

29 September 2020

Mr Todd Lewis  
Adviser, Listing Compliance (Melbourne)  
ASX

Dear Todd

**Response to ASX Regarding Accounts Query Letter**

FAR Limited refers to ASX's letter dated 21 September 2020 and FAR's subsequent communication with ASX of 23 September 2020 and responds to the questions raised by ASX as set out below.

1. Is FAR able to confirm that in the Directors' Opinion the Half Year Accounts:
- (a) comply with the relevant Accounting Standards; and
  - (b) give a true and fair view of FAR's financial performance and position?

**Yes.**

2. We noted the disclaimer of review conclusion relates to the Auditors' inability to obtain sufficient and appropriate audit evidence to conclude that FAR will have certainty surrounding the sale amount and timing in relation to the disposal of FAR's interest in the Senegal project and have the ability to continue as a going concern. What steps have FAR taken and plan to take since the release of the Half Year Accounts to enable the auditor to provide a review conclusion or audit opinion in regards to its future financial statements?

**The uncertainty expressed by the Auditor relates to the status of the sale process of its interest in the Senegal project and the fact that no sale agreement has been entered into to date. It does not relate to the level of information provided by FAR to the Auditor. As stated in the Directors Report in the Half Year Financial Report, the Auditor has confirmed that full access to management and all relevant information relevant to the half year review has been provided to the Auditor.**

**FAR is continuing to focus on executing a sale of its interest in the Senegal project which would address the key uncertainties of sale price and timing raised by the Auditor, but no agreement has been entered into at this time. Since the date of the Half Year Report the Operator has provided updated forecasts for the October and November cash calls which have both been revised down, see Question 4 for details. Based on this forecast FAR has sufficient cash to cure the default prior to the end of the default period.**

3. Given the disclaimer of review is also in relation to the carrying value of FAR's interest in the Senegal project, please explain how the directors satisfied themselves that the carrying values are appropriate and adheres to the current Australian Accounting Standards. In answering this question, reference should be made to the underlying assumptions used by the directors in coming to this conclusion, as well as any independent valuations and the validity of the assumptions upon which these valuations are based noting that the amount ultimately realised for its interest in the Senegal project could be materially different from its carrying value.

**In determining the recoverable amount of the Senegal project, the Group considered a valuation based on the recent publicly announced sale of Cairn's 40% interest to Lukoil which was subsequently pre-empted by Woodside, on the same terms. A valuation of the asset via a discounted cash flow model was not considered for the 30 June 2020 assessment due to the availability of comparable market-based valuations of the Senegal asset and the sale process currently being undertaken by the Group. FAR states in Note 9 to the Financial Statements that due to the individual circumstances relating to the transaction referred to above and FAR's position in respect of its sale process, any actual sale price may vary materially from the valuation adopted by the Group as at 30 June 2020.**

4. Note 1 to the Half Year Accounts provide that at the maximum 6 month default period FAR would be in default to the amount of approximately US\$56,359,269 excluding interest for its Senegal joint venture funding obligations. Although FAR confirmed it would have sufficient cash to meet the budgeted cash call in the event where the budgeted cash call is significantly more than US\$56,359,269, what steps has FAR taken, or does it propose to take any steps, to raise further cash to fund its operations and debts (including the budgeted cash call) and, if so, what are those steps and how likely does it believe that they will be successful given the uncertainty surrounding the sale of the Senegal asset?

**Please see the response to question 2 above. FAR stated in Note 1a to the Financial Statements that it can pay outstanding and budgeted cash calls until November 2020. As at today's date, the defaulted cash calls total US\$32.03 million, including the September cash call of US\$3.88 million (this cash call became due subsequent to the date of the Half Year Report).**

**Since the date of the Half Year Report, and pursuant to the RSSD Joint Operating Agreement, the Operator has issued the cash call for October (US\$3.18 million) and updated the forecast for the November cash call (US\$11.90 million). FAR's share of the total outstanding and budgeted cash calls to end of November are therefore forecast to total US\$47.12 million. FAR had US\$62.15 million unrestricted cash at hand at 31 August (Note 1a).**

**In addition, FAR's share of the Petrosen reimbursement, following their increase in working interest from 10% to 18%, is US\$5.60 million due in October. In the interim, FAR's focus is selling its interest in the Senegal project to raise cash and relieve itself of the ongoing commitments of the project. FAR remains open to alternate sources of funding including debt or raising equity but views these options as less likely at this time.**

5. Does FAR consider that the financial condition of FAR is sufficient to warrant continued listing on ASX as required under Listing Rule 12.2? In answering this question, please also explain the basis for this conclusion.

**Yes. The market is fully informed about FAR's financial position and its intention to sell all or part of its Senegal asset, and therefore market participants can trade on an informed basis. Investment and divestment of assets is typical of the oil and gas industry. The recent Cairn sale of its interest to Woodside (pre-empting the proposed sale to Lukoil) indicates that the Senegal project is an asset of international appeal. Assuming that FAR successfully executes a sale, FAR expects to progress its remaining projects and may also explore new opportunities.**

6. If the answer to question 5 is "No", please explain what steps FAR has taken, or proposes to take, to warrant continued listing on ASX under the requirements of Listing Rule 12.2.

**Not applicable.**

7. In relation to the Half Year Accounts, did the Board receive the CFO and CEO declaration, as described in section 4.2 of FAR's Corporate Governance Disclosure, that in the opinion of the CFO and CEO, the financial records of FAR have been properly maintained and that the financial statements comply with the appropriate accounting standards and give a true and fair view of the financial position and performance of FAR and that the opinion has been formed on the basis of a sound system of risk management and internal control which is operating effectively?

**Yes.**

8. If the answer to Question 7 is 'no', why did the Board not receive the CEO and CFO declaration as described in section 4.2 of FAR's Corporate Governance Disclosure?

**Not applicable.**

9. What enquiries did the Board make of management to satisfy itself that the financial records of FAR have been properly maintained and that the financial statements comply with the appropriate accounting standards and give a true and fair view of the financial position and performance of FAR?

**There are no known issues in this regard. FAR's board meets regularly and receives regular and updated cash flow forecasts and related financial information. The Audit Committee held formal and informal interactions**

with the Auditor throughout the audit process. The Auditor expressed no concerns with the accounts or adherence to appropriate accounting standards other than those uncertainties already noted related to the sale outcome. Therefore the Board was well placed to satisfy itself that the financial records of FAR have been properly maintained, that the financial statements comply with the appropriate accounting standards and give a true and fair view of the financial position and performance of FAR.

10. Commenting specifically on the disclaimer of review conclusion, does the board consider that FAR has a sound system of risk management and internal control which is operating effectively?

**Yes.**

11. Please confirm that FAR is complying with the Listing Rules and, in particular, Listing Rule 3.1.

**Confirmed.**

12. Please confirm that FAR's responses to the questions above have been authorised and approved under its published continuous disclosure policy or otherwise by its board or an officer of FAR with delegated authority from the board to respond to ASX on disclosure matters.

**Confirmed.**

FAR trusts that the above addresses ASX's queries, and requests that the voluntary suspension of trading in its shares be lifted.

Yours sincerely



Elisha Larkin  
Company Secretary



21 September 2020

Reference: ODIN24440

Ms Elisha Larkin  
Company Secretary  
FAR Limited  
Level 17  
530 Collins Street  
Melbourne VIC 3000

By email:

Dear Ms Larkin

**FAR Limited ('FAR'): Accounts - Query**

ASX refers to the following:

- A. FAR's half year accounts for the half year ended 30 June 2020 lodged with ASX Market Announcements Platform and released on 11 September 2020 ('Half Year Accounts').
- B. ASX notes that the Independent Auditor's Review Report attached to the Half Year Accounts ('Auditor's Report') contains a disclaimer of review conclusion:

**"Basis for Disclaimer of Review Conclusion**

We draw attention to the half-year financial report, which indicates that the consolidated entity incurred a net loss of \$21,238,324 and had a net cash outflow from operating activities of \$11,593,484 during the period ended 30 June 2020. As stated in Note 1, the company has referred to the sale process and need to dispose of its interest in the Senegal project in the going concern disclosure and has also disclosed its interest in the Senegal project and associated liabilities as held for sale at 30 June 2020. The circumstances as at the date of signing this report are such that the sale amount remains uncertain and the timing of the sale cannot presently be determined with an acceptable degree of certainty. These events or conditions, along with other matters set forth in Note 1, indicate that a material uncertainty exists that may cast significant doubt about the consolidated entity's ability to continue as a going concern. We draw attention to Note 9 in the half-year financial report which outlines the approach taken by the company to value its interest in the Senegal project as held for sale as at 30 June 2020 at a carrying value of \$166,045,931. The company has valued its interest in the Senegal project at fair value less cost to sell with reference to an observable transaction in the market. However due to the current stage of the sale process, the amount ultimately realised for its interest in the Senegal project could be materially different from its carrying value.

Given the above, in our opinion, the uncertainties outlined above are so material and pervasive to the half-year financial report that we are unable to express a conclusion on the half-year financial report taken as a whole."

- C. FAR's Corporate Governance Statement for 2019 lodged on the ASX Market Announcements Platform on 31 March 2020 which provides confirmation that FAR complies with recommendation 4.2 of the ASX Corporate Governance Principles and Recommendations which states:

*"The board of a listed entity should, before it approves the entity's financial statements for a financial period, receive from its CEO and CFO a declaration that, in their opinion, the financial records of the*

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*entity have been properly maintained and that the financial statements comply with the appropriate accounting standards and give a true and fair view of the financial position and performance of the entity and that the opinion has been formed on the basis of a sound system of risk management and internal control which is operating effectively.”*

D. Listing Rule 12.2 which states:

*12.2 An entity's financial condition (including operating results) must, in ASX's opinion, be adequate to warrant the continued +quotation of its +securities and its continued listing.*

E. Listing Rule 19.11A which states:

*19.11A If a listing rule requires an entity to give ASX +accounts, the following rules apply.*

- (a) If the entity controls an entity within the meaning of section 50AA of the Corporations Act or is the holding company of an entity, required by any law, regulation, rule or accounting standard, or if ASX requires, the +accounts must be consolidated +accounts.*
- (b) The +accounts must be prepared to Australian accounting standards. If the entity is a +foreign entity the +accounts may be prepared to other standards agreed by ASX.*
- (c) If the listing rule requires audited +accounts, the audit must be conducted in accordance with Australian auditing standards by a registered company auditor. If the entity is a +foreign entity, the audit may be conducted in accordance with other standards agreed by ASX and may be conducted by an overseas equivalent of a registered company auditor.*
- (d) If the listing rule requires +accounts to be reviewed, the review must be conducted in accordance with Australian auditing standards. If the entity is a +foreign entity, the review may be conducted in accordance with other standards agreed by ASX. Unless the listing rule says an independent accountant may conduct the review, it must be conducted by a registered company auditor (or, if the entity is a +foreign entity, an overseas equivalent of a registered company auditor).*
- (e) If there is a +directors' declaration that relates to the +accounts, the +directors' declaration must be given to ASX with the +accounts.*
- (f) If there is a +directors' report that relates to the period covered by the +accounts, the +directors' report must be given to ASX with the +accounts.*

### **Request for information**

In light of the information contained in the Half Year Accounts and the Auditor's Report, and the application of the Listing Rules stated above, please respond to each of the following questions:

1. Is FAR able to confirm that in the Directors' Opinion the Half Year Accounts:
  - (a) comply with the relevant Accounting Standards; and
  - (b) give a true and fair view of FAR's financial performance and position?
2. We noted the disclaimer of review conclusion relates to the Auditors' inability to obtain sufficient and appropriate audit evidence to conclude that FAR will have certainty surrounding the sale amount and timing in relation to the disposal of FAR's interest in the Senegal project and have the ability to continue as a going concern. What steps have FAR taken and plan to take since the release of the Half Year Accounts to enable the auditor to provide a review conclusion or audit opinion in regards to its future financial statements?

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3. Given the disclaimer of review is also in relation to the carrying value of FAR's interest in the Senegal project, please explain how the directors satisfied themselves that the carrying values are appropriate and adheres to the current Australian Accounting Standards. In answering this question, reference should be made to the underlying assumptions used by the directors in coming to this conclusion, as well as any independent valuations and the validity of the assumptions upon which these valuations are based noting that the amount ultimately realised for its interest in the Senegal project could be materially different from its carrying value.
  4. Note 1 to the Half Year Accounts provide that at the maximum 6 month default period FAR would be in default to the amount of approximately US\$56,359,269 excluding interest for its Senegal joint venture funding obligations. Although FAR confirmed it would have sufficient cash to meet the budgeted cash call in the event where the budgeted cash call is significantly more than US\$56,359,269, what steps has FAR taken, or does it propose to take any steps, to raise further cash to fund its operations and debts (including the budgeted cash call) and, if so, what are those steps and how likely does it believe that they will be successful given the uncertainty surrounding the sale of the Senegal asset?
  5. Does FAR consider that the financial condition of FAR is sufficient to warrant continued listing on ASX as required under Listing Rule 12.2? In answering this question, please also explain the basis for this conclusion.
  6. If the answer to question 5 is "No", please explain what steps FAR has taken, or proposes to take, to warrant continued listing on ASX under the requirements of Listing Rule 12.2.
  7. In relation to the Half Year Accounts, did the Board receive the CFO and CEO declaration, as described in section 4.2 of FAR's Corporate Governance Disclosure, that in the opinion of the CFO and CEO, the financial records of FAR have been properly maintained and that the financial statements comply with the appropriate accounting standards and give a true and fair view of the financial position and performance of FAR and that the opinion has been formed on the basis of a sound system of risk management and internal control which is operating effectively?
  8. If the answer to Question 7 is 'no', why did the Board not receive the CEO and CFO declaration as described in section 4.2 of FAR's Corporate Governance Disclosure?
  9. What enquiries did the Board make of management to satisfy itself that the financial records of FAR have been properly maintained and that the financial statements comply with the appropriate accounting standards and give a true and fair view of the financial position and performance of FAR?
  10. Commenting specifically on the disclaimer of review conclusion, does the board consider that FAR has a sound system of risk management and internal control which is operating effectively?
  11. Please confirm that FAR is complying with the Listing Rules and, in particular, Listing Rule 3.1.
  12. Please confirm that FAR's responses to the questions above have been authorised and approved under its published continuous disclosure policy or otherwise by its board or an officer of FAR with delegated authority from the board to respond to ASX on disclosure matters.

#### **When and where to send your response**

This request is made under Listing Rule 18.7. Your response is required as soon as reasonably possible and, in any event, by no later than **9.30am AM AEST Monday, 28 September 2020**. You should note that if the information requested by this letter is information required to be given to ASX under Listing Rule 3.1 and it does not fall within the exceptions mentioned in Listing Rule 3.1A, FAR's obligation is to disclose the information 'immediately'. This may require the information to be disclosed before the deadline set out in the previous paragraph and may require FAR to request a trading halt immediately.

Your response should be sent to me by e-mail at [ListingsComplianceMelbourne@asx.com.au](mailto:ListingsComplianceMelbourne@asx.com.au). It should not be sent directly to the ASX Market Announcements Office. This is to allow me to review your response to confirm

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that it is in a form appropriate for release to the market, before it is published on the ASX Market Announcements Platform.

**Listing Rules 3.1 and 3.1A**

In responding to this letter, you should have regard to FAR's obligations under Listing Rules 3.1 and 3.1A and also to Guidance Note 8 *Continuous Disclosure*: Listing Rules 3.1 – 3.1B. It should be noted that FAR's obligation to disclose information under Listing Rule 3.1 is not confined to, nor is it necessarily satisfied by, answering the questions set out in this letter.

**Release of correspondence between ASX and entity**

We reserve the right to release a copy of this letter, your reply and any other related correspondence between us to the market under Listing Rule 18.7A.

**Questions**

If you have any questions in relation to the above, please do not hesitate to contact me.

Yours sincerely

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**Todd Lewis**  
Adviser, Listings Compliance (Melbourne)