

# Why research analysts are gushing about oil and gas explorer FAR Ltd

**Brokers say if just one of several potentially-lucrative wells come in, FAR Ltd's share price will soar.**

Shares in FAR Ltd, the junior ASX-listed oil explorer, could jump to as much as 35c they say thanks to two offshore wells the company is about to drill in the waters off West African oil exploration hotspot, Senegal.

Two prominent London broking firms which follow the stock closely believe the Senegal wells have company-making potential. At the time of going to press, FAR was preparing to drill the first of these.

FAR has close to \$30 million cash in the bank. But the drilling costs in Senegal, which will be up to \$A196 million, are being paid by global petroleum giants ConocoPhillips and Cairn Energy thanks to lucrative farm-out deals completed last year.

FAR also has a farm-out agreement in Kenya with Dubai-based Milio International under which it will be free-carried for the \$30 million cost of a seismic program and well to be drilled at the end of this year.

And FAR is set to drill later this year in Guinea-Bissau, south of Senegal, where it has an oil field called Sinapa. If the Senegal wells make oil discoveries, the potential for success in Guinea-Bissau rises exponentially.

London broker GMP Securities has valued the blue sky in FAR upwards of 35c, describing the company in its latest research note as "the best-funded small-cap explorer in our coverage universe ahead of two fully-carried, high-impact exploration wells".

"Both relative to peers and in an absolute sense, FAR is in a very strong position ahead of its high-impact exploration drilling in Senegal," said Tao Ly, GMP's Head of Oil & Gas Research (Europe).

"FAR, partnered with ConocoPhillips and Cairn Energy, has exposure to two carried exploration wells offshore Senegal targeting 1.5 billion boe of prospective resources with further follow-up potential.

"The two wells offer blue-sky upside of 35c a share."



**"If either of the two Senegal wells is successful then there is around 3.5 billion barrels of follow-up potential in the blocks."** FAR Ltd MD Cath Norman

GMP's view is supported by another London broker, RFC Ambrian, which said it believes FAR shares are worth more than double their current price (~5.5c at the time of going to press).

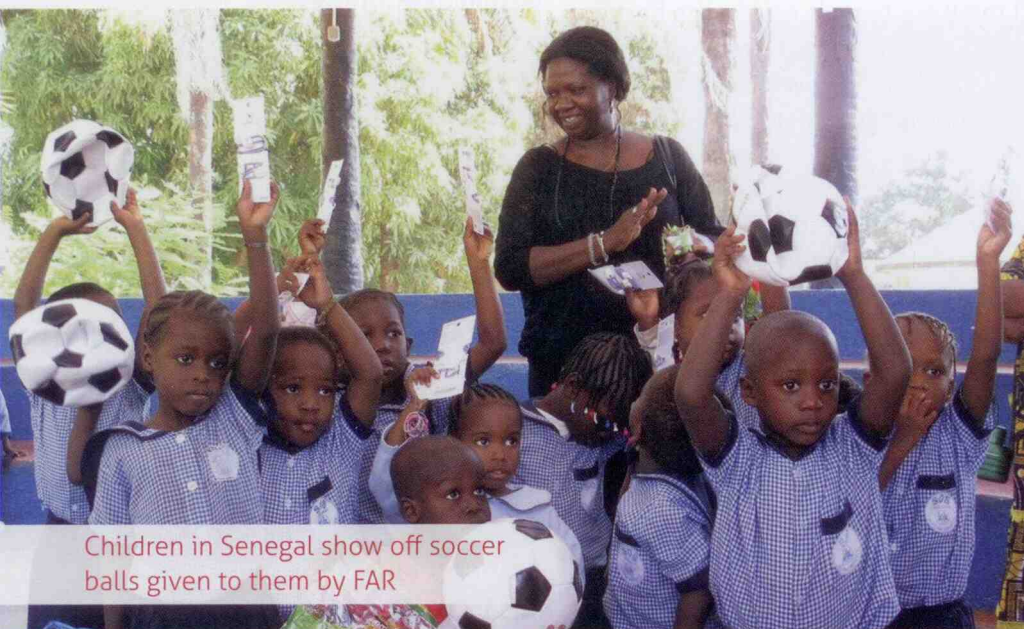
Jonathon Williams, RFC Ambrian oil analyst and commentator, said FAR was currently worth 9.8 cents a share and potentially a lot more if the two imminent offshore oil exploration wells come in.

FAR managing director Cath Norman told Resources Rising Stars: "FAR does not plan to stop at just the current planned wells. If either of the two Senegal wells is successful then there is around 3.5 billion barrels of follow-up potential in the blocks.

"In addition, we are assessing a number of potential exploration acreage acquisitions which could open up a whole new range of opportunities for the company.

"I have been working in Africa for around 20 years and the potential still exists for many new areas to be explored and produce commercial oil and gas. Many countries in Africa have not had any modern exploration and the opportunity is now for nimble junior explorers to secure positions."

In 2013, FAR farmed-out interests in its two offshore Senegal exploration



Children in Senegal show off soccer balls given to them by FAR



The rig that will drill FAR's two potentially lucrative wells in Senegal

permits to ConocoPhillips of the US and Cairn Energy of the UK, leaving FAR with \$30 million cash in the bank and a free-carried interest through the two wells up to a maximum cost of \$196 million.

## Shares in FAR Ltd, the junior ASX-listed oil explorer, could jump to as much as 35c, brokers say...

FAR will retain a 15 per cent working interest in the permits after the wells are completed and so will participate significantly in any success.

In his latest research note, RFC Ambrian analyst Jon Williams said: "The first Senegalese well will test a

900 million barrel (MMbbl) deepwater Cretaceous 'fan' play while the second well will test a ~400MMbbl 'shelf' play ('L' prospect). We reiterate our speculative buy rating on the stock and fair value estimate of 9.8c a share".

In a separate commentary issued to RFC Ambrian clients, Mr Williams went further. "Our analyst, Stuart Amor, met with FAR's managing director Cath Norman recently and he remains very enthusiastic about its projects," he said. "In fact, he tells me that it is one of the most exciting stories out there right now, so take note.

"The group has two blocks offshore Kenya — Blocks L9 and L6. These are north of BG Group's Sunbird-1 well on Block L10-A..... Block L10-A's play (a Miocene reef) extends into FAR's two blocks."

FAR's Kenya exploration blocks extend the company's planned drilling campaign to five wells, virtually back to back, and to be drilled at little cost to the company.

### FAR LIMITED

#### WEB

[www.far.com.au](http://www.far.com.au)

#### STOCK EXCHANGE LISTINGS

ASX: FAR

#### Issued capital

2.50B shares

#### Market capitalisation

\$139.99M at 5.6c