

FIRST AUSTRALIAN RESOURCES LTD

FAR Exposure to West Africa Hot Spot

First Australian Resources Limited ("FAR", "Company") remains the only ASX listed company with exposure to the hydrocarbon potential of the West African margin. Its 90% owned and operated offshore Senegal acreage is one of the few remaining areas where a well has not tested the in-ground potential.

There are significant oil accumulations both to the north and south of Senegal, source has been identified by a deep sea well and seismic indicates potential for both structure and seal. The geological model suggests that high quality reservoir is likely, especially in the fan systems. The controlled source electromagnetic data ("CSEM") recently acquired by Shell in an attempt to de-risk migration and presence of hydrocarbons proved to be inconclusive. This is interpreted to be largely because of the presence of extensive carbonate deposits, which make the interpretation of the CSEM extremely difficult. All of this indicates that substantial potential remains to be tested meaning that there is a good chance that a farmout will be achieved by FAR, in our opinion.

Possible Deal Flow, Timing and Share Price Scenarios

FAR has fallen off the radar for many investors; however, this does not mean that nothing is happening or that the potential for achieving a farm-in has decreased at its Senegal acreage.

Crucial to the desired outcome of testing the multi-billion barrel potential of the acreage with an exploration well is the securing of the right kind of partner. The Company has stated that it will not provide updates to the confidential negotiation process until a deal is finalised; however, we understand that FAR has been engaged by several such parties and is in various stages of negotiations, with some more advanced than others.

Negotiation timing is hard to predict but taking a general view, based on similar historical negotiations by FAR and others, leads us to estimate that newsflow is possible around mid 2010. FAR must undertake a commitment by November 2010 to drill a well sometime in 2011. This timeframe provides the Company leeway in the event that an advanced negotiation falls through.

We estimate that the downside case for FAR if no farmout is achieved is ~3cps (based on cash equivalents, net of the convertible note, of ~A\$15m or 2.3cps).

If FAR achieves a farmout this year, we believe a share price of 15cps is achievable, with 30cps not out of the question as the drilling date approaches. Our price target of 9cps is indicative of our view of the probability of achieving a farmout, which we conservatively estimate as a 60% chance of occurring. We consider this estimate conservative because FAR management has delivered in the past under more stressful conditions in terms of time constraints and during the low oil price environment of the global financial crisis.

The upside case, in the event of a discovery (possible drilling 2011, estimated chance of success 5%), could see a share price in excess of 200cps.

Guinea Bissau Potential Underrated by Market

FAR has recently acquired a 15% interest in 3 blocks, offshore Guinea Bissau. Whilst the political risk is considered high, recent elections have been democratic and there is potential for our view of the risk to improve. One of the blocks contains an existing discovery that may be commercial in the current economic environment and drilling in an adjacent block this year could provide a positive catalyst.

We rate FAR as a Speculative Buy with a 6-month price target of 9cps.

26 Mar 2010

Share Price: \$0.060
6mth Price Target: \$0.09

Brief Business Description:

Explorer / Producer with assets in the USA, Australia, Senegal and Guinea Bissau.

Hartleys Brief Investment Conclusion

Strong balance sheet with cash equiv ~\$19m.
Strong West African exploration position.

Chairman & CEO:

Michael Evans (MD, Chairman)
Colin Harper (Company Secretary)

Top Shareholders:

Citicorp Nominees Pty Limited (2.5%)
National Nominees Limited (2.1%)
HSBC Custody Nominees (Australia) Limited (1.4)

Company Address:

B1 Tempo Building, 431 Roberts Road
Subiaco, WA 6008

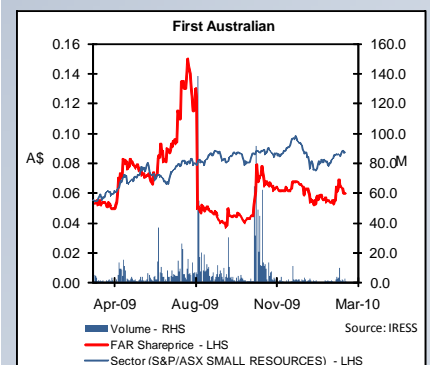
Valuation: \$0.15 - \$0.3
Issued Capital: 658.2m
- fully diluted 736.2m
Market Cap: \$39.5m
- fully diluted \$44.2m
Debt (31 Dec '09): \$0.0m
Cash (est.): \$19.0m

Valuation Summary

Asset	Value \$m	risked cps	unrisked cps
Senegal	93.1	0.13	1.94
North America	26.7	0.04	0.17
Guinea Bissau	14.4	0.02	0.13
Net Cash*	19.0	0.03	0.00
O/heads	- 5.0	- 0.01	- 0.01
Total	148.1	0.21	2.24

\$3m convertible note due Jan 2012

*includes payments due for sale of China assets
Source: Hartleys Research



Authors:

Dave Wall
Oil and Gas Analyst
Ph: +61 8 9268 2826
E: david_wall@hartleys.com.au

Hartleys has provided corporate advice within the past 12 months and continues to provide corporate advice to First Australian Resources Limited. See disclosure on back page for details.

HARTLEYS RESEARCH COVERAGE LIST

Hartleys Research Coverage					Hartleys Research		
Name	Ticker	Last Price*	M. CAP (\$m)	EV (\$m)	Recommendation	Industry	
Oil & Gas							
1.	Woodside Petroleum Ltd	WPL	47.06	36,577	40,755	Buy	Major
2.	Eastern Star Gas Ltd	ESG	0.955	838	784	Ceasing Coverage	Producer / Explorer
3.	Carnarvon Petroleum Ltd	CVN	0.470	323	294	Buy	Producer / Explorer
4.	Nexus Energy Ltd	NXS	0.265	254	435	Speculative Buy	Developer / Explorer
5.	Tap Oil Ltd	TAP	0.995	156	97	Buy	Producer / Explorer
6.	Cooper Energy Ltd	COE	0.510	149	53	Buy	Producer / Explorer
7.	Red Fork Energy Ltd	RFE	0.785	108	80	Buy	Explorer / Producer
8.	Strike Energy Ltd	STX	0.250	82	74	Buy	Explorer / Producer
9.	Amadeus Energy Ltd	AMU	0.210	64	111	Buy	Producer / Explorer
10.	Adelphi Energy Ltd	ADI	0.285	42	36	Buy	Producer / Developer
11.	First Australian Resources Ltd	FAR	0.060	39	20	Speculative Buy	Explorer / Producer
12.	Oilex Ltd	OEX	0.115	25	5	Neutral	Explorer / Producer
13.	Sun Resources NL	SUR	0.070	24	19	Speculative Buy	Explorer / Producer
14.	European Gas Ltd	EPG	0.096	19	84	Speculative Buy	Producer / Explorer
Sub-Total			38,700	42,846			
Resources							
1.	Riversdale Mining Limited	RIV	8.87	1,671	1,403	Speculative Buy	Coal
2.	Atlas Iron Limited	AGO	2.390	1,069	907	Buy	Iron Ore
3.	Western Areas NL	WSA	5.18	927	1,106	No Rating	Nickel
4.	Dominion Mining Limited	DOM	2.610	269	288	Speculative Buy	Gold
5.	Gold One International Limited	GDO	0.285	229	172	Buy	Gold
6.	Silver Lake Resources	SLR	1.140	204	173	Speculative Buy	Gold
7.	Jabiru Metals Limited	JML	0.360	199	174	Buy	Zinc-Copper
8.	Focus Minerals Ltd	FML	0.052	149	141	Speculative Buy	Gold Producer
9.	Intrepid Mines Limited	IAU	0.325	139	92	Speculative Buy	Gold
10.	Magma Metals Limited	MMB	0.690	112	92	Speculative Buy	PGM-Cu-Ni
11.	Peninsula Minerals Ltd	PEN	0.044	61	54	Speculative Buy	Uranium Developer / Explorer
12.	Emmerson Resources Limited	ERM	0.215	44	31	Speculative Buy	Junior Explorer
13.	Shaw River Resources Limited	SRR	0.190	38	31	Speculative Buy	Junior Explorer
14.	YTC Resources Limited	YTC	0.215	35	23	Buy	Junior Explorer
15.	Ferrum Crescent Limited	FCR	0.175	27	25	Speculative Buy	Iron Ore
16.	Ausquest Limited	AQD	0.120	27	1	Speculative Buy	Junior Explorer
17.	Orion Gold NL	ORN	0.032	24	20	Speculative Buy	Gold
18.	Hazelwood Resources Ltd	HAZ	0.225	23	19	Speculative Buy	Junior Explorer
19.	Impact Minerals Limited	IPT	0.165	19	15	Speculative Buy	Junior Explorer
20.	Southern Gold Limited	SAU	0.110	15	11	Speculative Buy	Junior Explorer
Sub-Total			5,201	4,714			
Industrials							
1.	West Australia News Hdgs Ltd	WAN	7.85	1,819	2,094	Buy	Media
2.	Monadelphous Group Limited	MND	15.040	1,294	1,162	Buy	Mining Services
3.	Clough Limited	CLO	0.910	618	679	No Rating	Oil & Gas Services
4.	Macmahon Holdings Limited	MAH	0.710	521	493	Buy	Mining & Civil Construction
5.	Mermaid Marine Australia Ltd	MRM	2.750	512	646	Buy	Oil & Gas Services
6.	Austal Limited	ASB	2.55	480	490	Speculative Buy	Capital Goods
7.	Ausdrill Limited	ASL	2.27	475	697	Buy	Mining Services (Drilling &)
8.	Fleetwood Corporation	FWD	8.580	456	450	Neutral	Consumer & Mining Services
9.	NRW Holdings Ltd	NWH	1.73	435	500	Buy	Mining & Civil Construction
10.	Cash Converters Limited	CCV	0.605	220	177	Buy	Retail & Consumer Finance
11.	Decmil Group Limited	DCG	1.62	198	175	Buy	Mining & Civil Construction
12.	Neptune Marine Ltd	NMS	0.445	193	205	Neutral	Oil & Gas Services
13.	Southern Cross Electrical	SXE	1.40	169	153	Speculative Buy	Mining Services (Electrical)
14.	RCR Tomlinson Ltd	RCR	1.150	152	195	Buy	Mining & Industrial Services
15.	Lycopodium Limited	LYL	3.900	151	136	Buy	Mining & Industrial Services
16.	Index Ltd	IMD	0.690	134	157	Buy	Oil & Gas / Mining Drilling
17.	Swick Mining Services Ltd	SWK	0.430	102	151	Speculative Buy	Mining Services (Drilling)
18.	VDM Group Limited	VMG	0.435	92	124	Buy	Mining & Civil Construction
19.	LogiCamms Limited	LCM	1.00	60	50	Buy	Resource Services
20.	Nomad Building Solutions Ltd	NOD	0.255	35	58	Neutral	Residential & Mining Services
Sub-Total			8,116	8,792			
GRAND TOTAL			52,017	56,352			

Source: IRESS, Hartleys Research. * 26 Mar 2010

HARTLEYS CORPORATE DIRECTORY

Research

Trent Barnett	Head of Research	+61 8 9268 3052
Andrew Muir	Senior Resources Analyst	+61 8 9268 3045
Mike Millikan	Resources Analyst	+61 8 9268 2805
David Wall	Oil and Gas Analyst	+61 8 9268 2826
Nikki Ermongkonchai	Industrial Analyst	+61 8 9268 2837
Janine Hodges	Research Assistant	+61 8 9268 2831

Corporate Finance

Grey Egerton-Warburton	Head of Corporate Finance	+61 8 9268 2851
Richard Simpson	Director Corporate Finance	+61 8 9268 2824
Paul Fryer	Director-Corporate Finance	+61 8 9268 2819
Dale Bryan	Assoc Director-Corp Finance	+61 8 9268 2829
Ben Wale	Manager - Corporate Finance	+61 8 9268 3055
Scott Weir	Corporate Finance Exec.	+61 8 9268 2821

Registered Office

Level 6, 141 St Georges Tce
Perth WA 6000
Australia

Postal Address
GPO Box 2777
Perth WA 6001
Australia

Contact Details

Telephone: +61 8 9268 2888
Facsimile: +61 8 9268 2800
Website: www.hartleys.com.au
Email: info@hartleys.com.au

Note: personal email addresses of company employees are structured in the following manner:
firstname_lastname@hartleys.com.au

Hartleys Recommendation Categories

No Rating	No recommendation.
Buy	Share price appreciation anticipated
Speculative Buy	Share price appreciation anticipated but it is higher risk than a "Buy". For the share price to rise it may be contingent on the outcome of an uncertain or distant event.
Neutral	Take no action. Stock is already trading near the share price target and there are no foreseeable near term catalysts.
Reduce / Take profits	Stock is trading above the share price target and there is a near term negative catalyst that could cause temporary weakness.
Sell	Significant price depreciation anticipated

Disclaimer/Disclosure

The author of this publication, Hartleys Limited ABN 33 104 195 057 ("Hartleys"), its Directors and their Associates from time to time may hold shares in the security/securities mentioned in this Research document and therefore may benefit from any increase in the price of those securities. Hartleys and its Advisers may earn brokerage, fees, commissions, other benefits or advantages as a result of a transaction arising from any advice mentioned in publications to clients.

Hartleys has completed a capital raising in the past 12 months for First Australian Resources Limited ("FAR"), for which it received fees. Hartleys has also provided corporate advice within the past 12 months and continues to provide corporate advice to FAR, for which it has received and continues to receive fees. Hartleys has a beneficial interest in 6,000,000 FAR options. (exercise price 14c expiry 1-March-2011)

Any financial product advice contained in this document is unsolicited general information only. Do not act on this advice without first consulting your investment adviser to determine whether the advice is appropriate for your investment objectives, financial situation and particular needs. Hartleys believes that any information or advice (including any financial product advice) contained in this document is accurate when issued. Hartleys however, does not warrant its accuracy or reliability. Hartleys, its officers, agents and employees exclude all liability whatsoever, in negligence or otherwise, for any loss or damage relating to this document to the full extent permitted by law.

Institutional Sales

Carrick Ryan	+61 8 9268 2864
Justin Stewart	+61 8 9268 2887
Simon van den Berg	+61 8 9268 3062
Steven Boyce	+61 8 9268 2867
Nick Wheeler	+61 8 9268 3053

Wealth Management

Nicola Bond	+61 8 9268 2840
Bradley Booth	+61 8 9268 2873
Adrian Brant	+61 8 9268 3065
Nathan Bray	+61 8 9268 2874
Sven Burrell	+61 8 9268 2847
Simon Casey	+61 8 9268 2875
Tony Chien	+61 8 9268 2850
Travis Clark	+61 8 9268 2876
David Cross	+61 8 9268 2860
Nicholas Draper	+61 8 9268 2883
John Featherby	+61 8 9268 2811
Ben Fleay	+61 8 9268 2844
John Georgiades	+61 8 9268 2887
John Goodlad	+61 8 9268 2890
Andrew Gribble	+61 8 9268 2842
Neil Inglis	+61 8 9268 2894
Murray Jacob	+61 8 9268 2892
Gavin Lehmann	+61 8 9268 2895
Shane Lehmann	+61 8 9268 2897
Steven Loxley	+61 8 9268 2857
Andrew Macnaughtan	+61 8 9268 2898
Christian Marriott	+61 8 9268 2828
Scott Metcalf	+61 8 9268 2807
David Michael	+61 8 9268 2835
Nicole Morcombe	+61 8 9268 2896
Jamie Moullin	+61 8 9268 2856
Chris Munro	+61 8 9268 2858
Michael Munro	+61 8 9268 2820
Ian Parker	+61 8 9268 2810
Ian Plowman	+61 8 9268 3054
Margaret Radici	+61 8 9268 3051
Charlie Ransom (CEO)	+61 8 9268 2868
Elliott Rowton	+61 8 9268 3059
Conlie Salvemini	+61 8 9268 2833
David Smyth	+61 8 9268 2839
Greg Soudure	+61 8 9268 2834
Sonya Soudure	+61 8 9268 2865
Dirk Vanderstruyf	+61 8 9268 2855
Marlene White	+61 8 9268 2806