6 should be read in this context.

6.3 Intentions for Flow as a wholly owned controlled entity

This section 6.3 sets out FAR's current intentions if at the end of the Offer Period it has Relevant Interests in 90% or more of the Flow Shares and is entitled to proceed to compulsory acquisition of the outstanding Flow Shares.

(a) Compulsory acquisition

If it becomes entitled to do so under the Corporations Act, FAR intends to proceed with compulsory acquisition in accordance with the Corporations Act, including any Flow Shares which are issued after the close of the Offer.

(b) Directors and executive officers

FAR presently intends to seek the resignation of each member of the Flow Board, other than Catherine Norman and Nicholas Limb, and appoint nominees of FAR in their place.

FAR will invite Catherine Norman and Nicholas Limb to join the FAR Board on new mutually agreeable terms and conditions in line with the terms and conditions of existing FAR Directors and in accordance with the non-executive directors' fee pool approved by FAR Shareholders

from time to time. Charles Cavness and Albert Brindal will remain in their current positions on the FAR Board.

FAR intends to give Catherine Norman the opportunity to retain her leadership role of the Flow business. Catherine will also be invited to join the FAR Board as Managing Director of FAR and participate in the executive management of the Combined Entity. Michael Evans will remain as Executive Chairman, Colin Harper as Chief Financial Officer and, along with Albert Brindal, as Joint Company Secretary.

(c) **Head office and other premises**

FAR intends to identify administrative functions across the combined group including corporate, finance and accounting, marketing, human resources, information technology, legal and risk management functions with a view to relocating these centralised head office functions to FAR's head office located in Subiaco, Western Australia.

Subject to a full review post-acquisition, FAR intends to maintain Flow's technical office functions at Flow's premises in Melbourne, Victoria as well as FAR's current in-country offices in Senegal.

(d) **Integration**

Following the close of the Offer, FAR intends to review Flow's business and its integration with FAR's existing business. This review will evaluate Flow's business with a view to maximising Flow's success and identifying opportunities to enhance the performance of, and expand, the enlarged group's business.

(e) **Operations**

FAR has no present intention to sell any specific part of the business or assets of Flow or to downsize any specific part of the business.

Subject to a review of the operations and business of Flow, FAR intends to continue to operate the Flow assets as they currently are, however with the benefits that a strong funding base can provide.

(f) **Employees**

FAR believes that the current management team and employee base are key to the successful implementation of its strategic plans with Flow. Subject to a full review post-acquisition, FAR intends that all of the management of Flow will continue to serve in their current roles and that the employment of Flow's current employees will be unaffected.

6.4 **Intentions for Flow as a part-owned controlled entity**

The Offer is subject to a condition that, at the end of the Offer Period, FAR has Relevant Interests in at least 90% of the Flow Shares (see section 11.9 for more information on the conditions of the Offer).

FAR does not currently intend to waive the 90% minimum acceptance condition to the Offer but reserves the right to do so.

This section 6.4 sets out FAR's intentions if FAR waives the 90% minimum acceptance condition and at the end of the Offer Period, FAR has a Relevant Interest in less than 90% of the Flow Shares but Flow becomes a controlled entity of FAR.

In that circumstance, FAR's current intentions are as follows:

(a) **Active major shareholder**

Subject to the Corporations Act, FAR intends to become actively involved in determining Flow's capital management policies and controlling the strategic direction of the business of Flow. Additionally, if FAR receives acceptances under the Offer that bring its shareholding to more than 75% of Flow Shares, it will be in a position to cast the votes required for a 'special resolution' at a meeting of Flow members. This would enable it to pass resolutions, for example, to amend the Flow constitution.

(b) **Directors**

Subject to the Corporations Act and the Flow constitution, at the end of the Offer Period FAR as the majority shareholder intends (subject to the formal requirements of the Corporations Act and of the Flow constitution) to procure the appointment of a majority of FAR nominees to the Flow Board so that the proportion of FAR nominees is broadly in line with FAR's voting power in Flow. The identity of such nominee directors has not yet been determined, but nominees will be selected to bring technical and managerial expertise to the Flow Board. The nominees will ensure that they comply with their fiduciary duties and obligations as directors of Flow, in particular in dealing with potential conflicts of interest.

FAR has not made a decision in relation to the composition or continuation of the board committees for nomination, compensation and business information systems.

(c) **Operations, assets and employees**

FAR will seek to procure that Flow's new board of directors implement the strategies and goals outlined in section 6.3 to the extent possible and appropriate in the circumstances.

(d) **Compulsory acquisition**

It is possible that even if FAR is not entitled to proceed to compulsory acquisition after the end of the Offer Period under Part 6A.1 of the Corporations Act, it may subsequently be entitled to exercise rights of general compulsory acquisition under Part 6D.2 of the Corporations Act, for example, as a result of acquisitions of Flow Shares in reliance on the '3% creep' exception in item 9 of section 611 of the Corporations Act. If so, FAR currently intends to exercise those rights of compulsory acquisition.

(e) **Limitations in giving effect to intentions**

will be subject to the legal obligation of Flow Directors to have regard to the interests of Flow and all Flow Shareholders and the requirements of the Corporations Act relating to transactions between related parties. These may limit or modify the implementation of the intentions outlined above.

Also, as a result of those requirements, the approval of minority Flow Shareholders may be required for the implementation of some of the intentions outlined above.

6.5 Intentions for Flow if not controlled by FAR

If FAR waives its 90% minimum acceptance condition and acquires less than 50.1% of the Flow Shares, the interest in Flow will become an investment of FAR which will be reviewed by FAR in accordance with its usual investment policies.

FAR has no current intention of waiving its 90% minimum acceptance condition, however, it reserves the right to do so.

6.6 Intentions generally

Subject to the matters described above in this section 6 and elsewhere in this Bidder's Statement and, in particular, the completion of the general operational review of Flow's operations, it is the intention of FAR, on the basis of facts and information concerning Flow that are known to it and the existing circumstances affecting the assets and operations of Flow at the date of this Bidder's Statement that:

- the business of Flow will be conducted in substantially the same manner as at the date of the Bidder's Statement;
- there will be no redeployment of the fixed assets of Flow; and
- it is the current intention of FAR to retain all current Flow employees.

7 Funding

7.1 Consideration under the Offer

The consideration for the acquisition of Your Shares will be funded by the issue of FAR Shares.

7.2 Maximum consideration

Based on the number of Flow Shares on issue at the date of this Bidder's Statement, the maximum number of FAR Shares which may need to be issued in accordance with the Offer, if acceptance were received for all Flow Shares, is 878,010,387 FAR Shares.

7.3 Ability to issue the consideration

FAR has the capacity to issue the maximum number of FAR Shares which it may be required to issue under the Offer. No shareholder approvals or third party consents are required for the issue of those shares.

7.4 Provision of consideration

On the basis of the arrangements described in this section 7, FAR is of the opinion that it has a reasonable basis for holding the view, and holds the view, that FAR will be able to provide the consideration offered under the Offer.

8 Risks associated with the Offer

8.1 Overview

Flow Shareholders who accept the Offer will become FAR Shareholders in the Combined Entity. The performance and operations of FAR and the price of FAR Shares may be affected by a range of risk factors. FAR plans to take prudent measures to mitigate its exposure to these risks. However, some of the risks are outside of FAR's control. Many of these risks also apply, to varying degrees, to other companies in the same industry, including Flow.

The risks associated with an investment in FAR and the Combined Entity can be categorised into:

- risks particular to FAR and the Combined Entity; and
- risks associated with the merger of FAR and Flow.

The occurrence of one of one or more of the risks may have a material impact on the assets and liabilities and the capacity to obtain funding and continue to operate and the prospects of FAR.

The summary of material risks below is not exhaustive. It has been prepared based on the knowledge of FAR directors at the date of the Bidders Statement. As circumstances change, some risks may take on greater importance and others may become less relevant.

Flow Shareholders should examine the contents of this Bidder's Statement as a whole and carefully consider the risks outlined below and elsewhere in this Bidder's Statement. If in doubt, Flow Shareholders should consult their professional advisers in assessing the Offer.

8.2 FAR and Combined Entity risks

(a) Pending Approvals for FAR's projects in Senegal

FAR is the operator of three blocks offshore from the Republic of Senegal, in which it holds a 90% interest, with the balance being held by Petrosen (Senegal's National Oil Company). FAR has given notice under the terms of the PSC for its Senegal Offshore Blocks to the Minister for Energy of its intention to enter the next exploration phase (second renewal period) which commenced on 23 November 2010.

FAR's renewal under the PSC is subject to Ministerial Approval and requires a Presidential Decree. The request is supported by Petrosen. FAR expects to receive the requisite decree in due course, but there can be no guarantee that this will occur.

(b) Success of Senegal farm out arrangements

FAR has engaged in farm-out discussions with a number of potential farm-in partners with the objective of securing a commitment to drill an exploration well for its interests in blocks in the Republic of Senegal.

FAR is seeking cost recovery and a free carry through the drilling of one exploratory well. It is expected that the farm-out process will take time

as companies undertake technical due diligence. However, there is a risk that farm-in partners may not be found, or may not be found in time to take advantage of FAR's interests. If a farm-in partner cannot be found (or found in time), there is a significant risk that FAR would not be able to conduct the proposed exploration activities by itself, if other sources of funding cannot be found.

(c) **US\$6m for sale of FAR's assets in China remains conditional and outstanding**

FAR has previously announced the sale of its 5% interest in Beibu Gulf Block 22/12, located in China. A balance of US\$6 million remains payable with US\$3 million payable upon approval of an Oilfield Development Program or if commercial development of the project proceeds and further US\$3 million payable once the project has produced 1 million barrels of oil (gross). There is a risk of failure of the relevant pre-conditions to payment or the non-satisfaction of certain regulatory matters, as well as usual purchaser credit risks associated with a transaction where payments may be deferred for a lengthy period pending satisfaction of conditions.

(d) **Oil and gas exploration is speculative**

By its nature, the business of oil and gas exploration and/or production is speculative and contains risks.

Petroleum exploration involves significant inherent risks in predicting the location and nature of potential petroleum accumulations in the sub-surface. There is as yet no direct method for determining the presence of commercial hydrocarbons prior to the drilling of an exploration well. There is always a risk that any given potential trap will not contain hydrocarbons by reason of failure of any one of the critical factors required for success. These may include, but are not limited to, inappropriately placed or timed hydrocarbon generation or migration, ineffective seal or later disruption of the trap. A potential trap may also contain non-commercial volumes due to adverse reservoir conditions, or inadequate hydrocarbon charge. In this Bidder's Statement, any discussion of potential traps, including structures, features and culminations, and of related potential hydrocarbon volumes, should not be taken to imply that a commercial accumulation is known to exist.

While many of the areas being explored by FAR have a number of prospects for the discovery of oil and gas, FAR cannot give any assurance that its exploration program will result in the discovery of any accumulation of oil or gas, nor that any discovery will be commercially viable or recoverable.

Should FAR undertake drilling in a particular geographic area but discover no oil and gas (referred to as a 'dry well'), this may lead to a

downgrading of the potential value of the PSC concerned and perhaps to other PSCs within the same geological basin. In addition, this may also lead to a reduction in its cash reserves by virtue of the costs of such activities, possible increased difficulty in raising additional funds following the unsuccessful activity (particularly drilling), possible relinquishment of a PSC and significant exploration expenditure being written off.

Risks in relation to drilling operations themselves include break-downs, delays due to weather or sea conditions and shortages of critical equipment or materials. There are also financial and environmental risks of drilling incidents such as blow-outs, fires and oil spills.

(e) **Operating risks**

Many of the FAR's oil and gas assets are in a pre-development phase. As a result, FAR will be subject to all the risks inherent in the establishment of new operations. No assurances can be given to the level of viability that FAR's operations may achieve. The operations of FAR, if and when it commences production for these assets and in respect of its existing producing assets, may be disrupted by a variety of risks and hazards which are beyond the control of FAR, including environmental hazards, industrial accidents, technical failures, labour disputes, unusual or unexpected rock formations, formation damage, flooding and extended interruptions due to inclement or hazardous weather conditions, fire and explosions.

These risks and hazards could also result in damage to, or destruction of, production facilities, personal injury, environmental damage, business interruption, monetary losses and possible legal liability. While FAR currently intends to maintain insurance within ranges of coverage consistent with industry practice, no assurance can be given that FAR will be able to obtain such insurance coverage at reasonable rates (or at all), or that any coverage it obtains will be adequate and available to cover any such claims.

Whether or not income will result from projects undergoing exploration, development and production programs, depends on successful establishment of exploration operations. Factors including costs, equipment availability and oil prices affect successful project development, as does the design and construction of efficient exploration facilities, competent operation and management and prudent financial administration, including the availability and reliability of appropriately skilled and experienced consultants.

(f) **General title renewal or extension risk**

The renewal of the term of each tenement owned by FAR is at the discretion of various authorities and governments within which FAR conducts exploration activities.

Whilst FAR negotiates renewals of its exploration or appraisal periods and term contracts prior to their expiry, there can be no assurance that FAR will be able to enter into a new phase or obtain extensions to

contracts with the governments or other suppliers or joint venture partners on commercially reasonable terms, prior to the end of an exploration period, following the end of the period or at all.

Under its PSCs, FAR is obligated to carry out certain minimum work obligations within designated exploration or appraisal periods. In the event FAR fails to achieve its agreed minimum work programme commitments within the requisite time period and it is unable to secure an extension, FAR 's interest in the PSC may be terminated by the government, or FAR may be required to relinquish the contract area.

It is also possible that an exploration or appraisal period set out in a PSC is insufficient to perform the necessary seismic, drilling or other exploration or appraisal activities required to determine whether it is appropriate for FAR to elect to move into the next phase and commit to additional work obligations. FAR may therefore seek to secure the necessary amendments, renewals, extensions or waivers prior to making an election to move into the next phase of operations, and could miss the deadline for election to the next phase, whilst discussions with the government are pending.

The necessary amendments, renewals, extensions or waivers may not be forthcoming on terms commercially acceptable to FAR, giving rise to the risk that FAR's interest in the PSC may be terminated by the government or FAR may be required to relinquish the contract area.

(g) **Reliance on AGC for AGC Profond PSC**

Should any government that has granted FAR rights fail to establish sovereignty over its territory and be recognised internationally as sovereign or be overthrown, there can be no assurance given that FAR's rights (including title to such assets) will be recognised by any new government.

The Agence de Gestion et de Coopération entre le Sénégal et la Guinée-Bissau (**AGC**) was established pursuant to a management and cooperation agreement between Senegal and Guinea-Bissau which became effective on 12 June 1995 for a period of 20 years and will be renewed automatically unless either Government decides otherwise. FAR is not aware of any intention to end the agreement, however, should the agreement come to an end FAR would need to obtain recognition of its rights by each of Senegal and Guinea-Bissau.

(h) **Country risk exposures**

(i) FAR has country diversification

FAR's projects are located in Senegal, Guinea-Bissau, AGC, USA, Australia and Canada and after the merger will include additional projects Kenya, Jamaica and Australia. The spread of countries where FAR has or will have projects provides some mitigation of sovereign risks and risks associated with operating in particular countries. Changes may occur in political, fiscal and legal systems, which might affect the ownership or operations of the Combined Entity.

(ii) Political and sovereign risks in developing countries

Changes could include expropriation (which could, among others, take the form of the cancellation, or termination of, a unilateral change or a series of unilateral changes to, FAR's tenements or other contracts, licences, permits, authorisations or Approvals), nationalisation of property, the unilateral imposition of onerous obligations on FAR, instability in political, economic or financial systems, uncertainty arising from underdeveloped legal and regulatory systems, corruption, civil strife, war, hostilities, armed conflict, guerrilla activities, terrorism, piracy, AIDS, and outbreaks of other infectious diseases, prohibitions, restrictions on production, price controls, limitations or the imposition of tariffs or duties on imports of certain goods, exchange controls, lack of law enforcement, political insurrection, labour unrest or economic recession, as well as changes in exchange rates, government and legislative fiscal and regulatory regimes, taxation, royalties and duties.

(iii) Legal and title risk in developing countries

In several jurisdictions in which FAR and the Combined Entity will have assets, there is little legislation regulating oil and gas exploration, development, production or other activities which FAR may undertake, decisions of the courts are not published, there are no or limited public registers of property interests (including rights under permits, tenements and PSCs) and there are limitations in the title registration systems.

Whilst FAR has investigated its title to, rights over and interests in, its PSC and other assets and is not aware of impediments to its title to those assets, this should not be construed as a guarantee of title to its PSC / licence interests or other assets, including those interests which FAR has acquired from a third party rather than directly from the relevant government, can not be challenged or impugned.

In some of the relevant jurisdictions it may not be possible to establish, protect or defend legal rights or title to assets with certainty. The courts in the jurisdictions in which FAR operates may offer less certainty as to the judicial outcome or a more protracted judicial process than is the case in more established and developed jurisdictions. Accordingly, FAR could face risks such as:

- effective legal redress in the courts of such jurisdictions being more difficult to obtain, whether in respect of a breach of law or regulation, or, in an ownership or contract dispute;
- a higher degree of discretion on the part of governmental authorities and therefore less certainty;
- a lack of judicial or administrative guidance on interpreting applicable rules and regulations;
- inconsistencies or conflicts between and within various laws, regulations, decrees, orders and resolutions; or
- relative inexperience of the judiciary and courts in such matters.

(i) **Legal risk issues**

(i) Law reform and changes

Any material adverse changes in government policies or legislation affecting oil and gas exploration activities may affect the viability and profitability of FAR's projects.

For instance, the Australian government have indicated that they may introduce tax reforms.

The future of Australian Federal legislation and policy in respect to the taxation of resource based entities is currently uncertain. In September 2010, the Australian Government commissioned a consultation process for the Government's proposed Mineral Resources Rent Tax and the extension of the Petroleum Resource Rent Tax (**PRRT**). Based on the PTG Issues Paper, it is anticipated that oil and gas projects, including the North West Shelf, will come under the extension of the PRRT. The Australian Federal Government has also introduced proposed measures to address global warming. The measures will act as a tax from 1 July 2012 to 30 June 2015 and is anticipate to be replaced by an emissions trading scheme after that date. At this time, FAR cannot accurately determine how any such measures may impact on it and its business activities. However, any such new legislation may adversely affect the Combined Entity's future Australian operations and financial performance.

(ii) Native Title Risks

Some or all of the tenements held by FAR may be subject to native title claims in the future. Should a native title claim be lodged in respect to one of FAR's oil and gas tenements, it may have a material adverse effect on FAR's business and its financial condition and performance.

(iii) Environmental Risks

FAR's oil and gas activities are subject to laws and regulations regarding environmental matters and the discharge of hazardous wastes and materials. As with all oil and gas projects, a variety of environmental impacts exist. Failure to comply with these laws and regulations may result in the assessment of administrative, civil and criminal penalties, the imposition of remedial requirements, and the imposition of injunctions to force future compliance. FAR intends to conduct its activities in an environmentally responsible manner and in accordance with applicable laws.

(j) **Future capital needs and additional funding**

The future capital requirements of the Combined Entity will depend on many factors including the success in farming out interests in its projects (particularly to assist with funding for the drilling of exploratory wells), results of any future exploration programs, the ability to successfully

exploit oil and gas discoveries and the transactions that FAR enters into to realise value for its projects. From time to time FAR is likely to need to raise additional capital to implement and complete its business plans and meet all work and expenditure commitments on its permits and any permits subsequently acquired. Expenditure and capital requirements are carefully managed in accordance with FAR's business model and future funding is to be sourced from farm-outs, the partial sale of interests in projects and the proceeds of further issues of securities. Any issue of additional equity may dilute shareholdings.

Should FAR require additional funding there can be no assurance that additional financing will be available on acceptable terms, or at all. If additional capital is not raised then FAR's operations will not be able to be funded

(k) Joint venture and farm-out risks

FAR is in a number of joint ventures and it is possible that a number of Flow's and FAR's other projects will be farmed-out and progressed in joint venture with various other parties.

Depending on which participant is the operator, FAR will have differing degrees of control over day-to-day management and operations of the projects in which it has an interest. The involvement of joint venture parties will mean that various consultation processes and, in some cases, consensus is required for key decisions. This may create delays and possibly disputes and, for those projects where FAR is not operator, exposes FAR to risks associated with the capacity to perform and quality of performance of its joint venture partners.

For instance, other partners in FAR's assets may default on their obligations to fund capital or other funding obligations in relation to the assets. In such circumstances, FAR may be required under the terms of the relevant operating agreement or otherwise to contribute all or part of such funding shortfall itself.

(l) Reliance on key personnel, contractors and providers of capital equipment

FAR's business requires skilled personnel and professional staff in the areas of exploration and development, operations, engineering, business development, oil and gas marketing, finance and accounting. There is competition for such personnel in the African region and also in Australia where FAR has offices.

FAR is currently reliant on a number of key employees, including Mr Michael Evans who will be Executive Chairman and Catherine Norman who will be appointed Managing Director following the merger.

In addition, in common with other exploration companies, FAR (or the relevant operator of assets in which it has an interest) contracts or leases services, capital equipment, rigs and other equipment from third party providers on which exploration and appraisal activities are dependent.

The future availability and costs of services and equipment is not certain. Such equipment and services can be scarce, may not be of the required quality and may face interruptions or delays in availability at the times and places required.

(m) **Reliance on technology systems**

FAR is reliant on its technology systems, in particular its specialist exploration applications. FAR's technology systems could be exposed to, amongst other things, damage or interruption from telecommunications failure, unauthorised entry and malicious computer code, fire, natural disaster, power loss, industrial action, human error and acts of war or terrorism. The occurrence of any of the above may also significantly disrupt FAR's technology systems and may lead to important data (such as the geophysical and geological data) being irretrievably lost or damaged. Such damage or interruption may adversely affect FAR's business, prospects, financial condition and results of operations.

(n) **General market risks**

(i) Securities investment and share markets

The market price of the FAR Shares may fall as well as rise and may be subject to varied and unpredictable influences on the market for equities in general and resource stocks in particular.

Further, the stock market, and in particular the market for oil and gas exploration companies, has experienced extreme price and volume volatility that has often been unrelated or disproportionate to the operating performance of such companies. There can be no guarantee that current trading prices will be sustained. The price of securities may also be affected by market sentiment arising from factors including changes in interest rates and economic conditions and movements in the Australian and international financial markets. These factors may materially affect the market price of FAR Shares, regardless of FAR's operational performance.

In addition, investors should appreciate that the value of FAR's securities on ASX may rise or fall depending on a range of factors beyond the control of FAR.

(ii) Oil and gas prices

Commodities, particularly oil and to a lesser extent gas, are subject to high levels of volatility in price and demand. Oil and gas prices may fluctuate and are affected by numerous factors beyond the control of FAR. These factors include world demand, forward selling by producers, production cost levels in other producing regions and global conflict. Oil and gas prices are also affected by macroeconomic factors such as expectations regarding inflation, interest rates, currency and exchange rate fluctuations, and global and regional demand for, and supply of, oil and gas as well as general global economic conditions. Oil and gas prices, being one of the key factors which will determine whether any

resource which may be discovered can be commercially and profitably recovered, effect FAR's exploration, development and production activities, as well as its ability to fund those activities.

(iii) **Economic Risk**

Changes in customer preference for alternative energy sources or the general economic climate in which FAR operates may adversely affect the financial performance of FAR. Factors which may contribute to that general economic climate include the level of direct and indirect competition against FAR, industrial disruption, the rate of global growth, interest rates and the rates of inflation.

(iv) **Macro economic and political factors**

Apart from exchange risks, there is a wide range of other macro economic and political factors beyond the control of FAR which may affect its operations. These include the consequences of terrorist and other activities, which themselves impact adversely on the global economy, demand for commodities, particularly oil and gas, and share market conditions and share prices generally.

The FAR Shares may trade at a price below the issue price.

(o) **Flow business risks**

All the business risks which currently affect Flow and an investment in Flow Shares will continue to affect Flow, whether or not it becomes a subsidiary of FAR.

8.3 Merger risks

(a) **Triggering change in control provisions**

Flow is a party to PSCs that contain change of control provisions that will be triggered if, following completion of the Offer, FAR acquires control of Flow. Under the Bid Implementation Agreement, both FAR and Flow must use their best endeavours to ensure the Ministerial Consent is obtained to ensure the continuity of the PSCs. Nonetheless, the operation of these provisions could have a material adverse effect on the Combined Entity if any consent required from relevant government and presidential decrees are not obtained.

(b) **Some Flow Shareholders may sell their FAR Shares**

If the Offer is successful FAR will issue a significant number of FAR Shares. Some Flow Shareholders may not intend to continue to hold their new FAR Shares and may wish to sell them on ASX. There is a risk that if a significant number of Flow Shareholders seek to sell their new FAR Shares, this may adversely affect the price of FAR Shares. FAR Shares issued to Foreign Ineligible Shareholders, and other shareholders who as a result of the Offer will hold an Unmarketable Parcel, will be sold on ASX (refer to sections 11.7 and 11.8). The sale of these FAR Shares could also have a material adverse effect on the price of FAR Shares. Escrow restrictions will apply to Flow Shareholders, who

as a result of the Offer, hold FAR Shares representing 20% of the total issued capital of FAR for a period of 12 months after the date of issue. At present, there are no Flow Shareholders who will be caught by the escrow requirements.

(c) **Synergy risks**

While the directors of FAR expect to realise certain synergy benefits from the merger of FAR and Flow, achievement of these synergies is not certain. The synergies may not be realised to their full extent or may be realised over a longer period of time than the directors of FAR expect. This could have a material adverse impact on the financial performance of the Combined Entity.

(d) **Less than 90% ownership**

The Offer is subject to a 90% minimum acceptance condition. This condition may be waived by FAR. Therefore, a risk exists that the final level of ownership acquired by FAR may rest below 90%, which could have an impact on FAR's intentions regarding Flow (refer to section 6.4).

(e) **Taxation risks**

The taxation consequences and risks of the Offer depend upon the specific circumstances of each Flow Shareholder. Flow Shareholders should obtain their own independent professional taxation advice regarding the applicable law in respect of the Offer.

(f) **Assumed information for Flow**

There is a risk that the publicly available financial information provided by Flow and utilised by FAR in formulating the Offer and preparing this Bidder's Statement is not materially correct. While Far has conducted some due diligence, it has not conducted a comprehensive due diligence process.

9 Taxation considerations

9.1 Introduction

The following is a general outline of the main Australian income tax consequences for an Australian resident individual Flow Shareholder resulting from acceptance of the Offer and the acquisition, ownership and disposal of FAR Shares.

The outline is not exhaustive of all income tax considerations which could apply in the circumstances of any given Flow Shareholder and there are a number of limitations to the outline including that:

- it applies only to Australian resident individual taxpayers. It does not cover the tax treatment for any other classes of taxpayers including individuals who are non-residents of Australia for tax purposes, companies, insurance organisations, superannuation funds, trusts or employees of Flow or its associated companies who acquired their Flow Shares in respect of their employment;
- it applies only where Flow Shareholders hold their shares on capital account. It does not apply where the shares are held on revenue account (eg shares held by Flow Shareholders who trade in shares or hold Flow Shares as trading stock); and
- it is based on current Australian tax law. It does not take into account or anticipate any changes in the law (including changes to legislation, judicial authority or administrative practice).

This outline does not constitute, and should not be construed as, taxation advice. FAR and its officers and advisers do not accept any liability or responsibility in respect of any statement concerning the taxation consequences of the Offer or in respect of the taxation consequences themselves.

All Flow Shareholders, and particularly those shareholders not specifically addressed by this outline as noted above (eg non-resident shareholders), should consult their own independent professional taxation advisers regarding the Australian and, if applicable, foreign income tax consequences of disposing of Flow Shares given the particular circumstances which apply to them.

9.2 Acceptance of the Offer and disposal of Flow Shares

(a) Capital gain or loss on post-CGT Flow Shares

The disposal of Flow Shares pursuant to the Offer by a Flow Shareholder that acquired, or is deemed to have acquired, their Flow Shares on or after 20 September 1985, will constitute a CGT event for Australian income tax purposes.

If roll-over relief is not available, or if a Flow Shareholder does not choose to obtain the roll-over (refer to section 9.2(b) below):

- a capital gain will arise to the extent the capital proceeds received by a Flow Shareholder from the disposal of Flow Shares exceed the cost base of the Flow Shares; or

- a capital loss will be realised to the extent the capital proceeds received by a Flow Shareholder are less than the reduced cost base of the Flow Shares.

Any capital gain realised in respect of the disposal of the Flow Shares will be included in the Flow Shareholder's assessable income for the income year in which the Offer is accepted (unless offset against other capital losses of the Flow Shareholder). Any capital loss may be offset against other capital gains realised by the Flow Shareholder in the same year or be carried forward to be offset against future capital gains.

(i) Capital proceeds

For the purpose of calculating a capital gain or capital loss on the disposal of the Flow Shares, the capital proceeds will be the market value of FAR Shares on the date the Offer is accepted by the Flow Shareholder.

It should be noted that the market value of FAR Shares at the date the Offer is accepted by the Flow Shareholder may differ from the value placed on FAR Shares for the purposes of this Offer.

(ii) Cost base

The cost base and reduced cost base of Flow Shares is generally equal to the amount paid by the Flow Shareholder for the shares plus certain incidental costs incurred (for example, brokerage fees).

(iii) CGT discount

Individual Flow Shareholders may be entitled to apply a 50% discount to any net capital gain realised on the disposal of Flow Shares (ie after any capital losses have been applied). This is provided that the Flow Shares have been held for at least 12 months prior to the date the Offer is accepted.

(b) **Roll-over relief**

Roll-over relief may be available where:

- Flow Shareholders exchange their Flow Shares for FAR Shares under the Offer;
- as a result of the Offer, FAR holds 80% or more of the voting shares in Flow;
- the Flow Shareholders acquired their Flow Shares on or after 20 September 1985 and, but for the roll-over, a capital gain would arise from the exchange (see section 9.2(a) above);
- the relevant Flow Shareholders are Australian residents or otherwise hold their shares as taxable Australian property; and
- the relevant Flow Shareholder chooses that the roll-over applies.

If roll-over relief is available, then any capital gain resulting from the disposal by Flow Shareholders of Flow Shares pursuant to the Offer may be disregarded so that any capital gains tax implications are effectively deferred until the relevant Flow Shareholders dispose of the FAR Shares acquired pursuant to the Offer. The cost base of the FAR Shares will include an amount equal to the cost base of the Flow Shares for which they were exchanged (see section 9.5 below).

To choose CGT roll-over relief, a Flow Shareholder must make a choice before lodging an income tax return for the tax year in which the Offer is accepted. The manner in which the Flow Shareholder prepares the income tax return will be evidence of the choice (ie no notice is required to be lodged with the Australian Taxation Office).

It is a condition of the Offer that FAR has a Relevant Interest in at least 90% (by number) of all Flow Shares. Bidder reserves the right to waive this condition, but is not in a position to confirm that the '80% requirement' referred to above will be satisfied for the purposes of determining whether roll-over relief will be available to the Flow Shareholders.

All Flow Shareholders, and particularly those not covered by this outline as noted above, should obtain their own independent professional taxation advice as to whether and how a roll-over election should be made.

9.3 Ownership of FAR Shares

The tax consequences of Flow Shareholders owning FAR Shares should be substantially the same as the consequences of owning Flow Shares.

9.4 Dividends in relation to FAR Shares

During the period which Flow Shareholders hold FAR Shares, they may receive dividends which may be either franked or unfranked (subject to the terms of the FAR Shares in relation to the entitlement to receive dividends). The dividends, grossed up for any imputation (franking) credits, will be included in the Flow Shareholder's assessable income and they will receive a tax offset (rebate) equal to the imputation credit included in their income. There are rules that limit the availability of imputation credits in certain circumstances (eg. you are generally required to have held your FAR Shares at risk for at least 45 days). These rules are complex and you should consult your independent professional taxation adviser regarding their operation.

In some circumstances, to the extent that an individual taxpayer has excess imputation credits (ie over and above the taxpayer's tax liability for the relevant tax year), he or she may be entitled to a refund of the excess amount. Again, Flow Shareholders should consult their own independent professional taxation advisers in this regard.

9.5 Disposal of FAR Shares

The income tax consequences of any disposal by a Flow Shareholder of FAR Shares will generally be the same as for the disposal of Flow Shares as described in section 9.2, subject to the differences outlined below.

(a) FAR Shares acquired where roll-over election was made

Where a choice to apply roll-over relief was made by a Flow Shareholder in respect of the disposal of Flow Shares, the cost base of the FAR Shares issued to the Flow Shareholder under the Offer is equal to the cost base of the Flow Shares that were exchanged for the FAR Shares which will be apportioned across the FAR Shares on a reasonable basis. Individual Flow Shareholders may determine whether the FAR Shares have been held for at least 12 months for the purpose of applying the 50% discount in relation to any capital gain as a result of disposing of the FAR Shares (see section 9.2(a)) by reference to the date that they acquired the Flow Shares. Therefore, if the combined period during which the Flow Shareholder held the Flow Shares and the FAR Shares is at least 12 months, the Flow Shareholder may be entitled to apply the 50% discount in respect of the disposal of the FAR Shares.

(b) FAR Shares acquired where roll-over relief does not apply

Where roll-over does not apply to the disposal of Flow Shares, the cost base of the FAR Shares which are received in exchange for those Flow Shares is the market value of Flow Shares at the date of acceptance of the Offer.

9.6 Transfer taxes

No stamp duty is payable by the transferor of Flow Shares. No GST (goods and services tax) applies to the transfer of shares (such as Flow Shares).

10 Other material information

10.1 Summary of the Bid Implementation Agreement

FAR and Flow entered into a Bid Implementation Agreement on 20 September 2011 whereby FAR and Flow have agreed to co-operate with each other in relation to the Offer. A summary of certain key terms of the Bid Implementation Agreement is set out below. This summary does not purport to be exhaustive or constitute a definitive statement of the rights and liabilities of each of FAR and Flow under the Bid Implementation Agreement. The full terms of the Bid Implementation Agreement can be viewed in the announcement made by FAR and Flow in connection with the Offer on the Announcement Date.

(a) The Offer and recommendation

(i) Under the Bid Implementation Agreement:

- (A) FAR has agreed to make the Offer to all Flow Shareholders in respect of all their Flow Shares.
- (B) Flow has represented to FAR that each of the Flow Directors intends to, and Flow must use its best endeavours to procure that each of the Flow Directors publicly state that they will:
 - (1) unanimously recommend the Offer to Flow Shareholders; and
 - (2) accept the Offer within 2 Business Days of the Offer being open for acceptance in respect of all the Flow Shares that they hold or in which they otherwise have a Relevant Interest,

in each case, in the absence of a Superior Proposal.

(ii) In the absence of a Superior Proposal, Flow will support and promote the merits of the Offer.

(b) Conditions

The Bid Implementation Agreement sets out the conditions, as detailed in section 11.9.

(c) Exclusivity arrangements

From the date of the Bid Implementation Agreement until the earliest of the expiry of the Offer Period or the date that the Bid Implementation Agreement is terminated, Flow must:

- (i) **cease existing discussions:** cease any existing discussions or negotiations relating to a Competing Proposal;
- (ii) **no-shop:** not directly or indirectly solicit encourage or invite discussions or enquiries with third parties, or communicate an intention to do so, with the view to obtaining a Competing Proposal.

- (iii) **no-talk:** not participate in negotiations or discussions regarding a Competing Proposal, subject to the express 'fiduciary out' relating to a Competing Proposal which may constitute a Superior Proposal and failure to respond to that Competing Proposal would be reasonably likely to constitute a breach of the Flow Directors' fiduciary or statutory obligations;
- (iv) **disclosure of Competing Proposal:** notify FAR of any third party attempt to initiate discussions with respect to a Competing Proposal, or any request of information relating to Flow that on reasonable grounds Flow suspects relates to a current or future Competing Proposal;
- (v) **matching rights:** must:
 - (A) not enter into any legally binding agreement, arrangement or understanding under which a third party proposes to give to effect to a Competing Proposal; and
 - (B) use its best endeavours to procure that no member of the Flow Board changes their recommendation in favour of the Offer to publicly recommend a Competing Proposal,
 unless:
 - (C) the Flow Board determines that the Competing Proposal would be or would be likely to be a Superior Proposal (for these purposes, if the Competing Proposal involves scrip consideration, the Flow Board must value the scrip at 80% of its prevailing market value);
 - (D) Flow provides all the material terms and conditions to FAR of the Competing Proposal; and
 - (E) Flow has given FAR at least 3 Business Days within which to provide a matching or Superior Proposal.

If the Flow Board determines FAR's counterproposal to be more favourable than the Competing Proposal, then Flow and FAR must amend the Bid Implementation Agreement to reflect the more favourable terms, Flow must announce and recommend FAR's counterproposal as soon as reasonably practicable, and Flow must not take any of the steps referred to in section 10.1(c)(v)(A) or 10.1(c)(v)(B) for a period of 3 Business Days.

Flow will not be obliged to comply with any obligation under this section 10.1(c) which is determined by a court or the Takeovers Panel to be unlawful or a breach of duties by Flow or its board. Nothing in the Bid Implementation Agreement prevents Flow from disclosing information during the ordinary course of business or as required by law.

(d) **Compensating Amount**

- (i) Flow undertakes to pay FAR the Compensating Amount if:

- (A) Flow accepts or enters into an agreement or understanding regarding a Competing Proposal;
 - (B) any member of the Flow Board does not recommend the Offer or withdraws or adversely modifies their recommendation or approves, recommends or supports a Competing Proposal, or announces an intention to do any of these acts.
 - (C) Flow or any of its directors does or omits to do anything which results in the conditions in section 11.9 being breached, and FAR does not declare the Offer free from such condition; or
 - (D) there is a material breach of Flow's obligations under section 10.1(a), 10.1(c), 10.1(e) or 10.1(g).
- (ii) FAR undertakes to pay Flow the Compensating Amount if FAR fails to proceed with the Offer except as a result of:
- (A) the occurrence of an event that would entitle payment of the Compensating Amount to FAR; or
 - (B) the termination of this document by FAR in accordance with its terms.

(e) **Budget**

Flow must not during the period covered by the Budget:

- (i) deviate from, nor amend or vary, the expenditure in the Budget by an amount in excess of 10% of expenditure for that period without obtaining the prior written consent of FAR (not to be unreasonably withheld or delayed); and
- (ii) dispose, offer to dispose or agree to dispose of, or create, or offer to create an equity interest in, any mineral asset (including any geological data) or an interest in any such asset (excluding those contemplated by the Budget) without prior consultation with FAR.

(f) **Board appointments**

As soon as practicable after the Offer becomes unconditional and FAR acquires a Relevant Interest in at least 90% of the issued shares in Flow:

- (i) Flow must use its best endeavours to cause the resignation and appointment to the Flow Board of persons nominated by FAR; and
- (ii) FAR intends to invite Catherine Norman and Nicholas Limb to join the FAR Board.

(g) **Representations and warranties**

Each of FAR and Flow gives warranties to each other, including their legal capacity and certain due diligence provided by Flow to FAR.

(h) Termination

The Bid Implementation Agreement may be terminated:

- (i) by either party by notice to the other party:
 - (A) if the other party is in material breach of the Bid Implementation Agreement and that breach is not remedied by that other party within 10 Business Days;
 - (B) if a court or other Public Authority issues a final and non appealable order or ruling or takes an action which permanently restrains or prohibits the Offer; or
 - (C) if FAR withdraws the Offer, or the Offer lapses or does not proceed, for any reason including a non-satisfaction of one of the bid conditions in section 11.9 (with such non-satisfaction not being waived by FAR);
- (ii) by FAR by written notice to Flow if:
 - (A) a Superior Proposal is made by a third party, and FAR does not make a counterproposal; or
 - (B) any member of the Flow Board does not recommend the Offer be accepted by Flow Shareholders or having recommended the Offer changes his recommendation in relation to the Offer;
 - (C) or there is a material breach of a warranty or representation by Flow; and
- (iii) by Flow by written notice to FAR if:
 - (A) a prescribed occurrence affecting FAR occurs; or
 - (B) a Superior Proposal is made by a third party, and FAR does not make a counterproposal.

10.2 Pre-bid Acceptance Agreements

On 20 September 2011 FAR entered into a pre-bid acceptance agreement (**Pre-Bid Acceptance Agreement**) with each of the following Flow Shareholders (**Pre-Bid Accepting Shareholders**) in respect of 4,088,433 Flow Shares, representing 19.86% of Flow's issued share capital.

Mitchell Limb	1,111,857
Toad Facilities Pty Ltd	1,000,000
City of London Plc	878,000
Mr Philip Alan Kenneth Naylor	320,000
John William Greenhalgh	233,000
Kimbriki Nominees Pty Ltd	150,000
C/- Rfc Corporate Finance Limited	100,000
Mr Thong Ha Huynh	60,000
<Jeff Williams & Rosalyn Williams>	50,000

Mrs Roslyn Wynne Long	45,576
Lifchem Pty Ltd	45,000
Plumpton Place Pty Ltd	30,000
<Andrea Coote Super Fund A/C>	30,000
C/- P A K Naylor	25,000
Project Astro Pty Ltd	10,000

A summary of the key terms of the Pre-Bid Acceptance Agreement is set out below. This summary does not purport to be exhaustive or constitute a definitive statement of the rights and liabilities of each of FAR and each of the Pre-Bid Accepting Shareholders under the Pre-Bid Acceptance Agreement. On request to FAR and free of charge, Flow Shareholders may obtain a copy of the full terms of the Pre-Bid Acceptance Agreement by contacting the Offer Information Line on 1800 821 475 (toll free within Australia) or +61 2 8256 3395 (for callers from outside Australia).

Under the Pre-Bid Acceptance Agreement, each Pre-Bid Accepting Shareholder agreed that if FAR publicly announces the Offer at no less than 42.66 FAR Shares for each Flow Share and on conditions no less favourable than the conditions set out in section 11.9, the Pre-Bid Accepting Shareholder will accept the Offer in respect of the Flow Shares it held within two Business Days of Offer being open for acceptance.

FAR has also been informed by each the Flow Directors as at 21 September 2011 he or she intends to accept the Offer in respect of the Flow Shares he or she holds (representing approximately 15% of Flow), no later than five Business Days prior to the end of the Offer Period, subject to there being no Superior Proposal. Each of the Flow Directors has no obligation to accept the Offer in respect of its Flow shareholding and may dispose of these Flow Shares to a third party at any time. As at the date of this Bidder's Statement, none of the Flow Directors has informed FAR of a change to this intention.

10.3 Date for determining holders of Flow Shares

For the purposes of section 633 of the Corporations Act, the date for determining the persons to whom information is to be sent under items 6 and 12 of section 633(1) is the Register Date.

10.4 Consents

This Bidder's Statement contains references to, statements made by, and/or statements said to be based on statements made by Flow and Dr Igor Effimoff. Each of Flow and Dr Igor Effimoff has consented to the inclusion of:

- each statement it or he has made; and
- each statement which is said to be based on a statement it or he has made,

in the form and context in which each reference or statement (as applicable) appears and has not withdrawn that consent as at the date of this Bidder's Statement.

Hartleys Limited has acted as financial adviser, Corrs Chambers Westgarth has acted as legal adviser to FAR Advanced Share Registry Services Limited has acted as share registrar, for FAR in relation to the Offer.

Each of Flow, Hartleys Limited, Corrs Chambers Westgarth, Advanced Share Registry Services Limited and Dr Igor Effimoff has consented to being named in this Bidder's Statement in the form and context in which it or he is named and has not withdrawn that consent as at the date of this Bidder's Statement, but should not be regarded as authorising the issue of this Bidder's Statement or any statements in it.

Additionally, Deloitte Touche Tohmatsu has acted as independent auditor for FAR. Deloitte Touche Tohmatsu:

- does not make, or purport to make, any statement in this Bidders Statement or on which a statement made in the Bidders Statement is based, other than reference to its name in the Corporate Directory; and
- to the maximum extent permitted by law, expressly disclaims and takes no responsibility for any part of this Bidders Statement, other than reference to its name in the Corporate Directory.

10.5 Disclosure of interests of certain persons

Other than as set out elsewhere in this Bidder's Statement, no:

- director or proposed director of FAR;
- person named in this Bidder's Statement as performing a function in a professional, advisory or other capacity in connection with the preparation or distribution of this Bidder's Statement;
- promoter of FAR; or
- underwriter to the issue of FAR Shares or financial services licensee named in this Bidder's Statement as being involved in the issue of FAR Shares,

(together, the **Interested Persons**) holds at the date of this Bidder's Statement or held at any time during the last two years, any interest in:

- the formation or promotion of FAR;
- property acquired or proposed to be acquired by FAR in connection with its formation or promotion, or the offer of FAR Shares under the Offer; or
- the offer of FAR Shares under the Offer.

10.6 Disclosure of fees and benefits received by certain persons

Other than as set out below or elsewhere in this Bidder's Statement, no amounts have been paid or agreed to be paid and no benefits have been given or agreed to be given:

- to a director or proposed director of FAR to induce them to become, or to qualify as, a director of FAR (other than director's fees and remuneration in the ordinary course); or
- for services provided by an Interested Person in connection with the formation or promotion of FAR or the offer of FAR Shares under the Offer.

Hartleys Limited has acted as financial adviser to FAR in relation to the Offer and is entitled to receive professional fees for these services.

Corrs Chambers Westgarth has acted as legal adviser to FAR in connection with the Offer and is entitled to professional fees in accordance with their normal time-based charges.

Advanced Share Registry Limited is FAR's share registry and has been engaged by FAR to assist with certain aspects of the Offer, including acting as the receiving agent of acceptances of the Offer. Advanced Share Registry Limited will be entitled to receive fees for these services as well as fees for its services as FAR's share registry.

10.7 Expiry date

No securities will be issued on the basis of this Bidder's Statement after the date which is 13 months after the date of this Bidder's Statement.

10.8 ASIC modifications and exemptions

ASIC has published various 'class order' instruments providing for modifications and exemptions that apply generally to all persons, including FAR, in relation to the operation of Chapter 6 of the Corporations Act.

Among others, FAR has relied on the modification to section 636(3) of the Corporations Act set out in paragraph 11 of ASIC Class Order 01/1543 'Takeover Bid' to include in this Bidder's Statement, without obtaining specific consents, statements which are made in, or based on statements made in, documents lodged with ASIC or given to ASX. If you would like to receive a copy of any of those documents, or the relevant parts of the documents containing the statements (free of charge) during the bid period, please contact the Offer Information Line on 1800 821 475 (toll free within Australia) or +61 2 8256 3395 (for callers from outside Australia).

In addition, as permitted by ASIC Class Order 03/635, this Bidder's Statement may include or be accompanied by certain statements:

- fairly representing a statement by an official person; or
- from a public official document or a published book, journal or comparable publication.

FAR has not obtained from ASIC any modifications or exemptions from the Corporations Act in relation to the Offer.

10.9 Consent to early dispatch of Bidder's Statement

The Flow Directors have agreed that the Bidder's Statement may be sent to Flow Shareholders on or after the date on which it is lodged with ASIC and sent to Flow.

10.10 Social security and superannuation implications of the Offer

Acceptance of the Offer may have implications under your superannuation arrangements or on your social security entitlements. If in any doubt, you should seek specialist financial advice.

10.11 Other material information

Except as disclosed elsewhere in this Bidder's Statement, there is no other information that is:

- material to the making of a decision by a Flow Shareholder whether or not to accept the Offer;

11 The terms and conditions of the Offer

11.1 Offer

- (a) FAR is offering to acquire all of Your Shares on and subject to the terms and conditions set out in this section 11.
- (b) The consideration under the Offer is 42.66 FAR Shares for every 1 of Your Shares.
- (c) If the aggregate consideration payable to you would include part of a FAR Share, the number of FAR Shares to be issued to you will be rounded down to the nearest whole number.
- (d) If, at the time this Offer is made to you, you are a Foreign Ineligible Shareholder, you will not receive any FAR Shares. Instead, you will receive in respect of any FAR Shares a cash amount determined in accordance with section 11.7.
- (e) The FAR Shares to be issued as consideration under the Offer are ordinary shares in the capital of FAR and will be credited as fully paid and have the rights summarised in section 2.7.
- (f) By accepting this Offer, you undertake to transfer to FAR not only the Flow Shares to which the Offer relates, but also all Rights attached to those Shares (see section 11.5(c)(iv) and section 11.6(c)).
- (g) This Offer is being made to each person registered as the holder of Flow Shares in the register of Flow Shareholders at 5.00 pm (Perth time) on the Register Date. It also extends to:
 - (i) any Flow Shares that are issued during the period from the Register Date to the end of the Offer Period due to the conversion of, or exercise of rights conferred by, securities which are on issue as at the Register Date; and
 - (ii) any person who becomes registered, or entitled to be registered, as the holder of Your Shares during the Offer Period.
- (h) If, at the time the Offer is made to you, or at any time during the Offer Period, another person is, or is entitled to be, registered as the holder of some or all of the Flow Shares to which this Offer relates:
 - (i) a corresponding offer on the same terms and conditions as this Offer will be deemed to have been made to that other person in respect of those Flow Shares;
 - (ii) a corresponding offer on the same terms and conditions as this Offer will be deemed to have been made to you in respect of any other Flow Shares you hold to which the Offer relates; and
 - (iii) this Offer will be deemed to have been withdrawn immediately at that time.
- (i) If at any time during the Offer Period you are registered or entitled to be registered as the holder of one or more parcels of Flow Shares as

trustee or nominee for, or otherwise on account of, another person, you may accept as if a separate offer on the same terms and conditions as this Offer had been made in relation to each of those parcels and any parcel you hold in your own right. To validly accept the Offer for each parcel, you must comply with the procedure in section 653B(3) of the Corporations Act. If, for the purposes of complying with that procedure, you require additional copies of this Bidder's Statement and/or the Acceptance Form, please call the Offer Information Line on 1800 821 475 (toll free within Australia) or +61 2 8256 3395 (for callers from outside Australia) to request those additional copies.

- (j) If Your Shares are registered in the name of a broker, investment adviser or dealer, bank, trust company or other nominee, you should contact them for assistance in accepting the Offer.
- (k) The Offer is dated 21 September 2011.

11.2 Offer Period

- (a) Unless withdrawn, the Offer will remain open for acceptance during the period commencing on the date of this Offer and ending at 5.00 pm (Perth time) on the later of:
 - (i) 21 October 2011; or
 - (ii) any date to which the Offer Period is extended.
- (b) FAR reserves the right to extend the Offer Period in accordance with the Corporations Act.
- (c) If, within the last 7 days of the Offer Period, either of the following events occurs:
 - (i) the Offer is varied to improve the consideration offered; or
 - (ii) FARs voting power in Flow increases to more than 50%,then the Offer Period will be automatically extended so that it ends 14 days after the event in accordance with section 624(2) of the Corporations Act.

11.3 How to accept this Offer

- (a) **General**
 - (i) Subject to section 11.1(h) and section 11.1(i), you may accept this Offer only for all of Your Shares.
 - (ii) You may accept this Offer at any time during the Offer Period by completing and signing the Acceptance Form in accordance with the terms of this Offer and the instructions on the Acceptance Form.
 - (iii) You must ensure that the Acceptance Form (including any documents required by the terms of this Offer and the instructions on the Acceptance Form) is received before the end of the Offer Period, at one of the addresses shown on the Acceptance Form.

(b) **Flow Shares of which you are entitled to be registered as holder**

To accept this Offer for Flow Shares which are not held in your name, but of which you are entitled to be registered as holder, you must:

- (i) complete and sign the Acceptance Form in accordance with the terms of this Offer and the instructions on the Acceptance Form; and
- (ii) ensure that the Acceptance Form (including any documents required by the terms of this Offer and the instructions on the Acceptance Form) is received before the end of the Offer Period, at one of the addresses shown on the Acceptance Form.

(c) **Acceptance Form and other documents**

- (i) The Acceptance Form forms part of the Offer.
- (ii) If your Acceptance Form (including any documents required by the terms of this Offer and the instructions on the Acceptance Form) is returned by post, for your acceptance to be valid you must ensure that they are posted or delivered in sufficient time for them to be received by FAR at one of the addresses shown on the Acceptance Form before the end of the Offer Period.
- (iii) The postage of the Acceptance Form and other documents is at your own risk.

If you wish to be the holder of an Unmarketable Parcel of FAR Shares you must sign and return the Acceptance Form and as indicated state this fact clearly on it. See section 11.8 below.

11.4 Validity of acceptances

- (a) Subject to this section 11.4, your acceptance of the Offer will not be valid unless it is made in accordance with the procedures set out in section 11.3.
- (b) FAR will determine, in its sole discretion, all questions as to the form of documents, eligibility to accept the Offer and time of receipt of an acceptance of the Offer. FAR is not required to communicate with you prior to making this determination. The determination of FAR will be final and binding on all parties.
- (c) Notwithstanding section 11.3, FAR may, in its sole discretion, at any time and without further communication to you, deem any Acceptance Form it receives to be a valid acceptance in respect of Your Shares, even if a requirement for acceptance has not been complied with but the payment of the consideration in accordance with the Offer may be delayed until any irregularity has been resolved or waived and any other documents required to procure registration have been received by FAR.
- (d) Where you have satisfied the requirements for acceptance in respect of only some of Your Shares, FAR may, in its sole discretion, regard the Offer to be accepted in respect of those of Your Shares but not the remainder.
- (e) FAR will provide the consideration to you in accordance with section 11.6, in respect of any part of an acceptance determined by FAR to be valid.

11.5 The effect of acceptance

- (a) Once you have accepted this Offer, you will not be able to revoke your acceptance, the contract resulting from your acceptance will be binding on you and you will be unable to withdraw Your Shares from the Offer or otherwise dispose of Your Shares, except as follows:
 - (i) if, by the end the relevant times specified in section 11.5(b), the conditions in section 11.9 have not all been fulfilled or freed, this Offer will automatically terminate and Your Shares will be returned to you; or
 - (ii) if the Offer Period is varied in a way that postpones for more than one month the time when FAR has to meet its obligations under the Offer and, at the time, this Offer is subject to one or more of the conditions in section 11.9, you may be able to withdraw your acceptance and Your Shares in accordance with section 650E of the Corporations Act. A notice will be sent to you at the time explaining your rights in this regard.
- (b) The relevant times for the purposes of section 11.5 are:
 - (i) in relation to the condition in section 11.9(b) (no prescribed occurrences), the end of the third Business Day after the end of the Offer Period; and
 - (ii) in relation to all other conditions in section 11.9, the end of the Offer Period.
- (c) By signing and returning the Acceptance Form, or otherwise accepting this Offer pursuant to section 11.3, you will be deemed to have:
 - (i) accepted this Offer (and any variation of it) in respect of Your Shares, and, subject to all of the conditions to this Offer in section 11.9 being fulfilled or freed, agreed to transfer Your Shares to FAR (even if the number of Flow Shares specified on the Acceptance Form differs from the number of Your Shares), subject to section 11.1(h) and section 11.1(i);
 - (ii) represented and warranted to FAR, as a fundamental condition of the contract resulting from your acceptance, that at the time of acceptance, and the time the transfer of Your Shares (including any Rights) to FAR is registered, that all Your Shares are and will be free from all mortgages, charges, liens, Encumbrances and adverse interests of any nature (whether legal or otherwise) and free from restrictions on transfer of any nature (whether legal or otherwise), that you have full power and capacity to accept this Offer and to sell and transfer the legal and beneficial ownership in Your Shares (including any Rights) to FAR, and that you have paid to Flow all amounts which at the time of acceptance have fallen due for payment to Flow in respect of Your Shares;

- (iii) irrevocably authorised FAR (and any director, secretary or nominee of FAR) to alter the Acceptance Form on your behalf by inserting correct details of Your Shares, filling in any blanks remaining on the form and rectifying any errors or omissions as may be considered necessary by FAR to make it an effective acceptance of this Offer or to enable registration of Your Shares in the name of FAR;
- (iv) irrevocably authorised and directed Flow to pay to FAR, or to account to FAR for, all Rights in respect of Your Shares, subject, if this Offer is rescinded or rendered void, to FAR accounting to you for any such Rights received by FAR;
- (v) irrevocably authorised FAR to notify Flow on your behalf that your place of address for the purpose of serving notices upon you in respect of Your Shares is the address specified by FAR in the notification;
- (vi) with effect from the date on which all the conditions to this Offer in section 11.9 have been fulfilled or freed, to have irrevocably appointed FAR (and any director, secretary or nominee of FAR) severally from time to time as your agent and attorney to exercise all your powers and Rights in relation to Your Shares, including (without limitation) powers and rights to requisition, convene, attend and vote in person, by proxy or by body corporate representative, at all general meetings and all court-convened meeting of Flow and to request Flow to register, in the name of FAR or its nominee, Your Shares, as appropriate, with full power of substitution (such power of attorney, being coupled with an interest, being irrevocable);
- (vii) with effect from the date on which all the conditions to this Offer in section 11.9 have been fulfilled or freed, to have agreed not to attend or vote in person, by proxy or by body corporate representative at any general meeting of Flow or to exercise or purport to exercise any of the powers and rights conferred on FAR (and its directors, secretaries and nominees) in section 11.5(c)(vi);
- (viii) agreed that in exercising the powers and rights conferred by the powers of attorney granted under section 11.5(c)(vi), the attorney will be entitled to act in the interests of FAR as the beneficial owner and intended registered holder of Your Shares;
- (ix) agreed to do all such acts, matters and things that FAR may require to give effect to the matters the subject of this section 11.5(c) (including the execution of a written form of proxy to the same effect as this section 11.5(c) which complies in all respects with the requirements of the constitution of Flow) if requested by FAR;
- (x) represented and warranted to FAR that, unless you have notified it in accordance with section 11.1(i), Your Shares do not consist of separate parcels of Flow Shares;

- (xi) agreed, subject to the conditions of this Offer in section 11.9 being fulfilled or freed, to execute all such documents, transfers and assurances, and do all such acts, matters and things that FAR may consider necessary or desirable to convey Your Shares registered in your name and Rights to FAR; and
 - (xii) agreed to accept the FAR Shares to which you have become entitled by acceptance of this Offer subject to the constitution of FAR and have authorised FAR to place your name on its register of shareholders in respect of those FAR Shares.
- (d) The undertakings and authorities referred to in section 11.5(c) will remain in force after you receive the consideration for Your Shares and after FAR becomes registered as the holder of Your Shares.

11.6 Payment of consideration

- (a) Subject to section 11.4(b), 11.7 and 11.8, this section 11.6, and the Corporations Act, FAR will provide the consideration due to you for Your Shares on or before the earlier of:
- (i) one month after the date of your acceptance or, if this Offer is subject to a defeating condition when you accept this Offer, within one month after this Offer becomes unconditional; and
 - (ii) 21 days after the end of the Offer Period.
- (b) Where the Acceptance Form requires an additional document to be delivered with your Acceptance Form (such as a power of attorney):
- (i) if that document is given with your Acceptance Form, FAR will provide the consideration in accordance with section 11.6(a);
 - (ii) if that document is given after your Acceptance Form and before the end of the Offer Period while this Offer is subject to a defeating condition, FAR will provide the consideration due to you on or before the earlier of one month after this Offer becomes unconditional and 21 days after the end of the Offer Period;
 - (iii) if that document is given after your Acceptance Form and before the end of the Offer Period while this Offer is not subject to a defeating condition, FAR will provide the consideration due to you on or before the earlier of 21 days after that document is given and 21 days after the end of this Offer Period; and
 - (iv) if that document is given after the end of the Offer Period, and the Offer is not subject to a defeating condition, FAR will provide the consideration within 21 days after that document is delivered. However, if at the time the document is given, the Offer is still subject to a defeating condition that relates only to the happening of an event or circumstance referred to in section 652C(1) or (2) of the Corporations Act, FAR will provide the consideration due to you within 21 days after the Offer becomes unconditional.

- (c) If you accept this Offer, FAR is entitled to all Rights in respect of Your Shares. FAR may require you to provide all documents necessary to vest title to those Rights in FAR, or otherwise to give it the benefit or value of those Rights. If you do not give those documents to FAR, or if you have received the benefit of those Rights, FAR will deduct from the consideration otherwise due to you the amount (or value, as reasonably assessed by FAR) of those Rights, together with the value (as reasonably assessed by FAR) of the franking credits, if any, attached to the Rights.
- (d) If you have accepted the Offer and you:
 - (i) are a Foreign Ineligible Shareholder; or
 - (ii) if as a result of the Offer, you will hold an Unmarketable Parcel of FAR Shares,you will receive your share of proceeds from the sale of the FAR Shares in accordance with section 11.7 and 11.8.
- (e) Payment of any cash amount to which are entitled under the Offer will be paid to you by cheque in Australian currency. Cheques will be posted to you at your risk by ordinary mail (or in the case of overseas shareholders, by airmail) at the address as shown on your Acceptance Form.
- (f) The obligation of FAR to issue and allot any FAR Shares to which you are entitled will be satisfied by FAR:
 - (i) procuring that your name is entered on the register of members of FAR; and
 - (ii) dispatching or procuring the dispatch to you by pre-paid post to your address recorded in Flow's register of members at 8.00 am (Perth time) on the Register Date, an uncertificated holding statement in your name. If Your Shares are held in a joint name, an uncertificated holding statement will be issued in the name of, and forwarded to, the holder whose name appears first in Flow's register of members at 8.00am (Perth time) on the Register Date.
- (g) If at the time you accept the Offer or at the time the consideration is provided under it:
 - (i) any authority or clearance of the Reserve Bank of Australia or Australia tax Office is required for you to receive any consideration under this Offer; or
 - (ii) you are resident in or a resident of a place to which, or you are a person to whom any of the following applies:

- (A) *Banking (Foreign Exchange) Regulations 1959* (Cth);
- (B) the *Charter of the United Nations (Terrorism and Dealing with Assets) Regulations 2002* (Cth);
- (C) the *Charter of the United Nations (Sanction – Afghanistan) Regulations 2001* (Cth);
- (D) the *Iraq (Reconstruction and Repeal Sanctions) Regulations 2003* (Cth); or
- (E) any other law of Australia or elsewhere that would make it unlawful for FAR to provide consideration for Your Shares,

then your acceptance of this Offer does not create or transfer to you any right (contractual or contingent) to receive the consideration specified in this Offer unless and until you obtain all requisite authorities or clearances.

11.7 Foreign Ineligible Shareholders

- (a) If you are a Foreign Ineligible Shareholder, you will not be entitled to receive FAR Shares as the consideration for Your Shares as a result of accepting this Offer, and FAR will:
 - (i) arrange for the issue to a nominee approved by ASIC (**Nominee**) of the number of FAR Shares to which you and all other Foreign Ineligible Shareholders would have been entitled but for section 11.1(d) and the equivalent provision in each other offer under the Offer;
 - (ii) cause the FAR Shares so issued to be offered for sale by the Nominee on the ASX as soon as practicable and otherwise in the manner, at the price and on such other terms and conditions as are determined by the Nominee; and
 - (iii) cause the Nominee to pay to you the amount ascertained in accordance with the formula:

$$N \times YS / TS$$
 where:
 - 'N' is the amount which is received by the Nominee upon the sale of all FAR Shares under this section 11.7 less brokerage and sale expenses;
 - 'YS' is the number of FAR Shares which would, but for section 11.1(d), otherwise have been allotted to you; and
 - 'TS' is the total number of FAR Shares allotted to the Nominee under this section 11.7.
- (b) You will receive your share of the proceeds of the sale of FAR Shares by the Nominee in Australian currency.
- (c) Payment will be made by cheque posted to you at your risk by ordinary mail (or in the case of overseas shareholders, by airmail) at the address

provided on your Acceptance Form within the period required by the Corporations Act.

- (d) Under no circumstances will interest be paid on your share of the proceeds of the sale of FAR Shares by the Nominee, regardless of any delay in remitting these proceeds to you.

11.8 Unmarketable Parcels of FAR Shares

If the total number of FAR Shares you are entitled to receive as consideration under this Offer is an Unmarketable Parcel and you do not sign and return the Acceptance Form and state clearly on it you wish to be the holder of an Unmarketable Parcel, you are offered and will receive a cash amount for your Flow Shares calculated under section 11.7 as if you were an Ineligible Foreign Shareholder.

11.9 Conditions of this Offer

Subject to section 11.10, the completion of this Offer and any contract that results from an acceptance of this Offer, are subject to the fulfilment of the conditions set out below:

(a) Minimum acceptance

During, or at the end of, the Offer Period, FAR has Relevant Interests in at least 90% of all of the Flow Shares.

(b) No prescribed occurrences

None of the following events happens during the period beginning on the date the Bidder's Statement is given to Flow and ending at the end of the Offer Period:

- (i) Flow converts all or any of its shares into a larger or smaller number of shares;
- (ii) Flow or a subsidiary of Flow resolves to reduce its share capital in any way;
- (iii) Flow or a subsidiary of Flow:
 - (A) enters into a buy-back agreement; or
 - (B) resolves to approve the terms of a buy-back agreement under section 257C(1) or 257D(1) of the Corporations Act;
- (iv) Flow or a subsidiary of Flow:
 - (A) issues shares or agrees to issue shares; or
 - (B) grants an option over its shares or agrees to grant an option over its shares;
- (v) Flow or a subsidiary of Flow issues, or agrees to issue, convertible notes;
- (vi) Flow or a subsidiary of Flow disposes, or agrees to dispose, of the whole, or a substantial part, of its business or property;

- (vii) Flow or a subsidiary of Flow charges, or agrees to charge, the whole, or a substantial part, of its business or property;
- (viii) Flow or a subsidiary of Flow resolves to be wound up;
- (ix) the appointment of a liquidator or provisional liquidator of Flow or of a subsidiary of Flow;
- (x) a court makes an order for the winding up of Flow or of a subsidiary of Flow;
- (xi) an administrator of Flow, or of a subsidiary of Flow, is appointed under section 436A, 436B or 436C of the Corporations Act;
- (xii) Flow or a subsidiary of Flow executes a deed of company arrangement; or
- (xiii) a receiver, or a receiver and manager, is appointed in relation to the whole, or a substantial part, of the property of Flow or of a subsidiary of Flow,

provided that it will not include any occurrence:

- (xiv) fairly disclosed to FAR on or before the date of this document;
- (xv) occurring as a result of any matter, event or circumstance required by this document, the bid or the transactions contemplated by them; or
- (xvi) approved in writing by FAR.

(c) **No prescribed occurrences between Announcement Date and service**

None of the events listed in sections 11.9(b)(i) to 11.9(b)(xiii) happens during the period beginning on the Announcement Date and ending at the end of the day before the Bidder's Statement is given to Flow.

(d) **No action by Public Authority adversely affecting the Offer**

During the Condition Period:

- (i) there is not in effect any preliminary or final decision, order or decree issued by a Public Authority;
- (ii) no action or investigation is instituted, or threatened by any Public Authority with respect to Flow or any subsidiary of Flow; or
- (iii) no application is made to any Public Authority (other than an application by FAR or any of its related bodies corporate (as defined in the Corporations Act), an application under section 657G of the Corporations Act, or an application commenced by a person specified in section 659B(1) of the Corporations Act in relation to the Offer),

in consequence of, or in connection with, the Offer, which restrains or prohibits or threatens to restrain or prohibit, or may otherwise materially adversely impact upon, the making of the Offer or the completion of any

transaction contemplated by the Bidder's Statement or seeks to require the divestiture by FAR of any Flow Shares, or the divestiture of any assets by Flow or by any subsidiary of Flow or any of its related bodies corporate (as defined in the Corporations Act).

(e) **Approvals by Public Authorities**

During the Condition Period:

(i) FAR receives all Approvals which are required by law or by any Public Authority:

(A) to permit the Offers to be made to and accepted by Flow Shareholders; or

(B) as a result of the Offers or the successful acquisition of the Flow Shares and which are necessary for the continued operation of the business of Flow and its subsidiaries or of FAR and its subsidiaries,

and those Approvals are on an unconditional basis and remain in force in all respects and there is no notice or indication of intention to revoke, suspend, restrict, modify or not renew those Approvals; and

(ii) the *Personal Property Securities Regulations 2010* (Cth) are amended to the effect that section 32(1)(a) of the *Personal Property Securities Act 2009* (Cth) does not apply to the compulsory acquisition of securities under Part 6A.1 or 6A.2 of the Corporations Act.

(f) **No material acquisitions, disposals, etc.**

Except for any proposed transaction publicly announced by Flow before the Announcement Date, none of the following events occur during the period from that date to the end of the Offer Period:

(i) Flow, or any subsidiary of Flow, acquires, offers to acquire or agrees to acquire one or more companies or assets (or an interest in one or more companies or assets) for an amount in aggregate greater than \$300,000 or makes an announcement about such an acquisition;

(ii) Flow, or any subsidiary of Flow, disposes, offers to dispose or agrees to dispose of, or creates, or offers to create an equity interest in one or more companies or assets (or an interest in one or more companies or assets) for an amount in aggregate greater than \$300,000 or makes an announcement about such a disposal;

(iii) Flow, or any subsidiary of Flow, enters into, offers to enter into or announces that it proposes to enter into any agreement, joint venture, partnership, farm-in agreement, farm-out agreement, management agreement or commitment involving the disposal of a legal, beneficial or economic interest in or right to, or in connection with, any mining or petroleum tenements or permits held by, or

applications relating to any mining or petroleum tenements or permits made by, Flow or any subsidiary of Flow, or makes an announcement about such a commitment unless FAR has given its prior written consent; and

- (iv) Flow, or any subsidiary of Flow, incurs or commits to, or grants to another person a right the exercise of which would involve Flow or any subsidiary of Flow incurring or committing to any capital expenditure or liability for an amount in aggregate greater than \$300,000 which is not included in the Budget, or makes an announcement about such a commitment.

(g) **No break fees**

- (i) Subject to section 11.9(g)(ii), during the Condition Period none of Flow, and any body corporate which is or becomes a subsidiary of Flow, pays or provides or agrees (whether conditionally or contingently) to pay or provide any benefit to any person, or foregoes or otherwise reduces any payment or benefit or agrees to forgo or reduce any payment or benefit to which it would otherwise be entitled, in connection with any person making or agreeing to participate in, or enter into negotiations concerning:

- (A) a takeover offer for Flow or any body corporate which is or becomes a subsidiary of Flow; or

- (B) any other proposal to acquire any interest (whether equitable, legal, beneficial or economic) in shares in, or assets of, Flow or any body corporate which is or becomes a subsidiary of Flow, or to operate Flow as a single economic entity with another body corporate.

- (ii) Section 11.9(g)(i) does not apply to a payment, benefit or agreement:

- (A) for providing professional advisory services to Flow;

- (B) which is approved in writing by FAR;

- (C) which is approved by a resolution passed at a general meeting of Flow; or

- (D) which is made to, provided to, owed by or made with FAR.

(h) **Non-existence of certain rights**

No person has any right (whether subject to conditions or not) as a result of FAR acquiring Flow Shares to:

- (i) acquire, or require Flow or a subsidiary of Flow to dispose of, or offer to dispose of, any material asset of Flow or a subsidiary of Flow;

- (ii) terminate or vary any material agreement with Flow or a subsidiary of Flow; or

- (iii) accelerate or adversely modify the performance of any obligations of Flow or any of its subsidiaries in a material respect under any material agreements, contracts or other legal arrangements.

(i) **Conduct of Flow's business**

During the Condition Period, none of Flow, or any body corporate which is or becomes a subsidiary of Flow, without the written consent of FAR:

- (i) declares, or distributes any dividend, bonus or other share of its profits or assets;
- (ii) issues or grants options over, or agrees to issue or grant options over, or otherwise makes any commitments regarding any shares or other securities, or alters its capital structure or the rights attached to any of its shares or other securities, or issues or agrees to issue any convertible notes;
- (iii) makes any changes in its constitution or passes any special resolution;
- (iv) gives or agrees to give any Encumbrance over any of its assets otherwise than in the ordinary course of business;
- (v) borrows or agrees to borrow any money;
- (vi) releases, discharges or modifies any substantial obligation to it of any person, firm or corporation or agrees to do so;
- (vii) has appointed any additional director to its board of directors whether to fill a casual vacancy or otherwise;
- (viii) enters or agrees to enter into any contract of service or varies or agrees to vary any existing contract of service with any director or manager, or pays or agrees to pay any retirement benefit or allowance to any director, manager or other employee, or makes or agrees to make any substantial change in the basis or amount of remuneration of any director, manager or other employee (except as required by law or provided under any superannuation, provident or retirement scheme as in effect on the Announcement Date);
- (ix) conducts its business otherwise than in the ordinary course;
- (x) has threatened or commenced against it any material claims or proceedings in any court or tribunal (including a petition for winding up or an application for appointment of a receiver or receiver and manager); or
- (xi) executes a deed of company arrangement or passes any resolution for liquidation, or has appointed or becomes susceptible to the appointment of an administrator, a receiver, a receiver and manager or a liquidator, or becomes subject to investigation under the *Australian Securities and Investments Commission Act 2001* (Cth) or any corresponding legislation.

(j) **No force majeure event**

During the Condition Period, no outbreak of hostilities (whether war is declared or not) or terrorism, mobilisation of armed forces, civil or political unrest or labour disturbance, fire or natural disaster, material increase in the intensity of any of the above events or other event beyond the control of Flow or the relevant subsidiary occurs which materially affects or is likely to materially affect the assets, liabilities, financial position, performance, profitability or prospects of Flow or any of its subsidiaries.

(k) **No material adverse change to Flow**

During the Condition Period, no change occurs, is discovered or becomes public which has or could reasonably be expected to have a materially adverse effect on the:

- (i) assets, liabilities, financial position, performance, profitability or prospects of Flow and its subsidiaries taken as a whole or of any of them; or
- (ii) status or terms of (or rights attaching to) any material Approvals from Public Authorities applicable to Flow or any of its subsidiaries,

including, without affecting the generality of section 11.9(k)(i) and 11.9(k)(ii):

- (iii) a change that is reasonably expected to cause a diminution of the consolidated net assets of Flow and its subsidiaries, taken as a whole, by at least \$500,000 against what would reasonably have been expected to have been the position but for the occurrence of the change;
- (iv) a change that is reasonably expected to cause a diminution of the consolidated net profit after tax of Flow and its subsidiaries, taken as a whole, by at least \$500,000 in any financial year for Flow and its subsidiaries against what they would reasonably have been expect to have been the case but for such change;
- (v) any creditor demanding repayment of a debt of \$100,000 or more; or
- (vi) any person accelerating or adversely modifying the performance of any obligations of Flow or any of its subsidiaries under any material agreements, contracts or other legal arrangements,

but does not include any change:

- (vii) fairly disclosed to FAR on or before the date of this document;
- (viii) occurring as a result of any matter, event or circumstance required by this document, the bid or the transactions contemplated by them;
- (ix) approved in writing by FAR; or
- (x) occurring as a result of a change in oil or gas markets, currency exchange rates or general economic or securities market conditions out of the control of Flow.

(l) **Flow Approvals**

Between the Announcement Date and the end of the Offer Period all material Approvals, licences, permits, consents, notifications, declarations or other authorisation required for the lawful operation of the business (including the occupation or use of any land and the conduct of any enterprise on or in connection with any land) conducted by Flow or any subsidiary of Flow remain in force (including by renewal).

11.10 Nature and benefit of conditions

- (a) The conditions in section 11.9 (inclusive) are conditions subsequent. The non-fulfilment of any condition subsequent does not, until the end of the Offer Period, prevent a contract to sell Your Shares from arising, but entitles FAR by written notice to you, to rescind the contract resulting from your acceptance of this Offer.
- (b) Subject to the Corporations Act, FAR alone is entitled to the benefit of the conditions in section 11.9, or to rely on any non fulfilment of any of them.
- (c) Each condition in section 11.9 is a separate, several and distinct condition. No condition will be taken to limit the meaning or effect of any other condition.

11.11 Freeing the Offer of conditions

- (a) FAR may free this Offer, and any contract resulting from its acceptance, from the conditions in section 11.9, either generally or by reference to a particular fact, matter, event, occurrence or circumstance (or class thereof), by giving a notice to Flow and to the ASX declaring the Offer to be free from the relevant condition or conditions specified, in accordance with section 650F of the Corporations Act. This notice may be given:
 - (i) in the case of the condition in section 11.9(b) (no prescribed occurrences), not less than 3 Business Days after the end of the Offer Period; and
 - (ii) in the case of all the other conditions in section 11.9, not less than 7 days before the end of the Offer Period.
- (b) If, at the end of the Offer Period (or in the case of the conditions in section 11.9(b) (no prescribed occurrences), not less than 3 Business Days after the end of the Offer Period), the conditions in section 11.9 have not been fulfilled and FAR has not declared the Offer (or it has not become) free from those conditions, all contracts resulting from the acceptance of the Offer will be automatically void.

11.12 Official quotation of FAR Shares

- (a) FAR has been admitted to the official list of the ASX. FAR Shares of the same class as those to be issued as consideration have been granted official quotation by the ASX.

- (b) An application will be made within 7 days after the start of the bid period to the ASX for the granting of official quotation of the FAR Shares to be issued in accordance with the Offer. However, official quotation is not granted automatically on application.
- (c) Pursuant to the Corporations Act, this Offer and any contract that results from your acceptance of it are subject to a condition that permission for admission to official quotation by the ASX of the FAR Shares to be issued pursuant to the Offer being granted no later than 7 days after the end of the bid period. If this condition is not fulfilled, all contracts resulting from the acceptance of the Offers will be automatically void.

11.13 Notice on status of conditions

The date for giving the notice on the status of the conditions required by section 630(1) of the Corporations Act is 13 October 2011 (subject to extension in accordance with section 630(2) of the Corporations Act if the Offer Period is extended).

11.14 Withdrawal of this Offer

- (a) This Offer may be withdrawn with the consent in writing of ASIC, which consent may be subject to conditions. If ASIC gives such consent, FAR will give notice of the withdrawal to the ASX and to Flow and will comply with any other conditions imposed by ASIC.
- (b) If, at the time this Offer is withdrawn, this Offer has been freed from all the conditions in section 11.9, all contracts arising from acceptance of the Offer before it was withdrawn will remain enforceable.
- (c) If, at the time this Offer is withdrawn, the Offer remains subject to one or more of the conditions in section 11.9, all contracts arising from its acceptance will become void (whether or not the events referred to in the relevant conditions have occurred).
- (d) A withdrawal pursuant to this section 11.14 will be deemed to take effect:
 - (i) if the withdrawal is not subject to conditions imposed by ASIC, after the date that consent in writing is given by ASIC; or
 - (ii) if the withdrawal is subject to conditions imposed by ASIC, after the date those conditions are satisfied.

11.15 Variation of this Offer

FAR may vary this Offer in accordance with the Corporations Act.

11.16 No stamp duty or brokerage charges

- (a) FAR will pay any stamp duty on the transfer of Your Shares to it.
- (b) As long as Your Shares are registered in your name and you deliver them directly to FAR, you will not incur any brokerage charges in connection with your acceptance of this Offer.

11.17 Governing laws

This Offer and any contract that results from your acceptance of it are to be governed by the laws in force in Western Australia, Australia.

12 Definitions and interpretation

12.1 Definitions

In this Bidder's Statement and in the Acceptance Form unless the context otherwise appears, the following terms have the meanings shown below.

Term	Meaning
Acceptance Form	the transfer and acceptance form enclosed with this Bidder's Statement.
AGC	Agence de Gestion et de Coopération entre le Sénégal et la Guinée-Bissau, a joint commission set up by the governments of Guinea-Bissau and Senegal to administer the maritime zone between the two countries.
AIM	Alternative Investment Market, a subset of the London Stock Exchange.
Announcement Date	the date of the announcement of the Offer to acquire all of the shares in Flow by FAR, being 21 September 2011.
Approval	a licence, tenement, authority, consent, approval, order, exemption, waiver, ruling or decision, and includes the Ministerial Consent.
ASIC	the Australian Securities and Investments Commission
ASX	ASX Limited ABN 98 008 624 691, or the Australian Securities Exchange, as the context requires.
ASX Listing Rules	means listing rules of the ASX.
ASX Settlement	ASX Settlement Pty Limited ABN 49 008 504.
ASX Settlement Rules	the operating rules of the settlement facility provided by ASX Settlement.
bbls	barrels of oil.
Bid Implementation Agreement	the bid implementation agreement entered into between Flow and FAR on 20 September 2011.
Bidder's Statement	this document, being the statement of FAR under Part 6.5 Division 2 of the Corporations Act relating to the Offer.
Budget	the budget for the Flow business for the 3 month period commencing on the date of the Bid Implementation Agreement and that has been agreed between the parties, as may be amended from time to time.
Business Day	a day on which banks are open for business in Perth, excluding a Saturday, Sunday or public holiday.
CGT	capital gains tax.
CHESS	the Clearing House Electronic Subregister System operated by ASX Settlement, which provides for the electronic transfer, settlement and registration of securities.

Term	Meaning
Combined Entity	the combination of FAR and Flow and their related bodies corporate, which will exist as a result of the Offer, should the proposed merger proceed to its conclusion.
Competing Proposal	<p>any proposal, arrangement or transaction (including a scheme of arrangement) that would, if entered into or completed substantially in accordance with its terms, would result in any person or persons other than FAR or one of FAR's associates:</p> <ul style="list-style-type: none"> (a) acquiring, directly or indirectly, a Relevant Interest in, or having the right to acquire, a legal, beneficial or economic interest in, or control of, 20% or more of the Flow Shares or of the share capital of any subsidiary of Flow; (b) acquiring control of Flow or a subsidiary of Flow within the meaning of section 50AA of the Corporations Act; (c) otherwise acquiring, directly or indirectly, or becoming the holder of, or otherwise acquiring, having a right to acquire or having an economic interest in all or a material part of Flow's business or assets or the business or assets of any subsidiary of Flow; (d) otherwise acquiring (whether directly or indirectly) or merging with Flow or a subsidiary of Flow; or (e) entering into any agreement, arrangement or understanding requiring Flow or any member of the Flow Board to change, withdraw or modify the Flow Board's recommendation of the Offer; <p>whether by way of takeover bid, scheme of arrangement, securityholder approved acquisition, capital reduction or buy back, sale or purchase of shares, securities or assets, global assignment of assets and liabilities, incorporated or unincorporated joint venture, dual-listed company (or other synthetic merger), or other transaction or arrangement.</p>
Compensating Amount	<p>\$250,000 plus the amount of any GST payable, which amount (should it become payable) is payable at Flow's election in:</p> <ul style="list-style-type: none"> (a) cash; or (b) in the form of Flow Shares issued to FAR or its nominee at the price implied by the Offer calculated by reference to the closing price of FAR Shares on the last trading day prior to the announcement of the Offer.
Condition Period	the period beginning on the Announcement Date and ending at the end of the Offer Period.
Corporations Act	<i>Corporations Act 2001</i> (Cth) as amended from time to time.

Term	Meaning
Encumbrance	<p>(a) a mortgage, charge, pledge, lien, hypothecation or a title retention arrangement;</p> <p>(b) a notice under section 255 of the Income Tax Assessment Act 1936 (Cth), subdivision 260-A in schedule 1 to the Taxation Administration Act 1953 (Cth) or any similar legislation;</p> <p>(c) any other interest in or right over property (including a right to set off or withhold payment of a deposit or other money);</p> <p>(d) any other thing that prevents, restricts or delays the exercise of a right over property, the use of property or the registration of an interest in or dealing with property; or</p> <p>(e) an agreement to create anything referred to above or to allow any of them to exist.</p>
FAR	FAR Limited ACN 009 117 293.
FAR Board	the board of directors of FAR.
FAR Director	a director of FAR.
FAR Option	an option to subscribe for a FAR Share, details of which are set out in sections 2.2(b) and 2.8.
FAR Shareholder	a person holding FAR Shares.
FAR Share	a fully paid ordinary share in the capital of FAR.
Flow	Flow Energy Limited ACN 111 418 270
Flow Board	the board of directors of Flow.
Flow Directors	a director of Flow.
Flow Share	a fully paid share in the capital of Flow.
Flow Shareholder	a person holding Flow Shares.
Foreign Ineligible Shareholder	a Flow Shareholder whose address as shown in the register of members of Flow is in a jurisdiction other than Australia or its external territories, Canada, Hong Kong, New Zealand or the United Kingdom (being England, Wales, Scotland and Northern Ireland), unless FAR otherwise determines (in its absolute discretion) after being satisfied that it is not unlawful, not unduly onerous and not unduly impracticable to make the Offer to a Flow Shareholder in the relevant jurisdiction and to issue FAR Shares to such a Flow Shareholder on acceptance of the Offer, and that it is not unlawful for such an Flow Shareholder to accept the Offer in such circumstances in the relevant jurisdiction.
FSMA	<i>Financial Services and Markets Act 2000</i> (UK) as amended from time to time.
GOP	Gippsland Offshore Petroleum Limited, being the former name of Flow.

Term	Meaning
Interested Persons	has the meaning given in section 10.5.
JJV	Jamaica Joint Venture.
LVM	Low Value Market.
Ministerial Consent	the consent of the minister for the time being responsible for energy or his designated representative in the Republic of Kenya under clause 6(4) of the production sharing contract for Block L-6 dated 23 August 2002 and clause 6(4) of the production sharing contract dated 11 May 2011 for Block L-9.
mmbobe	million barrels of oil equivalent.
MSGBC	Mauritania, Senegal, Guinea-Bissau and Conakry.
Nominee	has the meaning given in section 11.7(a)(i).
Offer	the offer for Flow Shares under the terms and conditions contained in section 11.
Offer Period	the period during which the Offer will remain open for acceptance in accordance with section 11.2.
OOIP	original oil in place.
Ophir	Ophir Energy Plc.
Public Authority	any government or any governmental, semi governmental, statutory or judicial entity, agency or authority, whether in Australia or elsewhere, including (without limitation) any self regulatory organisation established under statute or otherwise discharging substantially public or regulatory functions, and the ASX or any other stock exchange.
Pre-Bid Acceptance Agreement	has the meaning given in section 10.2.
Pre-Bid Accepting Shareholder	has the meaning given in section 10.2.
PRRT	Petroleum Resource Rent Tax.
PSC	production sharing contract.
Register Date	the date set by FAR under section 633(2) of the Corporations Act, being 21 September 2011.
Relevant Interest	has the same meaning as given in sections 608 and 609 of the Corporations Act.

Term	Meaning
Rights	all accreditations, rights or benefits of whatever kind attaching or arising from Shares directly or indirectly at or after the Announcement Date (including, but not limited to, all dividends and all rights to receive them or rights to receive or subscribe for shares, notes, bonds, options or other securities declared, paid or issued by Flow or any of its subsidiaries).
Superior Proposal	<p>a publicly announced bona fide Competing Proposal of the kind referred to in any of paragraphs (b), (c) or (d) of the definition of Competing Proposal (and not resulting from a breach by Flow of any of its exclusivity obligations) which the Flow Board, acting in good faith, and after receiving specific written legal advice from a Senior Counsel (who is a member of the Victorian Bar Association) and written advice from its financial advisers, determines:</p> <p>(a) is reasonably capable of being valued and completed, taking into account all aspects of the Competing Proposal, including any timing considerations, any conditions precedents and the person or persons making it; and</p> <p>(b) would, if completed substantially in accordance with its terms, be more favourable to Flow Shareholders (as a whole) than the Offer (as such Offer may be amended or varied following application of the matching rights set out in section 10.1(c)(v)), taking into account all terms and conditions of the Competing Proposal.</p>
Unmarketable Parcel	in relation to securities that are listed for quotation on the stock market of a securities exchange means a number of FAR Shares which is less than a marketable parcel of those securities within the meaning of the relevant business rules or listing rules of that securities exchange.
Your Shares	<p>subject to section 11.1(h) and section 11.1(i) the Flow Shares:</p> <p>(a) in respect of which you are registered, or entitled to be registered, as holder in the register of shareholders of Flow at 5.00 pm (Perth) on the Register Date; or</p> <p>(b) to which you are able to give good title at the time you accept the Offer during the Offer Period.</p>

12.2 Interpretation

In this Bidder's Statement and in the Acceptance Form, the following rules of interpretation apply unless the contrary intention appears or the context requires otherwise:

- (a) a reference to time is a reference to Perth time;
- (b) headings are for convenience only and do not affect interpretation;
- (c) the singular includes the plural and conversely;
- (d) a reference to a section is to a section of this Bidder's Statement;
- (e) a gender includes all genders;
- (f) where a word or phrase is defined, its other grammatical forms have a corresponding meaning;
- (g) A\$, \$, dollars or cents is a reference to the lawful currency in Australia, unless otherwise stated;

- (h) a reference to a person includes a body corporate, an unincorporated body or other entity and conversely;
- (i) a reference to a person includes a reference to the person's executors, administrators, successors, substitutes (including, but not limited to, persons taking by novation) and assigns;
- (j) a reference to any legislation or to any provision of any legislation includes any modification or re-enactment of it, any legislative provision substituted for it and all regulations and statutory instruments issued under it;
- (k) a reference to any instrument or document includes any variation or replacement of it;
- (l) a term not specifically defined in this Bidder's Statement has the meaning given to it (if any) in the Corporations Act; and
- (m) a reference to a right or obligation of any two or more persons confers that right, or imposes that obligation, as the case may be, jointly and individually.

Approval of Bidder's Statement

This Bidder's Statement has been approved by a resolution passed by the directors of FAR.

Date: 21 September 2011

Signed for and on behalf of
FAR Limited

A handwritten signature in black ink, consisting of a large, stylized 'M' followed by a horizontal line that extends to the right and then loops back under the line.

Michael Evans
Director

Annexure – Announcements since 2010 Financial Report

Date	Announcement title
21/09/2011	FAR Expands African Exploration Portfolio through Merger with Flow Energy
13/09/2011	Record Date For Interest on Convertible Notes
5/09/2011	Half Yearly Report and Accounts
1/09/2011	Africa Down Under Conference Presentation
8/08/2011	Ceasing to be a substantial holder
28/07/2011	Quarterly Activities Report
28/07/2011	Quarterly Cashflow Report
28/07/2011	Completion of Kora-1 Exploration Well
27/07/2011	Trading Halt
4/07/2011	Becoming a substantial holder
30/06/2011	Appendix 3B
28/06/2011	Offshore West Africa - Kora-1 Drilling Commences
9/06/2011	Noble Energy Farms Into AGC Profond
8/06/2011	Record Date For Interest on Convertible Notes
4/05/2011	Ceasing to be a substantial holder
28/04/2011	Quarterly Cashflow Report
28/04/2011	Quarterly Activities Report
21/04/2011	Appendix 3B
21/04/2011	Becoming a substantial holder
21/04/2011	Offshore West Africa - Kora Well Update
15/04/2011	Change of Registered Office
11/04/2011	Results of Meeting
11/04/2011	Chairman`s Address to Shareholders
31/03/2011	Appendix 3B
25/03/2011	AGC Profond - Kora Well Update
21/03/2011	Change in substantial holding
21/03/2011	Ceasing to be a substantial holder
15/03/2011	Change in substantial holding

Corporate Directory

Directors

Michael Evans (Chairman)
Albert Brindal (Non-Executive Director)
Charles Cavness (Non-Executive Director)

Joint Company Secretary

Colin Harper
Albert Brindal

Registered Office / Principal Place of Business

Suite 2, Level 1
254 Rokeby Road
Subiaco WA 6008

Tel: +61 8 9380 6181
Fax: +61 8 9380 6640

Share Registry

Advanced Share Registry
150 Stirling Highway
Nedlands WA 6009

Tel: + 61 8 9389 8033

Website

www.far.com.au

Financial Adviser

Hartleys Limited
Level 6, 141 St Georges Terrace
Perth WA 6000

Legal Adviser

Corrs Chamber Westgarth
Level 15, Woodside Plaza
240 St Georges Terrace
Perth WA 6000

Independent Auditor

Deloitte Touche Tohmatsu
Level 14, Woodside Plaza
240 St Georges Terrace
Perth WA 6000

Offer Information Line

1800 821 475 (toll free within Australia)
+61 2 8256 3395 (for callers from outside Australia)

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FAR LIMITED

Suite 2, Level 1, 254 Rokeby Road, Subiaco WA 6008

Tel: +61 8 9380 6181 | Fax: +61 8 9380 6640

www.far.com.au

Target's Statement

Your Directors
unanimously recommend that you

ACCEPT

the Offer by
FAR Limited ACN 009 117 293
to acquire all of your Flow
Energy Shares for 42.66
FAR Shares for every 1
Flow Energy Share you
own in the absence of a
Superior Proposal

This is an important document and requires your immediate attention. If you are in any doubt as to how to act, you should consult your financial or legal adviser as soon as possible.

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Important Information

This Target's Statement is issued by Flow Energy in response to the Bidder's Statement issued by FAR. You should read this Target's Statement in its entirety.

This Target's Statement is dated 21 September 2011 and a copy of this Target's Statement was lodged with ASIC on that date. Neither ASIC nor any of its officers take any responsibility for the contents of this Target's Statement.

A number of defined terms are used in this Target's Statement. These terms are explained in Section 8.

No Account of Personal Circumstances

This Target's Statement does not take into account the investment objectives, financial situation or particular needs of individual Shareholders. Flow Energy encourages you to seek independent financial and taxation advice before making a decision whether or not to accept the Offer.

Forward Looking Statements

This Target's Statement contains forward looking statements which have not been based solely on historical facts, but are rather based on Flow Energy's current expectations about future events. Such statements are subject to inherent risks and uncertainties in that they may be affected by a variety of known and unknown risks, variables and other factors many of which are beyond the control of Flow Energy. Actual events or results may differ materially from the events or results expressed or implied in any forward looking statement.

None of Flow Energy, its officers nor any person named in this Target's Statement with their consent nor any person involved in the preparation of this Target's Statement makes any representation or warranty (express or implied) as to the accuracy or likelihood of fulfilment of any forward looking statement, or any events or results expressed or implied in any forward looking statement, except to the extent required by law. You are cautioned not to place undue reliance on any such statement.

The forward looking statements in this Target's Statement reflect views held only as at the date of this Target's Statement.

Flow Energy Shareholder Queries

If you have any queries regarding the Offer, you should call the Offer Information Line on 1800 821 475 (toll free within Australia) or +61 (2) 8256 3395 (for callers from outside Australia).

How to accept the Offer

You should read this Target's Statement and the Bidder's Statement before making a decision whether to accept the Offer.

a) General

- (i) Subject to section 11.1(h) and section 11.1(i) of the Bidder's Statement, you may accept the Offer only for all of Your Shares.
- (ii) You may accept the Offer at any time during the Offer Period by completing and signing the Acceptance Form in accordance with the terms of the Offer and the instructions on the Acceptance Form.
- (iii) You must ensure that the Acceptance Form (including any documents required by the terms of this Offer and the instructions on the Acceptance Form) is received before the end of the Offer Period, at one of the addresses shown on the Acceptance Form.

b) Flow Energy Shares of which you are entitled to be registered as holder

To accept the Offer for Flow Energy Shares which are not held in your name, but of which you are entitled to be registered as holder, you must:

- (i) complete and sign the Acceptance Form in accordance with the terms of the Offer and the instructions on the Acceptance Form; and
- (ii) ensure that the Acceptance Form (including any documents required by the terms of the Offer and the instructions on the Acceptance Form) is received before the end of the Offer Period, at one of the addresses shown on the Acceptance Form.

c) Acceptance Form and other documents

- (i) The Acceptance Form forms part of the Offer.
- (ii) If your Acceptance Form (including any documents required by the terms of the Offer and the instructions on the Acceptance Form) is returned by post, for your acceptance to be valid you must ensure that they are posted or delivered in sufficient time for them to be received by FAR at one of the addresses shown on the Acceptance Form before the end of the Offer Period.
- (iii) The postage of the Acceptance Form and other documents is at your own risk.

If you wish to be the holder of an Unmarketable Parcel of FAR Shares you must sign and return the Acceptance Form and as indicated state this fact clearly on it. See section 11.8 of the Bidder's Statement.

Full details on how to accept the Offer are set out in Section 11 of the Bidder's Statement.

Your Directors unanimously recommend that you **ACCEPT** the Offer
in the absence of a Superior Proposal

21 September 2011

Dear fellow Flow Energy Shareholder

Letter from the Chairman

On 21 September 2011, FAR Limited announced an intention to make a conditional scrip takeover offer for Flow Energy for 42.66 FAR Shares for every Flow Energy Share. FAR is an ASX listed oil and gas exploration company focused on offshore West Africa with projects in Senegal, AGC and Guinea-Bissau.

Over the past two years your directors have explored a number of options to enhance the value of shareholder interests, including directly relisting the company on a recognised stock market, combined with a substantial capital raising, and reverse takeovers into existing listed companies with substantial cash reserves. The key objectives of the Flow Energy Directors in pursuing these opportunities were:

- a) to secure a source of capital to advance the company's projects;
- b) to provide shareholder liquidity; and
- c) to grow our company.

The Offer satisfies these objectives and is an excellent opportunity for Flow Energy Shareholders to become part of a merged entity listed on an internationally recognised stock exchange (the ASX), that has an exciting portfolio of oil and gas exploration interests in geographically diverse locations and is well funded to advance this portfolio. We believe that the merger of the two companies builds a strong African focused explorer and the combination of the FAR and Flow Energy Board and management will be able to deliver growth and success in the future. As you will see from the details of the Offer, if the merger is successful, our Managing Director Catherine Norman will be appointed Managing Director of the combined entity and Nicholas Limb, currently a Flow Energy Non-Executive Director, will assume that role in the merged company.

The Offer of 42.66 FAR Shares for every Flow Energy Share values each Flow Energy Share at \$1.19, based on the closing price of FAR Shares at 20 September 2011 of \$0.028. This implies an equity value for Flow Energy of \$24.6 million.

Under the terms of the Offer Flow Energy Shareholders will own approximately 41.3% of the combined entity, which your Flow Energy Directors believe is an appropriate valuation for Flow Energy Shares under current market conditions.

Your Flow Energy Directors unanimously recommend that you accept the Offer in the absence of a superior proposal.

This Target's Statement, which I encourage you to read in its entirety, sets out in greater detail the reasons for the unanimous recommendation of your Flow Energy Directors as well as additional information.

To ACCEPT the Offer, you should follow the instructions set out on the previous page and in the Bidder's Statement.

Each of your Flow Energy Directors intend to accept or procure the acceptance of the Offer in respect of any Flow Energy Shares that they, or their Associates own or control or otherwise have a Relevant Interest in.

If you have any queries in relation to the Offer, please consult your own independent professional adviser or contact the Offer Information Line on 1800 821 475 (toll free within Australia) or +61 (2) 8256 3395 (for callers from outside Australia).

Yours sincerely

A handwritten signature in black ink, appearing to read 'P. Harman', with a long horizontal flourish extending to the right.

Phillip Harman
Chairman

Section 1: Considerations for and against accepting the Offer

Your Flow Energy Directors unanimously recommend that you accept the Offer in the absence of a superior proposal. Your Flow Energy Directors consider the following considerations are relevant in relation to your decision to accept or not to accept the Offer.

1.1 Considerations for accepting the Offer

a) By accepting the Offer you will move from holding an interest in an unlisted company with limited cash resources to a holding in a company with the financial capacity to progress Flow Energy's petroleum projects

Over the past two years your directors have explored a number of options to enhance the value of shareholder interests including directly relisting the company on a recognised stock market, combined with a substantial capital raising, and reverse takeovers into existing listed companies with substantial cash reserves. The key objectives of the Flow Directors in pursuing these opportunities were:

- a) to secure a source of capital to advance the company's projects;
- b) to provide shareholder liquidity; and
- c) to grow our company.

The Offer is an excellent opportunity for Flow Energy Shareholders to become part of a merged entity listed on an internationally recognised stock exchange (the ASX), which has an exciting portfolio of oil and gas exploration interests in geographically diverse locations and the funding to advance this portfolio.

The merged entity will be approximately twice the size of Flow Energy and this size, combined with the listing, will give the merged entity a superior capacity to raise any future cash required to advance the projects than does Flow as a small, unlisted company

b) Offer represents an appropriate price for your Flow Energy Shares

FAR Shares trade on the ASX. The highest, lowest and latest share prices of FAR Shares in the three months prior to the lodgement of the Target's Statement are as follows:

Highest	\$0.125
Lowest	\$0.028
Last	\$0.028

The volume weighted average price of FAR Shares on the ASX prior to the announcement dated 21 September 2011 of its intention to make the Offer is as follows:

Last 5 days	\$0.029
Last 30 days	\$0.033
Last 60 days	\$0.045

As an unlisted Australian public company with exploration assets in Kenya and Jamaica, traditional valuation methodologies are not applicable to Flow Energy. For example, the application of earnings multiples and any comparable quoted securities multiples are not appropriate. Flow Energy has to date not received any Superior Offer for Flow Energy Shares or for its assets other than the Offer.

The most recent capital raisings undertaken by Flow Energy were as follows:

Date	Price Per Share	Flow Energy Shares Issued
13 January 2011	\$1.50	300,000
15 October 2010	\$1.00	701,000
28 June 2010	\$1.00	2,625,837

The Flow Energy Directors consider that these capital raisings provide the most suitable means of assessing the current value of Flow Energy Shares. These values compare with the implied value per Flow Energy Share of the Offer of \$1.19 and a total equity value for Flow Energy of \$24.6 million. Global market conditions have deteriorated considerably since our last placement of Flow stock; we therefore believe that this value is appropriate in today's market.

The Flow Energy Directors therefore advise their unanimous recommendation that Flow Energy Shareholders should accept the Offer in the absence of a Superior Proposal.

c) The combined entity will have an increased scale, strong balance sheet and improved fundraising capability and a diverse asset base

Increased Scale

If FAR successfully acquires 100% of Flow Energy, the combined entity would have a deemed market capitalisation in excess of \$59.5 million based on the offer ratio and the FAR Share price as at the date of announcement by FAR of the Offer. Relative to Flow Energy on a standalone basis, this scale has the potential to provide greater recognition among the investor community and greater economies of scale.

Strong Balance Sheet and Improved Fundraising Capability

FAR has a strong balance sheet with a current cash balance of approximately \$26 million. If the Offer for Flow Energy proceeds, those funds are expected to be available for the ongoing development both of the Flow Energy exploration licenses and the FAR exploration licenses.

As FAR is listed on ASX, it has greater access to a wider range of sources of finance than are currently available to Flow Energy as an unlisted public company. As Flow Energy moves forward with the exploration of our projects into acquiring 3D seismic and drilling, a level of funding that we have not been able to secure as an unlisted company will be required. FAR has already demonstrated that it is capable of successfully raising the level of capital required for an exploration drilling program.

In order to develop the Flow Energy exploration license areas, further funding will be needed, and the Flow Energy Directors consider that the capacity to source this funding will be materially advanced by a business combination with FAR.

Diverse Asset Base

The Flow Energy Directors consider that FAR has a strong package of prospective exploration licenses. Further details of these exploration properties are provided within the Bidder's Statement.

The Flow Energy Directors consider that FAR's portfolio of West African exploration projects represents an attractive investment opportunity and that this opportunity is complementary to Flow Energy's existing exploration portfolio.

Flow Energy Shareholders will also retain an upside exposure to the existing Flow Energy exploration licenses in Kenya, Jamaica and Australia.

d) The Offer is supported by major Flow Energy Shareholders

Major Flow Energy Shareholders in aggregate representing 19.86% of the outstanding Flow Energy Shares, have agreed that they intend to accept the Offer in respect of their Flow Energy holdings within 2 Business Days of the Offer being open for acceptance as follows:

Name	Flow Energy Shares
Mitch Limb	1,111,857
Toad Facilities Pty	1,000,000
City Of London PLC	878,000
Philip Naylor	320,000
John Greenhalgh	233,000
Kimbriki Nominees Pty	150,000
Roland Lennox-King	100,000
Thong Ha Huynh	60,000
Park View Superannuation Fund	50,000
Roslyn Long	45,576
Lifchem Pty	45,000
Plumpton Place Pty Ltd	30,000
Andrea Coote Super Fund A/C	30,000
Kalan Seven Pty Ltd	25,000
Project Astro Pty	10,000
Total	4,088,433

e) There are risks in not accepting the Offer

If the Offer is unsuccessful and no other offers emerge for Flow Energy, Flow Energy Shareholders will be exposed to the ongoing risks associated with an investment in Flow Energy. In particular:

- the risk that Flow Energy will be unable to raise the financing required to develop its portfolio of projects;
- risks associated with the location of Flow Energy's exploration projects in Kenya, Jamaica and Australia and the potential for changes to these countries' fiscal regimes for oil and gas companies or investment policies and legislation or a shift in political attitude or regulatory regimes to adversely affect the Company's operations and profitability;
- risks associated with Flow Energy's dependence on other parties to joint ventures arrangements; and
- the risk that no economic resources will be discovered in the Company's projects.

Further details in relation to the risks of being a Flow Energy Shareholder are set out in Section 4.10.

f) Potential availability of Capital Gains Tax relief

Flow Shareholders may have access to scrip for scrip rollover relief, in which case they will not incur capital gains tax as a result of accepting the Offer.

If, as a result of the Offer, FAR becomes the holder of 80% or more of the voting shares in Flow Energy, Flow Energy Shareholders who would otherwise make a capital gain from the disposal of their Flow Energy Shares pursuant to the Offer may be able to choose to obtain full scrip for scrip rollover relief.

If scrip for scrip rollover relief is available and is chosen by Flow Energy Shareholders who would otherwise have made a capital gain on the disposal of their Flow Energy Shares under the Offer, all of the capital gain from the disposal may be disregarded. The capital gains tax provisions would then only apply on a later taxable event (such as disposal) happening to the FAR Shares received as consideration under the Offer.

Please refer to Section 9 of the Bidder's Statement for more information.

1.2 Considerations against accepting the Offer

a) Reduced exposure to Flow Energy assets

If Flow Energy Shareholders accept the Offer and the Offer becomes unconditional, their interest in Flow Energy's assets and the value that could be realised through a successful development of the assets will be diluted. However, this has to be weighed against the dilution that is likely to occur if Flow Energy remains an independent company and has to raise working capital to fund its projects through further equity raisings as well as the fact that Flow Energy Shareholders will gain significant exposure to FAR's assets.

b) Inability to accept a superior offer if one was to emerge

Except in the limited circumstances provided for in the Corporations Act, accepting the Offer will preclude Flow Energy Shareholders from accepting a Superior Proposal from a third party, should one emerge during the Offer Period. At the date of this Target's Statement, the Flow Energy Directors are not aware of a proposal by anyone to make a Superior Proposal.

Accepting the Offer would preclude a Flow Energy Shareholder from selling their Flow Energy Shares. Accepting the Offer will not, however, deny a Flow Energy Shareholder the benefit of any superior price offered by FAR which, under the Corporations Act, is required to be extended to all Flow Energy Shareholders, including those who have already accepted the Offer. At the date of this Target's Statement, FAR has given no indication that it intends to increase the Offer Consideration.

c) The price of FAR Shares fluctuates

Flow Energy Shareholders are being offered FAR Shares for their Flow Energy Shares at a fixed ratio regardless of the price each trades at. If Flow Energy Shareholders accept the Offer they are exposed to any rise or fall in the FAR Share price.

Section 2: Frequently Asked Questions

This section answers some frequently asked questions about the Offer. It is not intended to address all issues relevant to Shareholders. This section should be read together with all other parts of this Target's Statement.

Question	Answer	Further Information
What is the Offer for my Flow Energy Shares?	FAR has made a conditional Offer of 42.66 FAR Shares for every 1 Flow Energy Share you own. Based on the closing price of FAR Shares on the ASX prior to the Announcement Date, the implied value of the Offer is \$1.19 per Flow Energy Share.	-
What choices do I have as a Flow Energy Shareholder?	As a Flow Energy Shareholder you can: <ul style="list-style-type: none"> ▪ accept the Offer for all of the Flow Energy Shares you hold. Your Flow Energy Directors recommend that you ACCEPT the Offer in the absence of a Superior Proposal; ▪ sell your Flow Energy Shares (unless you previously accepted the Offer and have not validly withdrawn your acceptance); or ▪ reject the Offer by doing nothing. A detailed explanation is set out in Section 3 of this Target's Statement.	Section 3
What do the Flow Energy Directors recommend?	The Flow Energy Directors unanimously recommend you ACCEPT the Offer in the absence of a Superior Proposal.	Section 7.1
What is the Target's Statement?	This document is the Target's Statement, Flow Energy's formal response to the Offer, including the recommendation of the Flow Energy Directors in relation to the Offer. The Flow Energy Directors encourage you to review the information thoroughly.	-
What is the Bidder's Statement?	The Bidder's Statement is the document containing the terms of the Offer. You should have received a copy of the Bidder's Statement along with this document.	-
What are the Flow Energy Directors to do with their Flow Energy Shares?	Each of the Flow Energy Directors intends to accept or procure the acceptance of the Offer in respect of any Flow Energy Shares that they, or their Associates own or control or otherwise have a Relevant Interest in.	Section 7.1
What happens if I take no action?	If you do nothing in relation to the Offer, you will not receive the Offer Consideration and (unless you otherwise sell your Flow Energy Shares) you will remain a Flow Energy Shareholder unless FAR proceeds to compulsory acquisition. You should be aware of the risks outlined in Section 4.9 of this Target's Statement.	Sections 3 and 6.6
What are the consequences of accepting the Offer now?	If you accept the Offer now, you will be unable to accept a superior offer from another bidder if such an offer is made unless any withdrawal rights apply at the applicable time and you withdraw your acceptance of the Offer or unless the Offer lapses.	Section 6.5
If I accept the Offer now, can I	You may only withdraw your acceptance of the offer in very limited circumstances which may not apply at the time you	Section 6.5

Question	Answer	Further Information
withdraw my acceptance?	wish to withdraw your acceptance. You may withdraw your acceptance if FAR postpones the closing date of its Offer by more than one month and the Offer is still conditional. Further details on your ability to withdraw your acceptance are set out in Section 6.5.	
When is the Offer scheduled to close?	The Offer is scheduled to close at 5pm on 21 October 2011.	Section 6.1
Can the Offer Period be extended?	While the Offer remains conditional, FAR may extend the Offer Period at any time before giving notice of the status of the conditions. However, if the Offer becomes unconditional (meaning that the conditions of the Offer are waived or satisfied), FAR may extend the Offer Period at any time before the end of the Offer Period. In addition, there will be an automatic extension of the Offer Period if within the last 7 days of the Offer Period: <ul style="list-style-type: none"> ▪ FAR improves the consideration offered under the Offer; or ▪ FAR's voting power in Flow Energy Shares increases to more than 50%. If either of these events occurs, the Offer Period will be automatically extended so that it ends 14 days after the day on which the event occurs.	Section 6.4
What are the risks associated with becoming a FAR Shareholder?	If you accept the Offer and become a FAR Shareholder, your investment will become subject to the risks associated with FAR's business. Further information about the risks associated with an investment in FAR is set out in Section 5.9 and in more detail in Section 8 of the Bidder's Statement.	Section 5.2 Bidder's Statement Section 8
Can I be forced to sell my Flow Energy Shares?	You cannot be forced to sell your Flow Energy Shares unless FAR proceeds to compulsory acquisition. FAR will need to acquire at least 90% of Flow Energy Shares in order to exercise its compulsory acquisition rights. In the event this occurs, you will then receive the same consideration as is payable under the Offer at that time.	Section 6.6
Is the Offer conditional?	Yes. The Offer is conditional. The offer conditions are set out in Section 11.9 of the Bidder's Statement.	Bidder's Statement Section 11.9
Is there an Independent Expert Report?	There is no Independent Expert Report as none is required by law and the Flow Energy Directors consider that Flow Energy Shareholders are able to make up their minds on the merits of the Offer without one.	-
What happens if the conditions of the Offer are not satisfied?	If the conditions of the Offer are not satisfied or waived before the Offer closes, the Offer will lapse and you will not get paid the Offer Consideration (even if you had accepted the Offer as your acceptance will become void). However, you would then be free to deal with your Flow Energy Shares.	Section 6.2
When will I receive the Offer Consideration?	If you accept the Offer, and the Offer becomes unconditional, you will receive the Offer Consideration to which you are entitled on or before: <ul style="list-style-type: none"> ▪ within one month of the later of the date you accept 	Bidder's Statement Section 11.6

Question	Answer	Further Information
	<p>and the date the Offer becomes unconditional; or</p> <ul style="list-style-type: none"> ▪ assuming the Conditions of the Offer are satisfied or waived, within 21 days of the end of the Offer Period. 	
What are the tax implications of the Offer?	<p>A general outline of the tax implications of accepting the Offer for certain Australian resident Flow Energy Shareholders is set out in Section 6.8 of this Target's Statement and in Section 9 of the Bidder's Statement.</p> <p>You should not rely on that outline as advice on your own affairs. It does not deal with the position of all Flow Energy Shareholders. You should therefore seek your own personal, independent financial and taxation advice before making a decision as to whether or not to accept the Offer for your Flow Energy Shares.</p>	<p>Section 6.8 Bidder's Statement Section 9</p>
What if I am a foreign Flow Energy Shareholder?	<p>The Bidder's Statement provides that FAR will only issue FAR Shares to Flow Energy Shareholders that accept the Offer with an address in Australia, New Zealand, United Kingdom, Canada and Hong Kong. If you are a Flow Energy Shareholder who has a registered address outside of those countries and accept the Offer, the Bidder's Statement provides that your FAR Shares will be sold by a nominee appointed by FAR and the proceeds of that sale forwarded to you</p>	<p>Section 6.9</p>
Is there a phone number that I can call if I have further queries in relation to the Offer?	<p>If you have any further queries in relation to the Offer please call the Offer Information Line on 1800 821 475 (toll free within Australia) or +61 (2) 8256 3395 (for callers from outside Australia).</p>	<p>-</p>

Section 3: Your Choices as a Flow Energy Shareholder

Flow Energy encourages you to consider your personal risk profile, investment strategy, tax position and financial circumstances before making any decision in relation to your Shares. As a Flow Energy Shareholder, you currently have three choices available to you.

a) CHOICE 1: Accept the Offer

You may choose to accept the Offer. **This is the approach unanimously recommended by your Directors in the absence of a Superior Proposal.** Details of the Offer Consideration that you will receive if you accept the Offer are set out in Section 6.1 as well as in the Bidder's Statement. You will only receive the Offer Consideration if the conditions of the Offer are all either satisfied or waived.

The consequences of accepting the Offer are discussed in Section 6. If you accept the Offer, you will not be able to sell your Flow Energy Shares unless, at the time you decide that you no longer wish to accept the Offer, you have the right to withdraw your acceptance and you exercise that right. The limited circumstances in which acceptances of the Offer may be withdrawn are set out in Section 6.5.

Details on how to accept the Offer are set out on page 2 as well as in the Bidder's Statement and the Acceptance Form provided to you by FAR.

b) CHOICE 2: Sell Your Flow Energy Shares

It is unlikely Flow shareholders will be able to sell. During the Offer Period, you may sell your Flow Energy Shares for cash, provided you have not accepted the Offer for those Flow Energy Shares. If you sell your Flow Energy Shares and that transaction is effected, you will receive the consideration for your Flow Energy Shares sooner than if you accept the Offer while it is subject to conditions. If you sell your Flow Energy Shares, you:

- will lose the ability to accept the Offer;
- may be liable for capital gains tax or income tax on the sale of those Flow Energy Shares; and
- will lose the opportunity to receive future returns from Flow Energy.

You should refer to Flow Energy's website flowenergy.net for information on how to sell your Flow Energy Shares and your tax adviser to determine the tax implications from such a sale.

c) CHOICE 3: Take No Action

If you do not wish to sell your Flow Energy Shares and do not wish to accept the Offer, you should take no action. You should note that:

- if you choose not to accept the Offer, FAR will not be able to acquire your Flow Energy Shares unless the Offer is unconditional and FAR holds 90% of the Flow Energy Shares at the end of the Offer Period. In this event, FAR will become entitled to compulsorily acquire those Flow Energy Shares that it does not already own (see Section 6.6 for further information regarding compulsory acquisition);
- if FAR acquires more than 50% but less than 90% of the Flow Energy Shares and all of the defeating conditions of the Offer are satisfied or waived, and you continue to hold Flow Energy Shares, you will be exposed to the risks associated with being a minority Shareholder of Flow Energy. Some of these risks are explained in Section 6.7; and
- if the Offer fails and there are no other offers for Flow Energy, Flow Energy will remain an unlisted public company. If this occurs, the Flow Energy Directors will continue to work to generate value for Flow Energy Shareholders.

Section 4: Information on Flow Energy

4.1 Introduction and History

Flow Energy was incorporated under the name Gippsland Offshore Petroleum Limited (GOP) in Australia on 18 October 2004. GOP was initially formed to explore for oil and gas in the Gippsland Basin, Victoria. As GOP, Flow Energy listed on the Australian Securities Exchange (ASX) on 5 January 2005.

In 2006 GOP signed a three year technology agreement with BHP Billiton for the use of the FALCON® Airborne Gravity Gradiometer (AGG). The agreement granted GOP the right to use FALCON® for the purpose of petroleum exploration between 2006 and 2009. FALCON® is a high resolution density mapping tool, employed by Flow Energy for oil and gas exploration in areas with proven hydrocarbon potential but previously ignored by the industry at large. In practice, it was used to target areas where traditional seismic reflection methods had limited application either due to difficult surface access or technical problems related to complex geology. Flow's access to the FALCON® technology was key in securing both the Jamaican and Kenyan Projects.

GOP made the decision to delist from the ASX in 2009 following the global financial crisis of 2008 which saw the share price drop and market trading volumes fall significantly. The reason for the delisting was to enable GOP to preserve its value without exposure to day-to-day changes in the market value of its listed shares. The decision to delist also offered GOP the opportunity to later recapitalise at a valuation not referenced to market conditions at the time it delisted. GOP was therefore delisted from the ASX on 24 June 2009. At this time GOP's share price was A\$0.039 with a market capitalisation of A\$5.7 million. Following its de-listing GOP consolidated its share capital on a 10 for 1 basis making the effective post-consolidation share price A\$0.39. Subsequent to its delisting, Flow Energy successfully issued capital at A\$1.00 per share on 28 June 2010, A\$1.00 per share on 15 October 2010 and A\$1.50 per share on 13 January 2011 (implying an equity value at 13 January 2011 of A\$28.7 million, based on an issued share capital of 19,135,034 Flow Energy Shares).

On 15 December 2009 GOP changed its name to Flow Energy Limited. This change was made to reflect its directional shift to a more diversified international portfolio and more appropriately reflected the future strategy of the business. Flow Energy is presently a junior oil explorer progressing multiple exploration projects. These are the Kenyan Projects (Blocks L-6 and L-9), the Jamaican Projects (Blocks 6, 7, 10, 11 and 12) and the Australian Projects (permits WA-458-P and WA-457-P). Flow Energy recently sold its 50% equity interest in its French Project to JV partner Gas2Grid for cash consideration of A\$900,000.

4.2 Capital Structure

As at the date of this Target's Statement, Flow Energy has 20,581,582 Flow Energy Shares on issue. Flow Energy has no other securities on issue.

4.3 Flow Energy Group Structure

Flow Energy is headquartered in Melbourne, Victoria and has three subsidiary companies as follows:

Subsidiary	Country of Incorporation	Flow Energy Ownership Interest
Neptune Exploration Pty Ltd	Australia	100%
Arawak Oil & Gas Limited	British Virgin Islands	100%
Petrole Investment Group Pty Ltd	Mauritius	100%

4.4 Summary of Flow Energy's Assets

Flow Energy holds interests in petroleum projects in Kenya, Jamaica and Australia. The Kenyan and Jamaican projects are situated in acreage with limited previous drilling, but the Flow Energy Directors believe that both have significant prospectivity for gas and potentially oil.

Flow Energy's current licences are detailed as follows:

Project	Asset	Interests	Operator	Licence expiry date	Licence area (km ²)
Kenyan	Block L-6	Flow Energy – 60% Pancontinental – 40% (held as 16% directly with Pancontinental and 24% with Pancontinental subsidiary Afrex Ltd)	Flow Energy	18 March 2014	3,134
	Block L-9 (note 1)	Flow Energy – 30% Dominion Petroleum Ltd – 60% Avana Petroleum Ltd – 10%	Dominion Petroleum Ltd	Waiting on final approval from Kenya's Ministry of Energy	5,100
Jamaican ¹	Block 6	Flow Energy – 50%	Finder Exploration	31 December 2012	2,952
	Block 7	Finder Exploration – 50%			2,527
	Block 10				2,952
	Block 11				2,952
	Block 12				2,952
Australia	WA-458-P	Flow Energy - 100%	Flow Energy	7 July 2017	243
	WA-457-P	Flow Energy - 100%	Flow Energy	7 July 2017	323

Note 1: Under the agreement made with BHP Billiton in 2006 to use FALCON®, in respect of the Kenyan L-9 Asset and the Jamaican Assets GOP granted BHP Billiton (i) a right to match any farm in offer and (ii) an option to acquire 90% of Flow Energy's interest in a project when Flow Energy advises BHP Billiton Petroleum that it has made an irrevocable decision to drill the first exploration well on the specific title. If BHP exercises this right it is required to refund Flow 90% of its project costs to date and free carry Flow through the first exploration well.

4.5 Kenyan Projects

a) Overview

The Kenyan Projects are located in the Lamu Basin, Kenya, and the key asset is the Block L-6 permit. Following two relinquishments, Flow Energy retains 50% of the original block size, with a current licence area of 3,134km². Flow Energy is the operator of Block L-6 and holds a 60% equity interest. Flow Energy was additionally awarded the offshore Block L-9 permit in the Lamu Basin in March 2011. The relevant JOA and Deeds of Assignment for the Block L-9 permit are in the process of being finalised. This will be held by the L-9 Joint Venture which is comprised of Flow Energy (30%), Avana Petroleum Limited (10%) and Dominion Petroleum Kenya Limited (60%). Dominion Petroleum Kenya Limited will also be the operator of the Block L-9 permit.

The Lamu Basin has been explored by the major oil companies (including a BP-Shell consortium) since the 1950s, although no exploration activity was carried out between 1986 and 2002. However, activity has restarted recently with a significant portion of the Lamu Basin now leased to parties such as Anadarko, Origin, Aminex, Swissoil and CNOOC.

The Block L-6 permit has both onshore and offshore potential with water depth varying from onshore to approximately 400m. It is anticipated that the most likely charge in the Block L-6 permit onshore is gas, and the potential exists for a material oil contribution in the offshore. Produced hydrocarbons from wells in the Lamu Basin have demonstrated the existence of a working petroleum system that can deliver gas. A working oil system is as yet unproven although evidence of minor oil shows lends support to this possibility.

b) Block L-6 permit application and status

Flow Energy entered into the Block L-6 permit through a Farm-in Agreement in 2006, under which it was appointed operator. The block is presently held 60% by Flow Energy and 40% by Pancontinental Oil & Gas NL ("Pancontinental"). The 40% interest of Pancontinental is split 16% Pancontinental and 24% with its subsidiary Afrex Limited.

The project arrangements are covered by three main agreements; a Production Sharing Contract (PSC) a Joint Operating Agreement (JOA) and a Farm-in Agreement.

The Block L-6 permit was originally signed by Pancontinental in August 2002 under an initial exploration period of two years. The block is currently held under the second of two additional exploration periods, which commenced on 18 June 2009. The licence expiry date is presently 18 March 2014 and the term of any ensuing development period is 30 years.

c) Block L-6 exploration

Within one month of signing the deed of assignment for Flow Energy's equity share in Block L-6 on 28 November 2006, Flow Energy had mobilised a seismic boat and the FALCON® aircraft. Within three months 1,200kms of 2D seismic and 5,000kms of FALCON® were completed at a cost of A\$2 million. Flow Energy acquired 2D seismic data during the initial and first additional exploration periods with further airborne gravity and magnetics. Flow Energy currently plans to carry out at least a US\$6 million 3D seismic program offshore, following which it plans to drill an offshore well.

Flow Energy has now mapped seven prospects with oil and gas prospectively in the Block L-6 permit. The main prospects and leads are Kudu, Updip Kipini, Chui/Chui W, Nyati, Nyati W, Kiboko and Kifaru and the recently mapped offshore Tembo prospect. All except Nyati and Kifaru have closures at both prospective levels. Flow Energy is now entering a new phase of the PSC in which two wells will be drilled in the block in the coming four years following a 3D seismic program.

The Block L-6 permit is currently targeting two plays: the offshore oil play in its Kifaru prospect and the onshore gas play in the Kudu prospect. The offshore Kifaru and Tembo prospects will be tested after the additional 3D seismic work has been carried out to better define the prospect and optimum drill location. Flow Energy currently plans to drill its first well at Block L-6 in the first quarter of 2013.

Technical reviews of the permit by independent experts identified additional potential prospectively within Block L-6 to the west of the Kifaru prospect. However at this stage there is insufficient seismic data to make any inferences on this.

d) Award of Block L-9 permit

In March 2011 Dominion Petroleum Kenya Limited and its partners were awarded Block L-9 of the Lamu Basin, offshore Kenya. Dominion Petroleum will operate the L-9 Joint Venture, which is comprised of Flow Energy (30%), Avana Petroleum Limited (10%) and Dominion Petroleum Kenya Limited (60%). A PSC in relation to this award has been entered into with the Government of the Republic of Kenya. The JOA and Deeds of Assignment remain in the process of being finalised.

Block L-9 has had only one well drilled in it to date, the Simba-1 well in 1979, which encountered gas shows. As with other wells in the Lamu Basin the Simba results are considered to lend support to a possible working hydrocarbon system in the basin. Offshore oil seeps have also been identified to the north of Block L-9.

The initial exploration period of the PSC will last for two years. During this time, a gross minimum work commitment of US\$6.15 million, inclusive of the acquisition of 500km² of 3D seismic data, is required. After this initial period, there is an option to relinquish the PSC or commit to another two year exploration period with an obligation to drill one well in that time.

e) Farm-out of Kenyan Projects

In mid-2010 Flow Energy decided to seek to bring a partner into the Block L-6 permit of the Kenyan Project and commenced a farm-out process. Flow Energy is seeking a partner with appropriate expertise to contribute to the 3D seismic and drilling phase of the project. This process remains underway.

4.6 Jamaican Project

a) Overview

The Jamaican Project is located in the Walton Basin, Jamaica, and is owned by the Jamaica Joint Venture ("JJV"). Flow Energy is a 50% equity partner in the JJV, with the other partner being Finder Exploration Pty Ltd ("Finder Exploration").

The Project's key assets are the Walton Basin permits which consist of five exploration permits offshore southern Jamaica, totalling approximately 14,500km², in the Caribbean Sea. The five blocks vary in water depth from zero to over 1,000m. The permit area is located 60km from the city of Kingston and 40km from Port Esquivel.

The award of Flow Energy's exploration licenses marked the first licensing round in Jamaica for approximately 20 years. Prior to the JJV's activities, no exploration had been carried out in the Walton Basin since the 1980s due to the poor quality of seismic data historically collected in the area and two unsuccessful offshore wells drilled on the southern flank of the basin. There is no current hydrocarbon production in Jamaica, nor has there been a commercial hydrocarbon discovery. However, onshore there are known to be active gas seeps, providing evidence of a working petroleum system. A total of just 11 wells have been drilled in Jamaica, 10 of which encountered hydrocarbon shows. Prior to the JJV's award, exploration efforts in the region had been focussed onshore, with the offshore remaining largely unexplored.

b) Permit application and status

The Jamaican Project includes five blocks; Blocks 6,7,10,11 and 12. Each of these blocks is governed by three main agreements: a Production Sharing Agreement ("PSA"); a JOA; and a Farm-in Agreement. Each original PSA is held between the Petroleum Corporation of Jamaica ("PCJ") and Finder Exploration. The PSAs with the Jamaican Government were signed in January 2006. The Jamaican Project is currently held 50% by Flow Energy (through its subsidiary Neptune Exploration Pty Ltd ("Neptune")) and 50% by Finder Exploration (through its subsidiary Finder Caribbean Limited No. 2006-00122 ("FCL")). FCL is the operator under each of these PSAs.

The Walton Basin permits were originally awarded under the terms of a 6-year work commitment program, however the PCJ have granted extensions to the drilling deadline. Drill or drop decisions on all blocks need to be made by 30 September 2013. The permits are currently in the second phase.

Each of the PSAs over the five blocks include a royalty of 12.5%, a sliding production sharing regime based on volumes and water depth and an income tax concession period of 15 years.

c) Exploration

The JJV signed 5 year exploration licences with the PCJ under the PSA s in 2006. The work completed by the JJV in the first year effectively satisfied the four-year data acquisition obligations of the JJV. Over the initial two year period, the JJV spent almost US\$13 million on exploration over the blocks. This included 24,000 line kilometres of FALCON® AGG data, 7,000km of long offset 2D seismic, reprocessing of 12,560km of pre-existing seismic data and geological and geophysical studies to integrate and interpret this data.

To date, Flow Energy has been leading the geological and geophysical data interpretation and prospect mapping on behalf of the JJV. The combination of AGG and 2D seismic has been effective in producing a 3D geological model of the basin and fast-tracking the understanding of the structural framework of the basin. There are some 20 identified structures of interest within Flow Energy's Jamaican Project. The five prospects seen to have the most potential are Cooper, Cascade, Squire, Southwark and 7P and the three most promising leads are Boag, 6I and Bluefields. Flow Energy plans to drill its first well in the Jamaican Project before the end of September 2013. Flow Energy and its joint venture partner are currently seeking a farm-in partner to join in the drilling.

The five blocks in the Jamaican Project contain additional unassessed and untested play types and structures. These have the potential to increase the resources for the project.

d) Farm-out

In April 2007 following the completion of seismic and FALCON® exploration programs and interpretation, the JJV parties announced that they were looking to jointly farm-out the next stage of exploration, including drilling of key prospects. Market conditions at the time were not conducive for farming out a large, frontier project and the farm-out effort was closed and re-invigorated in March 2010 when the Petroleum Corporation of Jamaica announced a new licencing round. The round closed at the end of August 2011 and Flow Energy is presently assessing farm-out options. This process is still underway.

4.7 Australian Projects

a) Overview

In July 2011 Flow Energy was awarded exploration permits WA-458-P and WA-457-P offshore Western Australia. Flow Energy holds 100% of both blocks which are located in the Dampier Sub Basin.

b) Permit application and status

The effective date of commencement for the permit terms is 7 July 2011. Both blocks have a three year initial exploration period consisting of seismic reprocessing and geophysical studies in year one, 3D seismic data acquisition in year two and geological studies in year three. The work commitment for the first exploration period is \$3.45 million for WA-458-P and \$4.3 million WA-457-P. These commitments are inclusive of 242km² of new 3D seismic data for WA-458-P and 322km² for WA-457-P.

After this initial period, there is an option to commit to another three year exploration period, with the obligation to drill one well in the second year of that period.

c) Farm-out

Flow Energy is in the process of assessing farm-out options for both Australian projects.

4.8 Directors

Phillip Harman - Non-Executive Chairman

Mr Harman is a professional geophysicist who spent more than 30 years working for BHP Billiton in minerals exploration in a broad number of both technical and managerial roles, in Australia and overseas.

Catherine Norman - Managing Director

Ms Norman is a professional geophysicist who has 20 years' experience in the minerals and oil and gas exploration industry, having held executive positions both in Australia and the UK and carried out operating assignments in Europe, Africa, Middle East and Australia. Ms Norman has a strong background in the application of traditional and innovative geophysical technologies in the search for oil and gas in new business development.

Nicholas Limb - Non-Executive Director

Mr Limb is a professional geophysicist and also has extensive experience as a stockbroker and merchant banker. He is currently Executive Chairman of Mineral Deposits Limited, an Australian listed company.

Oliver Lennox-King - Non-Executive Director

Mr Lennox-King has over 30 years of experience in the mining and oil and gas industry with involvement in marketing, financing and research. He also spent 11 years as a mining analyst with a brokerage company. Mr Lennox-King has spent the last 12 years in executive positions and directorships with junior mining companies.

Harry Wilson - Non-Executive Director

Mr Wilson has over 30 years international experience in the upstream sector of the oil industry initially as an explorer with BP and then as the founder and CEO of several independent oil companies. Over the last 6 years Mr Wilson has been involved in AIM listed Sterling Energy plc initially as CEO and more recently as Executive Deputy Chairman.

4.9 Risks associated with being a Flow Energy Shareholder

A number of the risks outlined in Section 8 of the Bidder's Statement associated with being a FAR Shareholder also apply to being a Flow Energy Shareholder.

Specifically, as they relate to Flow Energy, they are title risks, commodity price risks, financing risks, environmental risks, native title risks, economic conditions, changes in government policy and reliance on key personnel.

There are various risks, both specific to the Company and of a general nature, which may materially and adversely affect the future operating and financial performance and/or financial position of the Company and the value of Flow Energy Shares and which you will continue to be exposed to if you do not accept the Offer.

a) Financing risk

As an unlisted public company, there is significant risk that Flow Energy will be unable to raise the financing required to develop its portfolio of projects. As detailed elsewhere in this document, the Flow Energy Directors have investigated other potential transactions which have not been successfully concluded. Flow Energy is likely to require material cash resources in order to participate in funding the acquisition of 3D seismic and drilling data for the progression of the projects. If the Company is unable to obtain this funding or successfully farm out the obligation to a third party, there is a risk that the Company will lose its exploration licence positions or suffer dilution in its joint ventures. No assurance can be given that future funding will be available to the Company on favourable terms (or at all). If adequate funds are not available on acceptable terms the Company may not be able to further develop its projects and it may impact on the Company's ability to continue as a going concern.

b) Government and legal risks

The Company's projects are located in Kenya, Jamaica and Australia and the Company is subject to the risks associated with operating in those countries. Such risks can include economic, social or political instability or change, hyperinflation, currency nonconvertibility or instability and changes of law affecting foreign ownership, government participation, taxation, working conditions, rates of exchange, exchange control, exploration licensing, export duties, repatriation of income or return of capital, environmental protection, labour relations as well as government control over mineral properties or government regulations.

Changes to these countries' fiscal regimes for oil and gas companies or investment policies and legislation or a shift in political attitude may adversely affect the Company's operations and profitability.

c) Regulatory risk

Flow Energy's exploration projects in Kenya and Jamaica are subject to the regulatory regimes in those countries. To date, there has been no history of oil and gas production in those countries. There is a risk that a change in the respective regulatory regimes could result in the progression of the development of the Projects being prevented or delayed.

d) JV contracts and counterparty risk

Flow Energy's projects in Kenya and Jamaica are held under joint venture arrangements, with Flow Energy acting as operator on the Kenyan project only. This puts the Company in a position where they are to some extent dependent on other parties to progress the Jamaican and Kenyan projects and on their partners to contribute their share of funding commitments to the projects. If the Company's joint venture partners fail to perform, this would jeopardise the future prospectivity of Flow Energy and the advancement of its projects.

e) Geological risk

As an oil and gas exploration company, an investment in Flow Energy has inherent risk in that there can be no guarantee that economic resources will be discovered in the Company's projects. There is no oil or gas production in the Lamu Basin in Kenya or in the Walton Basin in Jamaica. Limited exploration in Jamaica, Kenya and the Australian projects presents a risk that economic oil and gas accumulations will not be identified.

f) Oil and Gas Price Volatility

The demand for, and price of, oil and natural gas is highly dependent on a variety of factors, including international supply and demand, the level of consumer product demand, weather conditions, the price and availability of alternative fuels, actions taken by governments and international cartels, and global economic and political developments.

International oil and gas prices have fluctuated widely in recent years and may continue to fluctuate significantly in the future. Fluctuations in oil and gas prices and, in particular, a material decline in the price of oil or gas may have a material adverse effect on the Company's business, financial condition and results of operations and the economic viability of its exploration projects.

g) BHPBP contract risk

In 2006 Flow signed a three year technology agreement (Falcon Framework Agreement) with BHP Billiton Petroleum International Pty Ltd (BHPBP) for the use of the FALCON® Airborne Gravity Gradiometer for oil and gas exploration. The use of the technology assisted with the exploration of the acreage in Flow's Jamaican and Kenyan projects. In exchange for the rights to use the technology, Flow granted BHPBP certain rights over its interests in Offshore Block L-6 in Kenya, and Blocks 6, 7, 10, 11 and 12 in Jamaica (Affected Titles). BHPBP's rights include a right of first refusal over any full or partial transfer of an Affected Title and an option to acquire 90% of the equity of an Affected Title, exercisable within 45 days of an irrevocable decision to drill the first exploration well on the Affected Titles. Upon exercise, BHPBP will reimburse 90% of Flow's project expenditure and fund Flow's 10% share of costs up to completion of the first exploration well on that title. Where BHPBP does not exercise any of its rights over an Affected Title and Flow then makes a commercial discovery, BHPBP is entitled to the payment of a royalty on Flow's net profit from the Affected Title of between 5% and 10% (with the actual percentage depending on Flow's equity interest in the title at the time).

Section 5: Information about FAR

5.1 Overview of FAR

FAR is an ASX listed oil and gas explorer with key interests in West Africa.

FAR has the largest footprint of any ASX-listed exploration company along the Central Atlantic Margin south of Mauritania and north of Guinea, inclusive of companies that have significantly larger market capitalisations. This leaves FAR highly leveraged to exploration success in a frontier that is experiencing a significant increase in exploration activity.

In July 2011 FAR was involved in the first deepwater well (Kora) ever drilled north of Sierra Leone and South of Mauritania. Whilst unsuccessful, the Kora well is likely to unlock valuable geological data. Advanced exploration on three promising blocks offshore Guinea-Bissau is continuing, with two wells likely to be drilled in 2012 (subject to 3D mapping and regulatory approval). FAR's core programme is in Senegal where it operates three deepwater blocks and has committed to drill one well subject to Presidential Decree and farm-out.

Please refer to Sections 1 and 2 of the Bidder's Statement for detailed information on FAR including details in relation to the FAR Shares.

5.2 Risks associated with becoming a FAR Shareholder

There are certain risks associated with holding FAR Shares. Those risks are outlined in Section 8 of the Bidder's Statement.

The Flow Energy Directors encourage Flow Energy Shareholders to consider Section 8 of the Bidder's Statement before deciding on their course of action in relation to the FAR Offer.

Section 6: Important Information about the Offer

6.1 The Offer

On 21 September 2011, FAR announced the Offer, being an offer to Flow Energy Shareholders to acquire all of the Flow Energy Shares. The consideration being offered to you under the Offer is 42.66 FAR Shares for each Flow Energy Share you hold.

The Offer is to acquire all Flow Energy Shares, including any rights attaching to them. You may only accept the Offer for all of your Flow Energy Shares. You cannot accept the Offer for only some of your Flow Energy Shares. For further details in relation to the FAR Shares you should refer to the Bidder's Statement.

The Offer Consideration will only become payable to you if all of the conditions of the Offer are satisfied or waived. These conditions are summarised in Section 11.9 of the Bidder's Statement.

The Offer is scheduled to close within the timeframe set out in the Bidder's Statement, unless FAR extends the Offer Period in accordance with the Corporations Act.

FAR may be able to withdraw its Offer with the written consent of ASIC, subject to the conditions (if any) specified in such consent.

The Offer will lapse if, at the end of the Offer Period, the conditions to which the Offer is subject are not satisfied or waived. If this occurs then any contracts resulting from acceptance of the Offer by Flow Energy Shareholders will become void. If the Offer lapses then Flow Energy Shareholders who have accepted the Offer will continue to own the Flow Energy Shares that are the subject of any such acceptances and will be free to deal with them as they choose.

6.2 Consequences of Conditions Not Being Satisfied

There is a risk that some of the conditions of the Offer may not be satisfied or waived. You should be aware that, even if the conditions of the Offer are not satisfied or are triggered, as appropriate, they may be waived by FAR. If any condition is unsatisfied or has been triggered and has not been waived, FAR can decide whether or not to proceed with the acquisition of Flow Energy Shares under its Offer or allow its Offer to lapse as a result of unsatisfied conditions.

6.3 Notice of Status of Conditions

FAR needs to give a Notice of Status of Conditions by no later than seven days prior to the end of the Offer Period. FAR is required to set out in its Notice of Status of Conditions:

- whether the Offer is free of any or all of the conditions of the Offer;
- whether, so far as FAR knows, any of the conditions have been fulfilled; and
- FAR's then current voting power in Flow Energy.

If the Offer Period is extended before the time by which that notice is to be given, the date that FAR must give its Notice of Status of Conditions will be taken to be postponed for the same period. In the event of such an extension, FAR is required, as soon as reasonably practicable after the extension, to give a notice to the ASX and Flow Energy that states the new date for giving the Notice of Status of Conditions.

In addition, if a condition of the Offer is fulfilled during the Offer Period but before the date on which the Notice of Status of Conditions is required to be given, FAR must, as soon as practicable, give the ASX and Flow Energy a notice that states that the particular condition has been fulfilled.

6.4 Extension of the Offer Period

FAR may extend the Offer Period at any time before giving the Notice of Status of Conditions while the Offer is subject to conditions. However, if the Offer is unconditional (that is, all the conditions are satisfied or waived), FAR may extend the Offer Period at any time before the end of the Offer Period.

In addition, there will be an automatic extension of the Offer Period if, within the last seven days of the Offer Period, FAR improves the consideration under the Offer or FAR's voting power in Flow Energy increases to more than 50%. If either of these two events occurs within the last seven days of the Offer Period, the Offer Period is automatically extended so that it ends 14 days after the relevant event occurs.

6.5 Effect of Acceptance and Rights of Withdrawal

Accepting the Offer would (subject to the withdrawal rights discussed below):

- prevent you from accepting any higher takeover bid that may be made by a third party or any alternative transaction proposal that may be recommended by the Flow Energy Directors;
- relinquish control of your Flow Energy Shares to FAR with no guarantee of receipt of the Offer Consideration until the Offer becomes, or is declared, unconditional;
- if the conditions of its Offer are not satisfied, give FAR the option to either keep your Shares (by waiving the conditions) or allow the Offer to lapse (as discussed in Section 6.2); and
- prevent you from selling your Shares.

If you accept the Offer, you will have a right to withdraw your acceptance in some circumstances. Those withdrawal rights comprise general statutory withdrawal rights under the Corporations Act. In summary, under the Corporations Act, you may withdraw your acceptance of the Offer if the Offer is conditional and FAR varies its Offer in a way that postpones, for more than one month, the time when FAR needs to meet its obligations under the Offer. This will occur if FAR extends the Offer Period by more than one month and the Offer is still subject to conditions.

In those circumstances, you will have a period of one month after the date that the Offer is extended to withdraw your acceptance. Your statutory withdrawal rights will terminate upon the expiry of that one month period, although if the Offer Period is then further extended you will receive further statutory withdrawal rights (that is, a further month long withdrawal right for each and every extension thereafter provided the Offer is still conditional).

If FAR improves the Offer Consideration, all Flow Energy Shareholders who accept the Offer (whether or not they have accepted prior to that improvement) will be entitled to the benefit of that improved consideration.

The effect of acceptance of the Offer is set out in more detail in Section 11.5 of the Bidder's Statement. You should read those provisions in full to understand the effect that acceptance will have on your ability to exercise the rights attaching to your Flow Energy Shares and the representations and warranties that you are deemed to give to FAR by accepting the Offer.

6.6 Compulsory Acquisition

FAR may compulsorily acquire all remaining Flow Energy Shares under Part 6A.1 of the Corporations Act if, by the end of the Offer Period, FAR acquires a relevant interest in least 90% or more of the Flow Energy Shares and has acquired 75% of the Flow Energy Shares which FAR offered to acquire under the Offer.

FAR has stated in its Bidder's Statement that it intends to compulsorily acquire the remaining Flow Energy Shares if it becomes entitled to do so. Compulsory acquisition is commenced by lodging a compulsory acquisition notice with ASIC and sending the notice to the ASX and all remaining Flow

Energy Shareholders who did not accept the Offer. Flow Energy Shareholders have statutory rights to challenge compulsory acquisition, but if FAR establishes to the satisfaction of a court that the consideration being offered for the securities represents fair value, the court must approve the compulsory acquisition on those terms. Flow Energy Shareholders should be aware that if their Flow Energy Shares are compulsorily acquired, they are not likely to receive payment until at least one month after the compulsory acquisition notice is issued by FAR.

6.7 Implications if FAR Acquires Less than 90% of the Flow Energy Shares

In Section 6 of the Bidder's Statement, FAR sets out its intentions if it were to declare the Offer free from the 90% minimum acceptance condition and gain effective control of Flow Energy, but not receive sufficient acceptances to proceed to compulsory acquisition.

FAR has stated that it reserves the right to declare its Offer free from the 90% minimum acceptance condition (or any other condition).

If FAR obtains a majority shareholding in Flow Energy of less than 90%, those Flow Energy Shareholders who do not accept the Offer will become minority shareholders in Flow Energy. This has a number of possible implications, including:

- FAR will be in a position to cast the majority of votes at a general meeting of Flow Energy. This will enable it to control the composition of the Flow Energy Board and senior management, and control the strategic direction of the businesses of Flow Energy and its subsidiaries, subject to the fiduciary duties of the newly composed Flow Energy Board;
- under the Bid Implementation Agreement, if the Offer is unconditional, FAR has voting power of at least 50.1% in Flow Energy and has issued such holders the Offer Consideration, Flow Energy must reconstitute the Flow Energy Board in accordance with FAR's instructions until such time as FAR is entitled to proceed to compulsory acquisition and FAR has expressed the desire to exercise this right; and
- it is possible that, even if FAR is not entitled to proceed to compulsory acquisition of minority holdings after the end of the Offer Period under Part 6A.1 of the Corporations Act, it may subsequently become entitled to exercise rights of general compulsory acquisition under Part 6D.2 of the Corporations Act. For example, this may occur as a result of acquisitions of Flow Energy Shares in reliance on the "3% creep" exception in item 9 of Section 611 of the Corporations Act. If this opportunity arises, FAR has stated that it intends to exercise those rights to the extent it is able to do so.

6.8 Tax Implications

You should note that scrip-for-scrip capital gains tax roll-over relief should be available if you accept the Offer. The tax consequences for you will depend on your individual circumstances.

Section 9 of the Bidder's Statement sets out a general overview of the Australian tax implications of a Flow Energy Shareholder accepting the Offer. You should not rely on it as advice on your own affairs. It does not deal with the position of all Flow Energy Shareholders. You should seek your own independent financial and taxation advice, which takes into account your personal circumstances, before making a decision as to whether or not to accept the Offer for your Flow Energy Shares.

6.9 Foreign Ineligible Shareholders

Flow Shareholders who are Foreign Ineligible Shareholders will not be entitled to receive FAR Shares as consideration for their Flow Shares pursuant to the Offer, unless FAR otherwise determines.

A Flow Shareholder is a Foreign Ineligible Shareholder for the purposes of the Offer if their address as shown in the register of members of FAR is in a jurisdiction other than Australia or its external territories, Canada, Hong Kong, New Zealand or the United Kingdom (being England, Wales, Scotland and Northern Ireland). However, such a person will not be a Foreign Ineligible Shareholder if FAR is satisfied that it is not legally or practically constrained from making the Offer to an Flow Shareholder in the relevant jurisdiction and to issue FAR Shares to such a shareholder on acceptance of the Offer, and that it is lawful for the shareholder to accept the Offer in such circumstances in the relevant jurisdiction. Notwithstanding anything else in this Bidder's Statement, FAR is not under any obligation to spend any money, or undertake any action, in order to satisfy itself concerning any of these matters.

The FAR Shares which would otherwise have been issued to Foreign Ineligible Shareholders will instead be issued to a nominee approved by ASIC, who will sell these shares. The net proceeds of the sale of such shares will then be remitted to the relevant Foreign Ineligible Shareholders. See section 11.7 of the Bidder's Statement for further details.

Section 7: Additional Information

7.1 Flow Energy Directors' Recommendation, Intentions and Interests

In assessing the Offer, your Flow Energy Directors have had regard to a number of considerations, including the information set out in the Bidder's Statement. Based on this assessment and for the reasons set out in this Target's Statement, your Flow Energy Directors' unanimous recommendation to Flow Energy Shareholders is to accept the Offer in the absence of a Superior Proposal.

Each of your Flow Energy Directors intends to accept or procure the acceptance of the Offer in respect of any Flow Energy Shares that they or their Associates own or control or otherwise have a Relevant Interest in.

The number, description and amount of Flow Energy Shares in which each of the Flow Energy Directors has a Relevant Interest are as follows:

Flow Energy Director	Number of Flow Energy Shares held
Phillip Harman	265,000
Catherine Norman	13,465
Nicholas Limb	771,405
Oliver Lennox-King	1,773,274
Harry Wilson	273,274

No Flow Energy Director or other Associate of Flow Energy has bought or sold Flow Energy Shares in the last four months, except as set out below:

Flow Energy Director	Exercise of performance rights	Purchase or Sale of Flow Energy Shares in the last four months
Phillip Harman	200,000 performance rights vested on 2 September 2011 and converted to ordinary shares on 12 September 2011	None
Catherine Norman	500,000 performance rights vested on 2 September 2011 and converted to ordinary shares on 12 September 2011	500,000 shares were sold to a family member of a director on 14 September 2011
Nicholas Limb	200,000 performance rights vested on 2 September 2011 and converted to ordinary shares on 12 September 2011	611,857 shares were sold to a family member on 14 September 2011
Oliver Lennox-King	273,274 performance rights vested on 2 September 2011 and converted to ordinary shares on 12 September 2011	None
Harry Wilson	273,274 performance rights vested on 2 September 2011 and converted to ordinary shares on 12 September 2011	None

No Flow Energy Director has a relevant interest in any FAR Shares or other securities of FAR or any of its related bodies corporate.

There is no agreement made between any Flow Energy Director or and any other person in connection with or conditional upon the outcome of the Offer. No Flow Energy Director has an interest in any contract entered into by FAR or its related bodies corporate.

No benefit has, or will be given to a person in connection with the retirement of a person from a board or managerial office in Flow Energy or a related body corporate of Flow Energy or who holds, or has held a board or managerial office in Flow Energy or a related body corporate of Flow Energy, or a spouse, relative or associate of such a person, in connection with the transfer of the whole or any part of the undertaking or property of Flow Energy.

7.2 Pre-Bid Agreements

FAR has entered into pre-bid acceptance agreements with a number of Flow Energy Shareholders (Pre-Bid Agreements).

Under the Pre-Bid Agreements, certain Flow Energy Shareholders agreed that if FAR publicly announces the Offer at no less than 42.66 FAR Shares for each Flow Energy Share and on conditions no less favourable than the conditions set out in section 11.9 of the Bidder's Statement, those Flow Energy Shareholders will accept the Offer in respect of 4,088,433 Flow Energy Shares within two Business Days of Offer being open for acceptance.

FAR has also been informed by the Flow Energy Directors that he or she intends to accept the Offer in respect of all the Flow Energy Shares he or she holds no later than two Business Days prior to the end of the Offer Period.

7.3 Bid Implementation Agreement, exclusivity and break fee arrangements

As announced on 21 September 2011, FAR and Flow Energy have entered into a Bid Implementation Agreement in relation to the Offer on 21 September 2011. A full copy of the Bid Implementation Agreement was announced by FAR to ASX and is available on the ASX website www.asx.com.au.

Under the Bid Implementation Agreement, Flow Energy entered into an exclusivity and break fee agreement with FAR. The exclusivity arrangements are standard no-shop and no-talk agreements. These arrangements are summarised in Section 10.1 of the Bidder's Statement and are set out in full in the Bid Implementation Agreement.

7.4 Flow Energy Share Trading

Flow Energy Shares are unlisted and are traded by way of a low volume register trading facility established on the Flow Energy website. The last traded price for Flow Energy Shares was \$1.00 on 13 May 2011. The highest, lowest and last sales price of Flow Energy Shares during the six months immediately preceding the date of this Target's Statement based on transfers lodged with Flow Energy and those respective dates of those transfers were:

	Price per Flow Energy Share	Date of trade
Highest	\$1.00	13 May 2011
Lowest	\$1.00	13 May 2011
Last	\$1.00	13 May 2011

7.5 Material changes in financial position of Flow Energy

To the knowledge of each of the Flow Energy Directors, the financial position of Flow Energy has not materially changed since 30 June 2011 (the date on which the most recent management financial statements were prepared), as in the Statement of Financial Position as at that date set out as follows:

	Consolidated entity	
	2011	2010
	\$	\$
CURRENT ASSETS		
Cash and cash equivalents	284,455	1,256,805
Receivables	195,626	105,341
Other current assets	20,552	38,672
TOTAL CURRENT ASSETS	500,633	1,400,818
NON-CURRENT ASSETS		
Plant and equipment	13,978	21,221
Exploration Expenditure	7,706,354	11,285,146
TOTAL NON-CURRENT ASSETS	7,720,332	11,306,367
TOTAL ASSETS	8,220,965	12,707,185
CURRENT LIABILITIES		
Payables	403,013	560,554
Borrowings	100,010	-
Provisions	89,670	114,247
TOTAL CURRENT LIABILITIES	592,693	674,801
NON CURRENT LIABILITIES		
Provisions	52,724	79,119
TOTAL NON CURRENT LIABILITIES	52,724	79,119
TOTAL LIABILITIES	645,417	753,920
NET ASSETS	7,575,548	11,953,265
EQUITY		
Contributed equity	26,372,601	24,802,248
Reserves	527,916	384,378
Accumulated losses	(19,324,969)	(13,233,361)
TOTAL EQUITY	7,575,548	11,953,265

7.6 Other information relevant to the making of a decision by Flow Energy Shareholders

There is no other information material to the making of a decision by a Flow Energy Shareholder whether or not to accept the Offer, being information that is within the knowledge of any of the Flow Energy Directors that has not previously been disclosed to Flow Energy Shareholders, other than as set out in the Bidder's Statement and elsewhere in this Target's Statement.

7.7 Consents and Disclaimers

RFC Corporate Finance Limited and Baker & McKenzie have each given and have not, before the date of this Target's Statement, withdrawn their consent to the inclusion of their names and to all references to them in this Target's Statement in the form and context in which they appear and do not make, or purport to make, any statement in this Target's Statement or any statement on which a statement in this Target's Statement is based and to the maximum extent permitted by law, expressly disclaim and take no responsibility for any part of this Target's Statement.

7.8 Approval

This Target's Statement has been approved by a resolution of the Flow Energy Directors.

Section 8: Definitions

Defined Term	Definition
\$	Australian dollars
Acceptance Form	the transfer and acceptance form enclosed with the Bidder's Statement
ASIC	Australian Securities and Investment Commission
Associate	As set out in the Corporations Act
ASX	ASX Limited (ACN 008 624 691)
Bidder's Statement	The bidder's statement of FAR
Bid Implementation Agreement	The Bid Implementation Agreement between FAR and Flow Energy dated 21 September 2011 a copy of which was announced to ASX on 21 September 2011.
Board	The Board of Directors of Flow Energy
Business Days	a day on which banks are open for business in Perth, excluding a Saturday, Sunday or public holiday
Conditions	The conditions of the Offer as set out in Section 12.9 of the Bidder's Statement
Corporations Act	The Corporations Act 2001
FAR	FAR Limited (ACN 009 117 293)
FAR Share	A fully paid ordinary share in FAR
Flow Energy or Company	Flow Energy Limited (ACN 111 418 270)
Flow Energy Directors or Directors	The directors of Flow Energy.
Flow Energy Shares	A fully paid ordinary share in Flow Energy
Flow Energy Share	A fully paid ordinary share in the capital of Flow Energy
Flow Energy Shareholder	A holder of one of more Flow Energy Shares
Foreign Ineligible Shareholder	a Flow Energy Shareholder whose address as shown in the register of members of Flow Energy is in a jurisdiction other than Australia or its external territories, Canada, Hong Kong, New Zealand or the United Kingdom (being England, Wales, Scotland and Northern Ireland), unless FAR otherwise determines (in its absolute discretion) after being satisfied that it is not unlawful, not unduly onerous and not unduly impracticable to make the Offer to a Flow Energy Shareholder in the relevant jurisdiction and to issue FAR Shares to such a Flow Energy Shareholder on acceptance of the Offer, and that it is not unlawful for such an Flow Energy Shareholder to accept the Offer in such circumstances in the relevant jurisdiction.
Offer	The offer from FAR to acquire all of the Flow Energy Shares as outlined in the Bidder's Statement
Offer Consideration	42.66 FAR Shares for every 1 Flow Energy Share held
Offer Period	the period during which the Offer will remain open for acceptance in accordance with section 11.2 of the Bidder's Statement
Pre-Bid Acceptance Agreement	has the meaning given in Section 10.2 of the Bidder's Statement
Relevant Interest	As set out in the Corporations Act
Register Date	the date set by FAR under section 633(2) of the Corporations Act, being 21 September 2011.
Superior Proposal	As defined in the Bid Implementation Agreement.

Target's Statement	This document.
Unmarketable Parcel	in relation to securities that are listed for quotation on the stock market of a securities exchange means a number of FAR Shares which is less than a marketable parcel of those securities within the meaning of the relevant business rules or listing rules of that securities exchange
Your Shares	<p>subject to section 11.1(h) and section 11.1(i) of the Bidder's Statement the Flow Energy Shares:</p> <p>(a) in respect of which you are registered, or entitled to be registered, as holder in the register of shareholders of Flow Energy at 5.00 pm (Perth) on the Register Date; or</p> <p>to which you are able to give good title at the time you accept this Offer during the Offer Period.</p>

CORPORATE DIRECTORY

Directors

Phil Harman
Catherine Norman
Nicholas Limb
Harry Wilson
Oliver Lennox-King

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Perth WA 6000

Legal Adviser

Baker & McKenzie
Level 19, 181 William Street
Melbourne VIC 3000

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Target's Statement

Your Directors
unanimously recommend that you

ACCEPT

the Offer by
FAR Limited ACN 009 117 293
to acquire all of your Flow
Energy Shares for 42.66
FAR Shares for every 1
Flow Energy Share you
own in the absence of a
Superior Proposal

This is an important document and requires your immediate attention. If you are in any doubt as to how to act, you should consult your financial or legal adviser as soon as possible.