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Special Edition on FAR
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StockAnalysis

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FAR Cranks Up For Drilling in 2014

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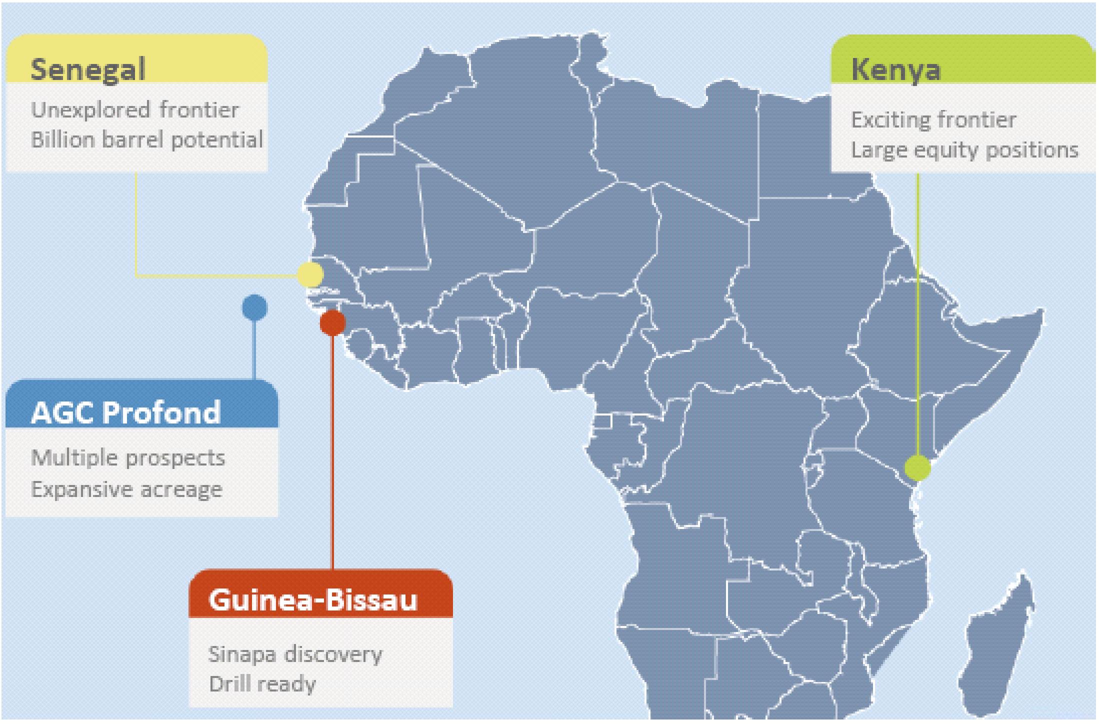
FAR Cranks Up For Drilling in 2014

FAR - Capital Structure		
No of shares	2,500	m.
Options	132.0	m. Av. 5.4 cts
Total	2,632	
Cash (est)	$ 29	m.
Share price	$ 0.037	
Market Cap	$ 93	m.

Recommendation*: *FAR is approaching a period of drilling activity during 2014 that offers significant share price upside on any hint of success. The stock is well capitalised and funded, offering a speculative buy as it continues in a short downtrend to test likely support at 3.4 cents and then has a target of 8 cents during H1 2014, once resistance at 5.5 cents is overcome.



Source: FAR

(Continued on page 2)

Indices and Prices

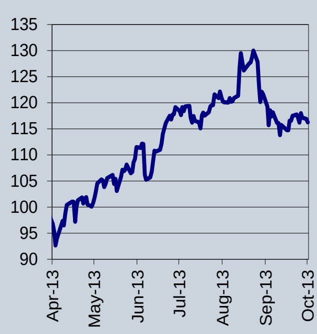
All Ordinaries	5,259.20
Energy Index	14,016.10
Brent AU$/bbl	116.26
AUS$/US$	0.9507

As at Close October 15th, 2013

All Ordinaries

S&P ASX 200 Energy Index

Brent Crude Oil $A/barrel

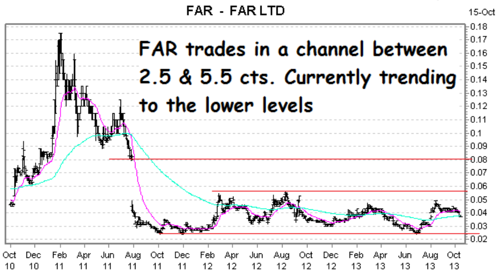


A$/US$

FAR is well capitalised, with cash of about $25 million and a further US$5 million due from Cairn Energy once government approvals are in from Senegal. The stock is well positioned to emulate the successes of Hardman Resources in the early 2000's.

Final costing for two wells in waters offshore Senegal is in preparation. FAR is fully carried to AFE costing for both wells by funding of up to about US$190 million from ConocoPhillips and Cairn Energy, with a retained net revenue interest of 15%. This funding alone represents a look-through value of about 1.3 cps for FAR.

The Senegal coast is still very much a frontier province with no commercial oil found so far. However the presence of world class, excellent source rocks and mid-Cretaceous reservoirs (89 million years old) that have proven to be prolific from offshore Mauritania in the north to Ghana in the south, support a strong case for exploration success.



The first target is expected to be a deep water turbidite (clastics) play in a buried underwater canyon where up to 900 mmbbls of oil is in prospect, but StockAnalysis assesses success with 304 mmbbls of oil. Water depth is around 1,500 metres and the target is about 1,500 metres below mud line. The well will test known sand formations that are seen to outcrop onshore. Sands are known to be prolific and could potentially provide large reservoir volumes with expectations of good reservoir quality characteristics, overlain by sealing mudstone. The target has high amplitude seismic anomalism typical of hydrocarbons in sediments.

The second well, estimated to cost about US$80 million to drill, will target the Lupalupa prospect also in deep water, but slightly shallower at around 900 metres. StockAnalysis evaluates a 154 mmbbl target but around 200 mmbbls is possible. This prospect occurs in a tilted fault block where carbonates are the main targeted reservoir, with seismic data indicating porosity is present, but effective seal is a risk.

Exploration Value Matrix

Well	Equity		Target		POS	Disc'y Value	Risked NPV	Drill Cost	Risked NPV
	Pay	Retain	Pj	mmbbl	%	$/shr	$m	$m	$m
Kenya L6 Tembo *	60%	18%	10	327	9%	0.222	442	0.6	79
Kenya L6 Tembo gas *	60%	18%	800	2	9%	0.009	17	0.6	3
Kenya L6 Kifaru *	60%	18%	10	178	10%	0.121	254	0.6	45
Kenya L6 Kifaru gas *	60%	18%	500	2	10%	0.006	12	0.6	2
Kenya L9 *	30%	9%	800	1	12%	0.004	21	1	1
Senegal Fan	16.7%	15%	0	304	15%	0.172	684	3	100
Senegal Lupalupa	16.7%	15%	0	154	20%	0.087	462	1	68
Senegal Other	16.7%	15%	0	3042	3%	1.719	1,521	125	129
AGC Block	10.0%	8.8%	0	35	15%	0.012	79	7	1
Guinea / Sinapa	21.4%	15%	0	47	30%	0.027	212	16	16
Guinea / Expn	21.4%	15%	0	60	12%	0.034	108	16	0
*** assumes farmout**									

Source: Strachan Corporate

StockAnalysis assesses a net present value for success at both Senegal wells at just over $1 billion for FAR, which compares favourably with its current market capitalisation of $93 million. Discovery value per share takes into consideration the impact of dilution resulting from additional equity required to assess and appraise any hydrocarbons.

Any success offshore Senegal would high-grade several additional prospects for drilling. A programme of appraisal drilling would follow-on, which might involve further low risk farm-out funding by FAR or additional equity issues at a much more favourable share price.

In Kenya, FAR is seeking farm-in support to test the Kifaru carbonate prospect in ~300 metres of water, close to the Kenyan coast. In this region, FAR identifies three possible source rocks with the deepest having produced gas in the Mbawa discovery. Nearer the

(Continued on page 3)

coast, the chances of finding oil from less mature source rocks are thought to be higher. The Kifaru prospect has a primary carbonate target at about 1,800 metres but a deeper sedimentary target at about 3,100 metres which could be tested in the event of encouragement from shallower sediments while drilling.

Risked Value Matrix

Asset	Value $m	$ per Share Dil	$ per Share Undil
Cash (est 12/13)	$ 29	0.007	0.011
New Equity	$ 50	0.013	
Unissued equity	$ 7	0.002	0.003
Other	-$ 13	(0.003)	(0.005)
Sub-total	$ 73	0.018	0.009
Senegal wells	$ 168	0.042	0.064
Kenyan wells	$ 45	0.011	0.017
Other Risked Exploration	$ 225	0.057	0.086
Total Risk adj Target		0.128	0.175

Source: Strachan Corporate

The Kenyan prosects are assessed with a 19% chance of finding hydrocarbons and then a 50/50 chance of either gas or oil.

Underlying value for FAR is limited as the company relies on its risked exploration upside.

StockAnalysis sees an undiluted risked value of about 6 cents per share for Senegal and 1.7 cps for the Kenyan acreage with other projects adding a further 8.6 cents to lift total target risked value to 17.5 cents.

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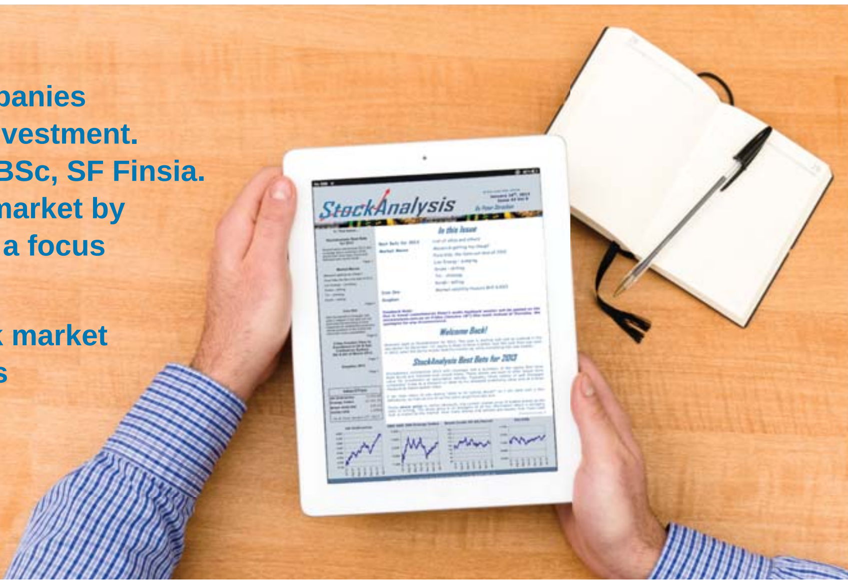

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