FAR LIMITED

ABN 41 009 117 293

Annual Report 2011

FAR

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ANNUAL REPORT 2011

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CHAIRMAN'S REVIEW

This 2011 review may be my last in the capacity of Executive Chairman of FAR as I am in the process of passing the baton over to a new management team.

I am very proud of FAR's achievements during 2011 which have positioned the Company as arguably the ASX's leading African oil explorer, namely:

- During July 2011, FAR participated in Senegal's and Guinea Bissau's first ever ultra deepwater well, Kora-1, and in doing so established FAR's credentials as a genuine deepwater explorer.
- In November 2011, FAR completed its acquisition of unlisted Flow Energy Limited thereby extending its African portfolio into the now hotly contested East African margin. This diversification provides FAR's shareholders with excellent leverage to exploration in two African frontiers and is a clear demonstration of the "first mover advantage".
- FAR continued its policy of strong financial management and has emerged unscarred from the Greek crisis with a strong balance sheet comprising cash and receivables of $27.6 million. This fiscal management was the cornerstone that enabled FAR to acquire Flow.
- FAR persevered with its pursuit of a Presidential Decree over its Senegalese portfolio and was unwavering in this endeavour. The integrity of the manner in which FAR approached this objective was finally rewarded with the grant of a Decree early 2012.
- FAR achieved a market capitalisation of $200 million for the first time in its history, albeit briefly due to the Kora-1 well outcome and subsequent global meltdown which saw many of our institutional holders experience stock redemptions and a flight from risk.
- In Guinea Bissau, processing and mapping of 1,640 square kilometres of 3D seismic acquired late 2010 across the existing Sinapa oil discovery and several other large prospects and leads has been very encouraging. It is likely that up to two wells will be drilled in Guinea Bissau during 2013.

Following the takeover of Hardman Resources by Tullow Oil PLC in January 2007 the exposure of ASX listed entities to African oil exploration has diminished and yet the story is growing in stature with FAR occupying one of the best exposures to Africa among ASX junior oil explorers.

FAR has one of the largest footprints of any exploration company along the Central Atlantic Margin south of Mauritania and north of Guinea in West Africa, inclusive of companies that have significantly larger market capitalisations.

Our Kenyan acreage lies north along the East African coastline from Mozambique, where Anadarko and ENI have, according to analysts, recently discovered up to 50 trillion cubic feet of gas in the Rovuma Basin. These discoveries have drawn strong interest from international players, keen to get a slice of what looks set to become an LNG hub exporting to Asia. The global interest in Mozambique has spilled over into neighbouring countries including Tanzania and Kenya.

By consolidating its focus on Africa, FAR is highly leveraged to exploration success in two frontiers that are experiencing a significant increase in exploration activity.

One need only look at the impact the Venus-1 well has had in Sierra Leone and the Narina-1 well in Liberia to find a situation analogous to that which FAR might experience should future planned exploration prove successful along FAR's portion of the Central Atlantic Margin of West Africa.

Analysts believe interest in the West African Transform Margin will continue to gain momentum as this region will host one of the largest deepwater exploration programmes in the world with up to 20 wells planned across seven countries in the next 12-18 months.

It is therefore unsurprising that the Atlantic Margin play has gained momentum and the quest for acreage along trend has accelerated. This backed up with the Presidential Decree has boosted FAR's effort to secure a drilling partner in Senegal.

In East Africa, the recent Cove bid by Shell, Ophir's bid for Dominion and Total's farmin on Anardarko's Kenyan acreage, along with continuing gas discoveries on the East African margin, are creating a feeding frenzy generating significant interest in Kenya. These events occurring after FAR's entry into Kenya via the successful FLOW acquisition only serve to highlight the astuteness of FAR's first mover philosophy.

The challenge lies ahead for FAR in Africa and there are no guarantees of success in this high-risk high-reward exploration game. Our shareholders have mandated that we continue along this pathway which offers substantial leverage: we take heart from this backing and the fact that FAR has an established track record of bringing in partners. We also enjoy strong support from our co-venturers including Petrosen, the National Oil

Company of Senegal, and now the Kenyan Ministry of Energy for which we express our gratitude.

FAR continues to be a full member of the Africa Industry Forum in Houston. Participation in this activity gains FAR greater exposure to industry for both new and existing opportunities.

FAR recorded a loss of $12,154,417 during the year mainly attributable to the write off associated with the Kora-1 well.

Immediately prior to writing my Chairman's Review, FAR received US$3 million, representing the second tranche from the sale of its Beibu Gulf interests, offshore China. This event is significant in that it increases the likelihood of an additional final payment to FAR of US$3 million by early 2013.

Oil and gas sales revenues in 2011 were $747,451 versus $1,023,070 in 2010 reflecting continued weakness in North American natural gas prices and natural decline in production as FAR continued to focus capital in Africa.

Details of our forward program are contained in the Operations Review section of the Annual Report and in presentation material that has been lodged with the ASX and is available on our website.

The Directors, staff and consultants both in Australia and overseas continue to work diligently and I thank them for their efforts.

Whilst acknowledging that FAR is where it is today because of the diligence, loyalty and good corporate governance of a very small team based in Perth, backed up by Dr Igor Effimoff in Houston, I would especially like to recognise the efforts of Gogne Seye, FAR's In-country Manager, in securing the Senegalese Decree and June Atling, FAR's Administration Manager, who is leaving us having served the Company with distinction over some 18 years.

Following FAR's acquisition of Flow, I would like to welcome our new Melbourne-based Managing Director, Cath Norman, and technical team. I wish you every success in the future and trust that you will faithfully build on the strong foundation and excellent reputation that FAR has established as a leading African oil explorer.

Finally, on behalf of the Company, I would very much like to thank those shareholders who continue to offer their support. With you, I look forward to the challenge that Africa presents and remain optimistic that FAR will experience success in 2012 and beyond.

Michael Evans
Chairman

OPERATIONS REVIEW

FAR MERGER WITH FLOW ENERGY

On 21 September 2011, the Company announced a merger with Flow Energy Limited ("Flow Energy") by way of a conditional off-market takeover bid by FAR for all of the issued shares in Flow Energy ("Offer").

During November 2011, FAR announced that 93% of Flow Energy shareholders had accepted Offer and declared the Offer unconditional. The compulsory acquisition of the remaining shares was completed on 22 December 2011 giving FAR 100% control of Flow Energy at 31 December 2011.

At 31 December 2011, and the date of this report, there were 2,150,401,164 shares on issue.

As a result of the takeover, FAR has a strong and diversified suite of assets whilst retaining a focus on Africa. In particular, the addition of the high impact Kenyan project has added an East African arm to our portfolio. The recent exploration successes of Anadarko and BG offshore Mozambique and Tanzania have focussed the spotlight on East Africa where Apache is expected to drill its first well in Kenya in mid-2012.

In addition, FAR has augmented its Board of Directors with the addition of Catherine Norman as Managing Director and Nicholas Limb as a Non-Executive Director.

EXPLORATION ASSETS

FAR has a focus going into 2012 to build on our African portfolio where we have considerable expertise and an already large acreage position. Table 1 shows our permit holdings (excluding North America).

Project	Asset	FAR Paying Interest	Operator
AGC	AGC Profond	10%	Ophir Energy
Senegal	Rufisque,	100%	FAR
	Sangomar and		
	Sangomar Deep		
Guinea Bissau	Block 2, 4A, 5A	21.43%	Svenska
Kenya	Block L6	60%	FAR
	Block L9	30%	Ophir Energy
Jamaica	Block 6	50%	Finder Exploration
	Block 7	50%	Finder Exploration
	Block 10	50%	Finder Exploration
	Block 11	50%	Finder Exploration
	Block 12	50%	Finder Exploration
Australia	WA-458-P	100%	FAR
	WA-457-P	100%	FAR
	EP-104/R1	8%	Buru
	L15	12%	Buru
	WA-254-P/WA-47-R	10.71-11.25%	Apache

Table 1. FAR Exploration permits

OFFSHORE WEST AFRICA

FAR has built a strong acreage position in the West African countries of Senegal, Guinea Bissau and the AGC as shown in the following map.

2012 is shaping up to be a landmark year for deepwater exploration generally along the African central Atlantic margin with wells being drilled by Anadarko (Sierra Leone/Liberia), Hyperdynamics (Guinea), African Petroleum (Liberia and Gambia) and Chevron (Liberia). FAR looks forward to bringing in a drill partner to Senegal over the year and drilling in 2013 as well as drilling an appraisal well over the Sinapa field in Guinea Bissau in early 2013.

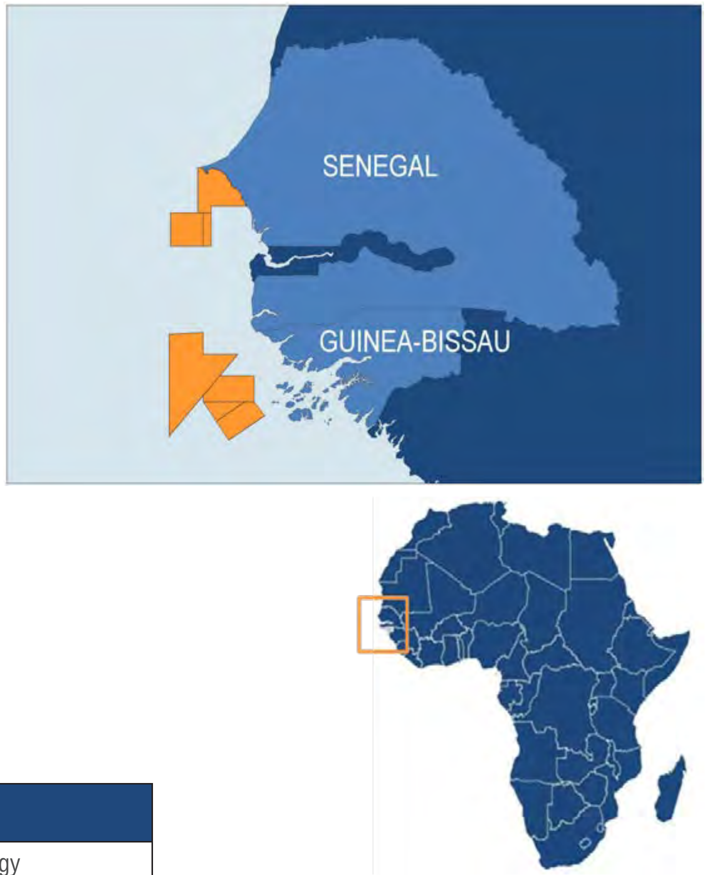

Figure 1. FAR acreage position in West Africa

AGC

AGC PROFOND (FAR 10% paying interest)
OPERATOR: OPHIR ENERGY PLC

Figure 2. The AGC Profond block in the AGC

AGC (Agence de Gestion et de Coopération entre le Sénégal et la Guinée-Bissau) is a joint commission set up by the governments of Guinea-Bissau and Senegal to administer the maritime zone between the two countries.

The Kora-1 frontier exploration well, lying in 2,600 metres of water, was spudded in the north-west corner of the AGC Profond block on 28 June 2011 using the semi-submersible rig Maersk Deliverer. The well was drilled to a total depth of 4,447.5m subsea and plugged and abandoned as an unsuccessful well.

Prior to drilling, the Kora prospect was interpreted as a large toe-thrust structure containing a series of stacked reservoir targets having P50 prospective oil resources of 313 million barrels (RPS estimate). The prospect was supported by a combination of 3D seismic and CSEM data.

The Kora-1 well penetrated the primary and secondary reservoir intervals close to their anticipated depths, but the well encountered a predominantly claystone and thinly bedded limestone sequence rather than the prognosed sandstone reservoir facies. This lack of reservoir rock coupled with no hydrocarbons encountered in the well led to the plugging and abandoning of Kora-1.

Whilst unsuccessful in drilling, the AGC joint venture successfully negotiated a year extension to the PSC and has until 19 September 2012 to integrate the results from the Kora-1 well and review the remaining prospects in the permit before deciding whether to enter the Second Renewal Period of the PSC. This review is expected to be completed in May 2012.

If the joint venture elects to enter the Second Renewal Period of a further two years, there will be an obligation to drill another exploration well.

By participating in the Kora-1 well FAR acquired a 10 percent paying interest in the joint venture.

Figure 3. The Maersk Deliverer

SENEGAL

RUFISQUE, SANGOMAR AND SANGOMAR DEEP OFFSHORE BLOCKS (FAR 100% paying interest)

OPERATOR: FAR

FAR is Operator of the Rufisque, Sangomar and Sangomar Deep Blocks offshore Senegal.

A Presidential Decree issued on 6 February 2012 confirmed FAR's entry into the Second Renewal Period of the PSC for the Senegal permits.

FAR's entry into the Second Renewal Period was welcome following an 18 month application period and we are very pleased to have Petrosen's support in securing the Presidential Decree.

Under the terms of the PSC, FAR will drill a well in the Senegal blocks in the two years from 2 February 2012. In anticipation of entering this Second Renewal Period, FAR has been in discussion with a number of potential farmin partners to join in the drilling of the well. FAR is seeking cost recovery and a free carry for the drilling of this first well.

FAR has acquired one of the largest 3D surveys off the northwest coast of Africa covering an area exceeding 2,000km^2 which has been the key to identifying the main plays in the area. FAR has a prospect inventory over the blocks that contain an estimated gross unrisked OIP (P50) of 2.98 billion barrels and unrisked prospective resources (P50) of 697 million barrels of oil. The competent persons report prepared by Senergy (GB) Limited in November 2011 confirms these estimates.

2012 is shaping up to be a landmark year for deepwater exploration generally along the Central Atlantic Margin with wells being drilled by Anadarko (Sierra Leone/Liberia), Hyperdynamics (Guinea), African Petroleum (Liberia and Gambia) and Chevron (Liberia). FAR looks forward to bringing in a drill partner to Senegal over the year and drilling in 2013.

Figure 4. The FAR Senegalese blocks

GUINEA BISSAU

OFFSHORE BLOCKS SINAPA (BLOCK 2) AND ESPERANCA (BLOCKS 4A & 5A)

(FAR 21.43% paying interest)

OPERATOR: SVENSKA

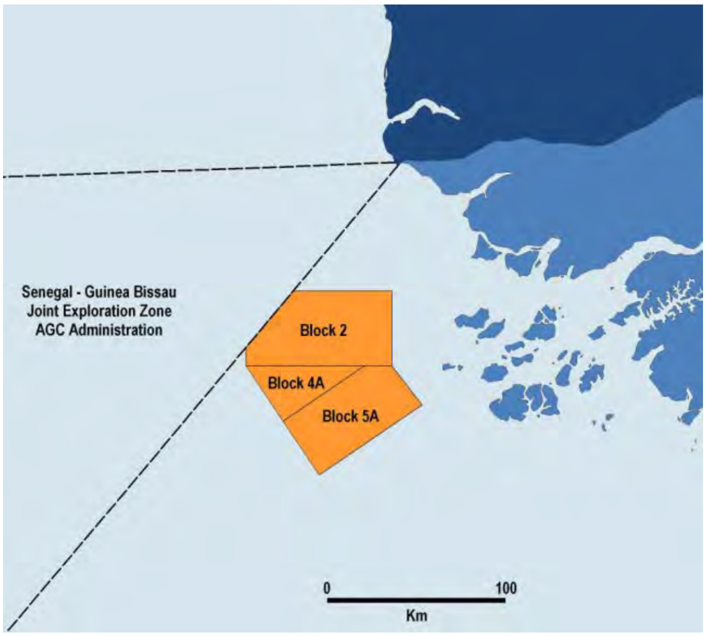

Figure 5. The FAR Guinea Bissau blocks

The Sinapa (Block 2) and Esperanca (Blocks 4A and 5A) offshore licences, as illustrated in the above map, cover an area of approximately 5,832km^2 and lie in water depths ranging from 10 metres to in excess of 1,000 metres. Immediately to the north lies the billion barrel Dome Flore discovery.

The Licences include the Sinapa oil discovery in 30 meters of water depth estimated to have a estimated gross unrisked OIP (P50) of 111 million barrels and several large untested prospects including the Sardinha prospect estimated to have gross unrisked OIL (P50) potential of 465 million barrels (Senergy Competant Persons Report Nov 2011).

The Licences are currently in Phase 1 of the exploration term, which has been extended by presidential decree for two years to 25 November 2012. A further optional four year Phase 2 exploration period has a work commitment that includes a single exploration well.

During the year processing and interpretation of the 3D seismic data acquired in 2010 continued with the objective of better defining the existing Sinapa discovery and several other large prospects and leads on the licenses.

Preliminary interpretation of data supports the case for future appraisal drilling along the north-west flank of the Sinapa Dome and an exploration well to be selected from within the prospect inventory on the Blocks.

The timing and extent of any drilling is subject to further review which is expected to be presented mid 2012.

Figure 6. 3D Seismic acquisition offshore Guinea Bissau

SINAPA OIL DISCOVERY

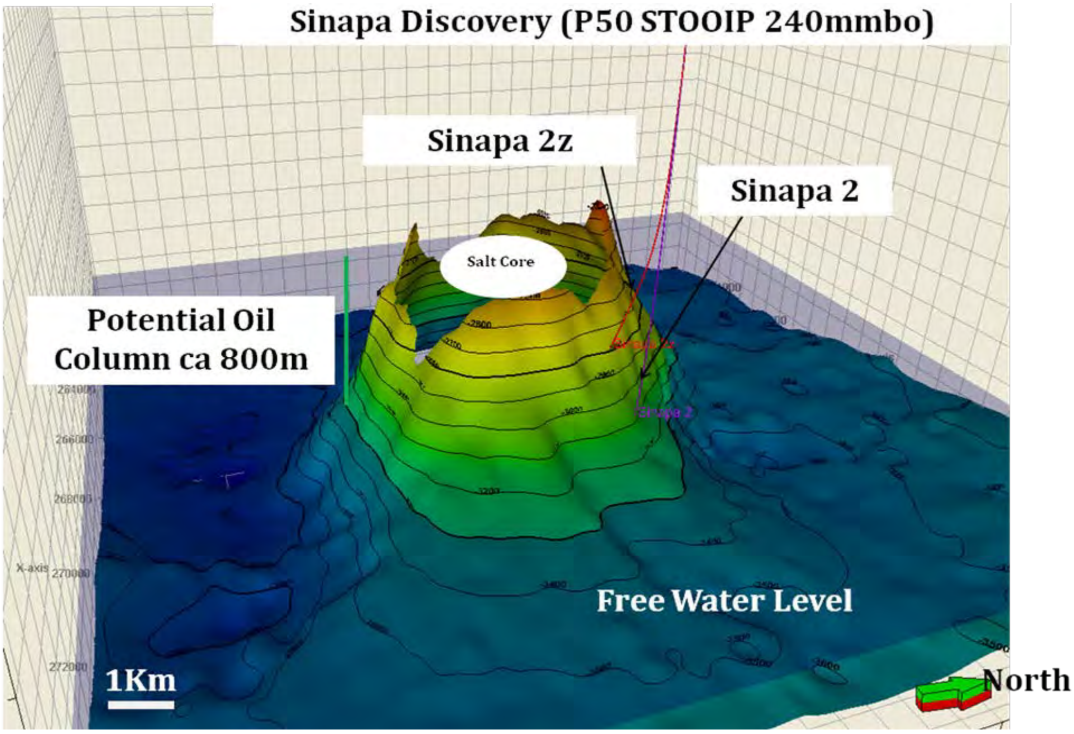

Figure 7. Premier Oil model of the Sinapa oil field

The Sinapa-2 and subsequent appraisal wells drilled by Premier Oil in 2004 confirmed the Sinapa oil discovery, defining a potential oil column in excess of 500 metres within steeply dipping beds flanking the Sinapa salt diapir; however reservoir quality and structuring issues will need to be thoroughly appraised and understood utilising further seismic and later drilling before any declaration of commerciality can be made.

Svenska has conducted an assessment of various low cost development options for the Sinapa oil discovery in 30 metres of water depth. Using basic design data, a series of well management, gas handling and product export options have been considered leading to consideration of the use of Mobile Offshore Production Units (MOPU) or Dry Trees with fixed platform topsides processing tied back to an FPSO. Several of these development options appear attractive and will be tabled to the joint venture later in 2012.

OFFSHORE EAST AFRICA

KENYA

FAR's Kenyan assets are located in the Lamu Basin, Kenya, and the permit names are Block L6 and Block L9.

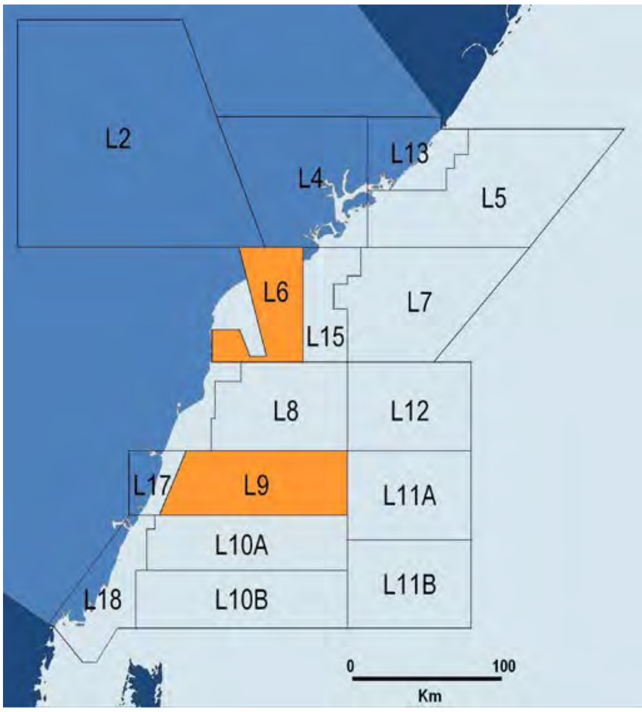

Figure 8. Offshore Lamu Basin, Kenya licences

BLOCK L6 (FAR 60%)
OPERATOR: FAR

FAR is the operator of Block L6 and holds a 60% equity interest in the block.

The block covers an area of 3,134km2 in water depths ranging from zero to 350m. FAR has mapped seven prospects to date on 2D seismic and a 3D seismic program is planned for Q2 2012 with a first well targeted to be drilled in Q2 2013.

FAR modelling of these prospects and a subsequent competent persons report prepared by RISC, estimates gross unrisked OIP (P50) of 5.39 billion barrels of oil equivalent and unrisked prospective resources (P50) of 1,378 million barrels of oil equivalent for L6. Estimates are based on 70% gas and 30% oil.

BLOCK L9 (FAR 30%)
OPERATOR: OPHIR ENERGY

In March 2011 Dominion Petroleum Kenya Limited (recently acquired by Ophir Energy plc) and its partners, including Flow Energy (now FAR), were awarded Block L9, offshore Kenya. The block covers an area of 5,100km2 in water depths ranging from 300m to 1,400m.

Ophir Energy plc completed a takeover of Dominion Petroleum in January 2012 and will operate the L9 voint venture in which FAR has a 30% interest. The JOA and Deeds of Assignment remain in the process of being finalised.

Block L9 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 L9.

To date no resource estimates have been prepared for L9.

The initial exploration period of the PSC will last for two years. During this time, the acquisition of 500km2 of 3D seismic data is required in the second year. After this initial period, there is an option to commit to another two year exploration period with an obligation to drill one well in that time.

The past year has seen a period of increased activity in Kenya, with Total acquiring a 40% stake in 5 offshore exploration blocks in the Lamu Basin operated by Anadarko. This farmin followed unprecedented drilling success by Anadarko, BG, ENI and Statoil off the relatively underexplored East African margin in Mozambique and Tanzania.

The Apache Energy led JV will be drilling the first well offshore Kenya following this wave of successes in mid-2012. The well will be drilled in Block L8 between the FAR Block L6 and Block L9. It will be a significant well for proving the existence of a petroleum system and the plays that exist in the Lamu Basin, offshore Kenya.

CHINA

BEIBU GULF BLOCK 22/12
OPERATOR: ROC

In 2009 FAR executed a Sale Agreement in respect of its 5% interest in the Beibu Gulf Block 22/12 Joint Venture.

Under the terms of the Agreement, the sale price of US$8 million is payable in three tranches.

1. US$2 million was received during April 2009.
2. US$3 million upon approval of an Oilfield Development Program ("ODP") or if commercial development of the project proceeds.
3. US$3 million once the project has produced 1 million barrels of oil (gross).

FAR received the second tranche payment on 7 March 2012.

Development activity on the project has commenced and the Operator has reported that they anticipate first oil production by the end of 2012.

NORTH AMERICA

During the year FAR has continued with its strategy of limiting expenditures in North America to the maintenance of current production to allow capital to be focussed on its core assets in Africa.

The 2011 year saw continued weakness in North American natural gas prices while FAR's share of production fell as a result of natural decline.

Oil sales during the year were 5,478 barrels (2010 – 6,210 barrels) for an average of 15 barrels per day at an average price of US$96.33 per barrel (2010 - US$77.18 per barrel) before production taxes. Gas sales during the year were 47.5 million cubic feet (2010 – 98.7 million cubic feet) or an average of 130 thousand cubic feet per day at an average price of US$4.16 per thousand cubic feet (2010 - US$4.67 per thousand cubic feet) before production taxes.

The following table records an assessment of estimated recoverable reserves, effective 31 December 2011, provided by Coutret and Associates, independent USA based petroleum engineers.

	OIL (bbls)	GAS (BCF)
Gross	399,567	8.12
Net	28,764	0.35

Figures shown are in the proven category according to the accepted definitions of the Society of Petroleum Engineers in the USA and basically conform to the definitions used by the United States Securities and Exchange Commission.

JAMAICA

BLOCKS 6,7,10,11 and 12 (FAR 50%)
OPERATOR: FINDER EXPLORATION

FAR's Jamaican project is located in the Walton Basin, Jamaica, and is owned by the Jamaica Joint Venture (JJV).

FAR is a 50% equity partner in the JJV, with the other partner, and operator, being Finder Exploration Pty Ltd.

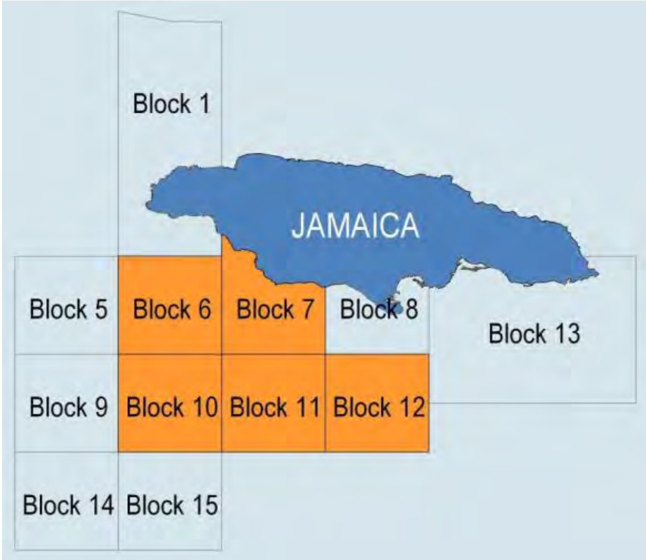

Figure 9. The offshore Walton Basin, Jamaica licences

The JJV holds 5 licences covering an area of 14,335 km2 in water depths of up to 2,000m.

New 2D seismic and FALCON® Airborne Gravity Gradiometer data were acquired in 2006 and all relevant pre-existing 2D seismic data in the area has been reprocessed.

The JJV has mapped leads and prospects in the acreage and is currently seeking a partner for drilling, with the first well due before Q4 2013.

A competent persons report prepared by RISC, estimates gross unrisked OIP (P50) of 7.95 billion barrels and unrisked prospective resources (P50) of 1.95 billion barrels of oil equivalent for Jamaican interests. Estimates are based on 50% gas and 50% oil.

AUSTRALIA

As a result of FAR's continued focus on its African exploration, activity in Australia has been kept to a minimum in the current year.

WA-457-P AND WA-458-P OFFSHORE CARNARVON BASIN (FAR 100%)
OPERATOR: FAR

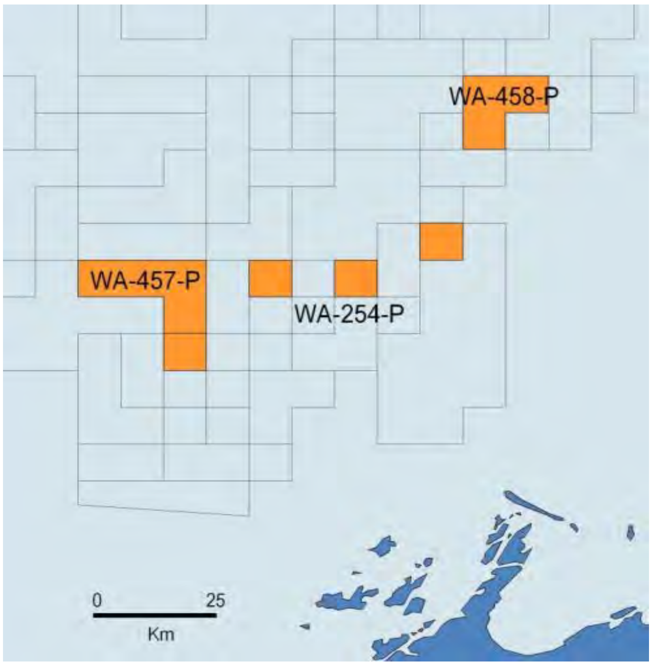

Figure 10. FAR's exploration permits in the Dampier Sub-Basin, North West Shelf of Australia

In July 2011 Flow Energy was awarded the WA-457-P and WA-458-P permits for offshore petroleum exploration in the Dampier Sub Basin in Western Australia. Following the takeover of Flow Energy, FAR now holds 100% of both blocks.

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.

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.

WA-254-P / WA-47-R - OFFSHORE CARNARVON BASIN (FAR 10.71 – 11.25%)
OPERATOR: APACHE

WA-254-P comprises 4 graticular blocks and covers 324 square kilometres within the highly prospective offshore Carnarvon Basin on Australia's North West Shelf. The Apache Energy ("Apache") operated Legendre Oilfield lies in close proximity to the north of the permit and the proposed Reindeer Gas Project lies to the south.

The permit has been covered by a multi-client 3D survey conducted by PGS Exploration in the Dampier Sub Basin, offshore Western Australia.

During February 2012, FAR was advised by the National Offshore Petroleum Titles Administrator that it had granted a 5 year Retention Lease (WA-47-R) over the Sage Pool Location (Graticular Block number 3341). The Sage Pool location formed part of the area encompassed by Exploration Permit WA-254-P.

The Retention Lease includes the Sage oil pool discovered in April, 1999. Sage 1 discovered three stacked oil columns.

Calculated reserves for the M.australis Sandstone in the Sage Pool range from 1.8 (P90) to 4.8 (P10) MMBO, with a P50 reserve estimate of 3 MMBO. Calculated reserves for the P.burgeri Sandstone in Sage Pool are 0.2 MMBO (P50). Calculated reserves for the Angel Formation in Sage Pool are 0.4 MMBO (P50).

Apache, as operator of the WA-47-R Retention Lease, plans to undertake reservoir engineering, facilities and geotechnical studies aimed at determining schemes to economically develop the oil reserves at Sage Pool. Development schemes may include a tie back to other Apache operated facilities, a stand alone FPSO, or utilization of the oil production facilities at Wandoo Field operated by Vermillion.

During the year FAR, together with other minority partners continued an equity divestment program designed to market a significant interest (29.8 percent) in the Sage Oilfield.

During the year, Apache, on behalf of the Joint Venture has requested that the WA-254-P year 5 work commitment of one exploration well is varied to Geological Studies. The exploration permit expiry date is 11 May 2012.

EP 104/R1 - CANNING BASIN (FAR 8%)
OPERATOR: BURU ENERGY LTD

During December 2011, the King Sound AirborneGravity Gradiometry survey was acquired. This was combined with a High Resolution Aeromagnetics and Digital Terrain model survey and was undertaken as a permit commitment prior to a relinquishment in January 2013. The work is considered crucial in determing which blocks will be retained for future exploration.

The Stokes Bay-1 well drilled in 2007 encountered gas bearing sands within the lower Anderson Formation over the intervals 2,455 to 2,470 metres and 2,510 to 2,535 metres with minor oil shows that were not tested. A Program to further evaluate these intervals is yet to be agreed but may be considered by the EP104/R1 Joint Venture in 2012.

A co-venturer, Empire Oil & Gas NL, has reported it considers there is potential for recoverable gas of 100 Billion Cubic Feet at Stokes Bay.

L15 – CANNING BASIN (FAR 12%)
OPERATOR: BURU ENERGY LTD

The L15 production licence (previously referred to as the West Kora application) was granted for a term of 21 years from 1 April 2010.

Production Licence L15 consists of two graticular blocks 6054 and 6126 and is located nearby the Point Torment-1 gas discovery and Stokes Bay.

West Kora-1 is a completed oil well, which has the potential to be placed back on production to the existing West Kora-1 Tank Farm.

T/18P BASS BASIN (FAR 0.09375% OVERRIDING ROYALTY)
OPERATOR: ORIGIN

The Company holds an overriding royalty on the T/18P exploration permit located offshore Tasmania in the Bass Basin. The Bass Basin is located to the east of the Gippsland Basin, historically the largest producing oil and gas area in Australia.

As a royalty holder, FAR does not receive information on activities within the block and relies on public domain information.

FAR has notified each of the current participants of the royalty interest and is awaiting confirmation of acknowledgement. FAR is in receipt of correspondence from SAGASCO (now Origin Energy Resources Limited, Operator of the T18P joint venture) accepting liability in respect of its obligation under the Deed.

CORPORATE GOVERNANCE STATEMENT

Australian Securities Exchange Listing Rule 4.10.3 requires companies to disclose the extent to which they have complied with the best practice recommendations of the ASX Corporate Governance Council.

This statement summarises the corporate governance practices adopted by the Board of Directors and their compliance with the Corporate Governance Principles and Recommendations. Where a best practice recommendation has not been followed, the non-compliance has been noted and a justification provided.

FAR Limited's ("FAR") objective is to achieve the best practice in corporate governance commensurate with the Company's size, its operations and the industry within which it participates.

The Company and its controlled entities together are referred to as FAR in this statement.

PRINCIPLE 1

LAY SOLID FOUNDATIONS FOR MANAGEMENT AND OVERSIGHT

The Board operates in accordance with the broad principles set out below.

Role of the Board

The Board is responsible for corporate strategy, implementation of business plans, allocation of resources, approval of budgets and capital expenditure, and the adherence to Company policies. The Board is also responsible for compliance with the Code of Conduct, overseeing risk management and internal controls, and the assessment, appointment and removal of senior executives and the company secretary.

Evaluation of Executive Performance

A review of executive performance is conducted by the Managing Director on an annual basis and a report made to the full Board.

PRINCIPLE 2

STRUCTURE THE BOARD TO ADD VALUE

Board Composition

The Board comprises three independent non-executive directors and two executive directors in compliance with ASX Best Practice Recommendations that the Board should consist of a majority of independent directors.

Director's Independence

The Board has based its determination of a Director's independence on the criteria specified in the ASX Best Practice Recommendations. The Board considers that the non-executive directors, Mr C L Cavness, Mr A E Brindal and Mr N J Limb satisfy the criteria in that they:

- Are not substantial shareholders of the Company.
- Have not been employed in an executive capacity within the last three years, with the exception of Mr A E Brindal who has served as Joint Company Secretary during this period. The Board is satisfied that this has not impaired his independence.
- Have not been a principal of a material professional advisor within the last three years.
- Are not a material supplier or customer of the Company.
- Do not have a material contractual relationship with the Company.
- Have no other interests or business relationships likely to materially interfere with the director's ability to act in the best interests of the Company.

In addition, to facilitate independent decision making, each director of the Company has the right to seek independent professional advice in the furtherance of their duties as directors at the Company's expense provided they notify the Company beforehand.

The constitution of the Company provides that directors shall not retain office for more than three calendar years or beyond the third annual general meeting following election without submitting to re-election by shareholders.

Details of the members of the Board, their skills, experience, expertise, qualifications and length of service are set out in the Directors' Report.

Chairman

ASX Best Practice Recommendation 2.2 provides that the chair should be an independent director. The role of Chairman is held by Mr M J Evans, an executive director.

Given that it is the view of the ASX Corporate Governance Council that an executive chairman is not able to provide an independent review of the performance of management, the Board has:

- Established clear protocols for handling conflicts of interest.
- Provided the opportunity for the non-executive directors to meet without any executive present on an annual basis on the day of the AGM and encouraged discussion between non-executive directors at any other time as required.
- Established an undertaking to review this position annually.

Nomination Committee

The Board does not have a separate nomination committee. ASX Best Practice Recommendation 2.4 provides that the Board should establish a nomination committee notwithstanding recognition that for smaller Boards, the same efficiencies may not be apparent from a formal committee.

In the absence of a nomination committee the full Board of FAR undertakes an annual review of its size and composition to ensure an appropriate mix of expertise and experience. The current Board has significant experience within the resources sector. Where a vacancy exists, for whatever reason, or where it is considered that the Board would benefit from the services of a new director with particular skills, the Board will select appropriate candidates with relevant qualifications, skills and experience.

Meetings

The Board aims to hold at least four formal meetings in each calendar year corresponding where practical with the release to the ASX of the Quarterly Activity Reports. The number of meetings held is disclosed separately in the Directors' Report.

Performance Evaluation

A performance review is conducted by the full Board on an annual basis.

PRINCIPLE 3

PROMOTE ETHICAL AND RESPONSIBLE DECISION MAKING

Code of conduct

The Company has a corporate code of conduct ("code") that has been fully endorsed by the Board and applies to all Directors and employees. The code is evolving with the Company and is updated as necessary to ensure it reflects an appropriate standard of behaviour and professionalism to maintain confidence in the Group's integrity.

In summary, the code requires that at all times all Company personnel act with the utmost integrity, objectivity and in compliance with the letter and the spirit of the law and Company policies.

The Company's policy in relation to dealings in the Company's securities applies to Directors, employees and consultants. Any intended market transactions must be notified to the Chairman in advance to ensure that the market remains fully informed at all times prior to any contemplated transaction. The code and the Company's share trading policy are discussed with new employees.

Diversity

ASX Best Practice Recommendations 3.2 to 3.4 deal with diversity and provide that companies should establish a policy concerning diversity and disclose performance against measurable objectives for achieving gender diversity together with disclosures on the proportion of women within the organisation. The Company is not currently in compliance with these recommendations as the Board is comfortable that the Company already has an appropriate approach to encouraging workplace diversity without the need for a formal policy.

In November 2011, the Company appointed Ms C M Norman as its first female Managing Director.

PRINCIPLE 4

SAFEGUARD INTEGRITY IN FINANCIAL REPORTING

Audit Committee

Recommendation 4.1 provides that the Board should establish an audit committee. The Board of FAR has not formed an audit committee and has formed the view that it is more efficient for the Board as a whole to deal with matters that would otherwise be dealt with by an audit committee. The Board has, however, taken the following steps to safeguard the integrity of financial information:

- The Chief Financial Officer is required to state in writing to the Board that the Company's financial reports present a true and fair view, in all material respects, of the Company's financial condition and operating results and are in accordance with relevant accounting standards.
- The Chief Financial Officer is formally qualified in the field of financial reporting and is a member of the Institute of Chartered Accountants of Scotland.
- Personnel responsible for generating financial reports within the group must hold appropriate tertiary qualifications in the field of accounting and finance and are required to undertake continuing professional education.
- The Board has established an undertaking to review the need for an Audit Committee on an annual basis.

PRINCIPLE 5

MAKE TIMELY AND BALANCED DISCLOSURE

The Company has written policies and procedures on information disclosure that focus on continuous disclosure of any information concerning the group that a reasonable person would expect to have a material effect on the price of the Company's securities. These policies and procedures also include the arrangements the Company has in place to promote communication with shareholders and encourage participation at general meetings.

The Managing Director and Company Secretary have been nominated as persons responsible for communications with the ASX. This role includes responsibility for ensuring compliance with the continuous disclosure requirements in the ASX Listing Rules and overseeing and co-ordinating disclosures to the ASX, analysts, brokers, shareholders, the media and the public.

During the drilling of a well the Company's policy is to report progress at least weekly, unless otherwise prohibited, and where possible to provide immediate release of any significant well data.

ASX releases are posted on the Company's website as soon as practical after receiving ASX acknowledgement of release to the market.

PRINCIPLE 6

RESPECT THE RIGHTS OF SHAREHOLDERS

All shareholders who request one receive a copy of the Annual Report. In addition electronic communication is readily accessible to shareholders who may register their email address via a mechanism on the Company's website.

In addition to the Annual Report, information is communicated to shareholders through:

- Continuous disclosure in the form of public announcements to the ASX.
- Quarterly reports announced to the ASX.
- Investor briefings and presentations.
- Notices of all meetings of shareholders and explanatory notes as applicable to resolutions.
- Publication of the above material on FAR's website.

Shareholders are invited to ask questions at the Annual General Meetings.

PRINCIPLE 7

RECOGNISE AND MANAGE RISK

The Board defines risk to be any event that, if it occurs, will have a material impact on the ability of the Company to achieve its objectives. Risk is considered across the financial, operational and organisational aspects of the Company's affairs. As a practical matter, active projects and drilling and completion reports are discussed between Board members on a regular basis.

Where exploration and associated financial risk is assessed as high, the Company has an established policy of farming out risk to other industry participants. In certain instances risk is contained at the front end by requiring exploration wells to be based on turnkey contracts, particularly where deep targets or over pressured environments are present.

Given the early stage of development, the financial and organisational risks are considered moderate as there are simple financial and organisational structures in place. Success of the Company is dependent upon exploration success and continued funding of exploration activities.

The Company has tenements in foreign jurisdictions including Africa, Jamaica and North America. There are risks that arise in relation to the conduct of exploration activities in these foreign jurisdictions which the Company has identified and for which it has internal policies and procedures. The Company, in accordance with its corporate code of conduct, complies with all legal requirements of any jurisdiction in which it operates.

The Company is a junior resource entity at the exploration and early growth stage. Exploration for oil and gas is a high risk undertaking. Accordingly, the investment risk profile of the Company is high and investment in the Company is considered to be speculative.

ASX Best Practice Recommendation 7.1 provides that the Board should establish policies on risk oversight and management.

The Company does not have formal written policies on risk oversight and management. However, as a matter of practice, the Board is responsible for risk oversight and management. Day to day responsibility is delegated to the Managing Director who is responsible for:

- Identification of risk;
- Monitoring risk;
- Communication of risk events to the Board; and
- Responding to risk events, with Board authority.

Prior to the directors making the Directors' Declaration in the financial report, the Chief Executive Officer and Chief Financial Officer are required to state to the Board in writing that the Company's risk management and internal compliance and control system is operating efficiently and effectively in all material respects in relation to financial reporting risks.

PRINCIPLE 8

REMUNERATE FAIRLY AND RESPONSIBLY

Remuneration Policy

FAR's remuneration policy is disclosed in the Remuneration Report included in the Directors' Report.

The broad policy calls for executives to be remunerated on terms that are competitive with those offered by entities of a similar size within the same industry. Executive and staff remuneration packages are reviewed annually by the Executive Chairman and Managing Director and allowance is made as a minimum for CPI adjustment to maintain purchasing power. Executive Director remuneration is determined by the Remuneration Committee within the limits approved by shareholders. See below for further details.

As an exploration Entity, performance outcomes are uncertain, notwithstanding endeavour. As such remuneration packages are not linked to profit performance. Present policy is to reward successful performance via incentive options that are priced on market conditions at the time of issue.

Disclosure of Remuneration

FAR follows the practice of disclosing the amount of remuneration and all monetary and non-monetary components for each director and executive during the reporting period.

Remuneration Committee

Recommendation 8.1 provides that the Board should establish a remuneration committee. The Board has established a Remuneration Committee for the purpose of reviewing and establishing Executive Director remuneration.

Recommendation 8.1 suggests that the Remuneration Committee should be responsible for setting all senior executive remuneration and incentives. At this stage it has been agreed by the Board that the Executive Chairman and Managing Director remain best placed to determine remuneration levels for executives and staff and as such these are excluded from the scope of the Remuneration Committee at the current time.

The Board has established an undertaking to review the responsibilities of the Remuneration Committee on an annual basis and following the changes to the Board resulting from the acquisition of Flow Energy Limited, the composition of the Remuneration Committee and the scope of its remit will be revisited during 2012.

Recommendation 8.2 provides that the Remuneration Committee should be structured so that it consists of a majority of independent directors; is chaired by an independent chair; and has at least three members. At present, the Remuneration Committee members are Mr A E Brindal and Mr C L Cavness, who are both non-executive directors. Mr A E Brindal is the Chairman of the committee. As noted above, the composition of the Remuneration Committee will be reviewed during 2012.

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DIRECTORS' REPORT

The directors of FAR Limited submit herewith the Annual Financial Report for the year ended 31 December 2011. In order to comply with the provisions of the Corporations Act 2001, the directors report as follows:

DIRECTORS

The directors of the Company in office during or since the end of the financial year are:

Michael John Evans – Executive Chairman

Mr Evans was the founding Chairman of the Company and primarily responsible for its public flotation in 1985. He is a Chartered Accountant holding two business degrees and has been involved in the natural resources sector since 1981. He has considerable experience in Australian public companies particularly in relation to financing in Australia, the United Kingdom and North America. Mr Evans also served as Managing Director until 28 November 2011.

Catherine Margaret 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 served as Managing Director of Flow Energy Limited since 2005 and was appointed Managing Director of FAR Limited on 28 November 2011.

Charles Lee Cavness – Non-Executive Director

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

Albert Edward Brindal – Non-Executive Director

Mr Brindal holds an MBA, a Bachelor of Commerce Degree and is a Fellow Member of the Certified Practicing Accountants in Australia. Mr Brindal has been a director of the Company since 2007 and served as the Company Secretary since 2000.

Nicholas James 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. Mr Limb was appointed as a director of the Company on 28 November 2011.

All directors held office during and since the end of the financial year unless otherwise stated.

Other than Mr Limb, who has been a director of Mineral Deposits Limited since 1994, none of the directors held directorships of other listed companies in the 3 years immediately before the end of the financial year.

COMPANY SECRETARIES

Colin John Harper

Mr Harper is a member of the Institute of Chartered Accountants of Scotland, an Associate of the Institute of Chartered Secretaries Australia and holds a BA (Hons) degree in Accounting and Finance. Mr Harper also serves as the Chief Financial Officer of the Consolidated Entity.

Albert Edward Brindal

See above for details.

PRINCIPAL ACTIVITIES

The principal activities of the Company and of the Consolidated Entity are:

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

OPERATING RESULTS

The loss of the Consolidated Entity for the year ended 31 December 2011 after income tax was $12,154,417 (2010: $6,786,801).

DIVIDENDS

The directors recommend that no dividend be paid for the year ended 31 December 2011 nor have any amounts been paid or declared by way of dividend during the year.

REVIEW OF OPERATIONS

A review of the operations of the Company and the Consolidated Entity is set out in the Operations Review section of this Annual Report.

CHANGES IN STATE OF AFFAIRS

On 17 November 2011 the Company acquired Flow Energy Limited, an oil and gas exploration company with interests in Kenya, Australia and Jamaica, through an off-market takeover with consideration paid in ordinary shares. As at 31 December 2011 the Company held 100% of Flow Energy Limited shares. In total, 878,010,387 shares were issued as consideration at a fair value of $24,513,696.

There was no other significant change in the state of affairs of the Consolidated Entity during the year.

SUBSEQUENT EVENTS

Since the end of the financial year the directors are not aware of any matter or circumstance not disclosed elsewhere in the financial statements or notes thereto that has significantly, or may significantly, affect the operations of the Consolidated Entity, the results of those operations or the state of affairs of the Consolidated Entity in subsequent financial years.

FUTURE DEVELOPMENTS

The Consolidated Entity intends to continue its present range of activities during the forthcoming year. In accordance with its objectives, the Consolidated Entity may participate in exploration and appraisal wells and new projects, and may grow its exploration effort and production base by farmin or new lease acquisitions. Certain information concerning future activity is set out in the Operations Review Section. Other information on likely developments and the expected results of operations have not been included in this report, because, in the opinion of the directors, it would prejudice the interests of the Consolidated Entity.

INDEMNIFICATION OF OFFICERS AND AUDITORS

During the financial year, the Company paid a premium in respect of a contract insuring the directors and company secretary against a liability incurred as such a director or company secretary to the extent permitted by the Corporations Act 2001. The contract of insurance prohibits disclosure of the nature of the liability and the amount of the premium.

The Company has not otherwise, during or since the end of the financial year, except to the extent permitted by law, indemnified or agreed to indemnify an officer or auditor of the Company or any of the related body corporate against a liability incurred as such an officer or auditor.

ENVIRONMENTAL REGULATIONS

The Consolidated Entity is subject to significant environmental regulation in respect of drilling for and production of oil and gas. Approvals, licences, hearings and other regulatory requirements are performed by the operators of each permit or lease on behalf of joint ventures in which the Consolidated Entity participates. Compliance by operators with environmental regulations is governed by the terms of respective joint operating agreements. The Consolidated Entity does not operate any of its producing assets.

The Entity is potentially liable for any environmental damage from its activities, the extent of which cannot presently be quantified and would in any event be reduced by insurance carried by the Consolidated Entity or operator. As at the date of this report, the Company has not been notified of any breach.

PROCEEDINGS ON BEHALF OF THE COMPANY

At the date of this report, the directors are not aware of any proceedings on behalf of the Company or Consolidated Entity.

REMUNERATION REPORT – AUDITED

This Remuneration Report, which forms part of the Directors' Report, sets out information about the remuneration of FAR Limited's directors and its senior management for the year ended 31 December 2011.

The directors of the Company during the year were:

- Michael John Evans - Executive Chairman (and Managing Director until 28 November 2011)
- Catherine Margaret Norman - Managing Director (appointed 28 November 2011)
- Charles Lee Cavness - Non-Executive Director
- Albert Edward Brindal - Non-Executive Director / Company Secretary
- Nicholas James Limb - Non-Executive Director (appointed 28 November 2011)

The term "senior management" is used in this Remuneration Report to refer to the following persons:

- Colin John Harper - Chief Financial Officer / Company Secretary
- Peter Nicholls - Exploration Manager (appointed 17 November 2011)
- June Ann Atling - Administration Manager, Australia
- Roseann Adessa - Administration Manager, USA

All directors and senior management held their positions for the whole of the year and to the date of this report unless otherwise stated.

Following the acquisition of Flow Energy Limited on 17 November 2011, and the changes to personnel and organisational structure resulting from the acquisition, the position of Administration Manager is no longer deemed to be senior management. As a result, the remuneration disclosed for these roles in this Remuneration Report covers the period from 1 January 2011 to 16 November 2011.

REMUNERATION POLICY

The policy calls for executives to be remunerated on terms that are competitive with those offered by entities of a similar size within the same industry. Packages are reviewed annually by the Executive Chairman and Managing Director.

As an exploration entity, performance outcomes are uncertain, notwithstanding endeavour. As such, remuneration packages are not linked to profit performance. Present policy is to reward successful performance via incentive options that are priced on market conditions at the time of issue. The number of options granted is at the full discretion of the board, subject to any necessary shareholder approvals.

The Consolidated Entity has established a remuneration committee for the purpose of setting Executive Director remuneration. Remuneration of other executives is set by the Executive Chairman and Managing Director.

RELATIONSHIP BETWEEN THE REMUNERATION POLICY AND COMPANY PERFORMANCE

As noted above, remuneration packages are not linked to profit performance.

The tables below set out summary information about the Consolidated Entity's earnings and movements in shareholder wealth for the five years to 31 December 2011:

	31 December 2007 $	31 December 2008 $	31 December 2009 $	31 December 2010 $	31 December 2011 $
Revenue	2 679 260	3 086 217	1 496 168	1 475 106	2 385 214
Net (loss)/profit before tax	(3 713 500)	(9 665 758)	2 142 343	(6 786 801)	(12 154 417)
Net (loss)/profit after tax	(3 713 500)	(9 665 758)	2 142 343	(6 786 801)	(12 154 417)

	31 December 2007 cents	31 December 2008 cents	31 December 2009 cents	31 December 2010 cents	31 December 2011 cents
Share price at start of year	14.0	12.0	2.8	6.2	8.2
Share price at end of year	12.0	2.8	6.2	8.2	2.8
Dividend	-	-	-	-	-
Basic (loss)/earnings per share	(0.82)	(1.90)	0.34	(0.93)	(0.90)
Diluted (loss)/earnings per share	(0.82)	(1.90)	0.34	(0.93)	(0.90)

DIRECTOR AND EXECUTIVE REMUNERATION

Remuneration packages contain the following key elements:

- Short-term employee benefits – salary, fees, bonuses and non-monetary benefits including provision of motor vehicles and health benefits.
- Post-employment benefits – superannuation.
- Share based payments – share options granted as disclosed in note 31 to the financial statements.
- Other benefits.

The directors and the identified Consolidated Entity executives received the following amounts as compensation for their services as directors and executives of the Company and Consolidated Entity during the year:

2011	Short-term employee benefits		Post-employment	Share-based payment	Other long term benefits (v)	Total	
Name	Salary and Fees $	Other $	Super $	$	$	$	% consisting of options
Directors							
M J Evans	450 000	381 791	45 000	-	(641 994)	234 797	-
C M Norman (i)	22 936	-	2 064	-	-	25 000	-
C L Cavness	50 000	-	-	-	-	50 000	-
A E Brindal	50 000	-	-	-	-	50 000	-
N J Limb (i)	4 167	-	-	-	-	4 167	-
Executives							
C J Harper	152 460	25 000	17 746	-	18 994	214 200	-
P Nicholls (ii)	23 925	-	-	-	-	23 925	-
J A Atling (iii)	125 310	-	12 531	-	(50 099)	87 742	-
R Adessa (iii)	63 735	12 044	-	45 000	3 731	124 510	36%
Total	942 533	418 835	77 341	45 000	(669 368)	814 341	

2010	Short-term employee benefits		Post-employment	Share-based payment	Other long term benefits (v)	Total	
Name	Salary and Fees $	Other $	Super $	$	$	$	% consisting of options
Directors							
M J Evans	345 148	27 390	34 515	-	214 873	621 926	-
C L Cavness (iv)	39 075	-	-	-	-	39 075	-
A E Brindal	33 000	-	-	-	-	33 000	-
Executives							
C J Harper	138 600	17 740	15 360	-	15 015	186 715	-
J A Atling	129 780	15 000	14 478	-	16 035	175 293	-
R Adessa	79 461	8 870	-	-	157	88 488	-
Total	765 064	69 000	64 353	-	246 080	1 144 497	

(i) Appointed 28 November 2011.
(ii) Appointed 17 November 2011.
(iii) For the period 1 January 2011 to 16 November 2011.
(iv) Remuneration includes professional advisory fees of US$6,000.
(v) Other long-term benefits represent the movements in provisions for long service leave and termination benefits. During the current year, changes to Mr M J Evans' contractual arrangement resulted in the removal of his entitlement to a payment on termination of employment of one months' salary for each full year of service. As a result of the change, the provision in respect of this future payment was reversed in full. Refer to the 'Employment Contracts' section of the Remuneration Report for details of Mr M J Evans' revised contractual arrangements. Changes to Mrs J A Atling's termination entitlements during the year resulted in a reduction in the amount provided for.

OPTIONS GRANTED TO DIRECTORS AND EXECUTIVES

Whilst the Consolidated Entity does not have a formal ownership-based compensation scheme for employees (including directors) of the Company, certain share options may be granted to directors and employees as part of their remuneration from time to time. All options issued to directors are granted in accordance with a resolution of shareholders. Options granted to employees are at the discretion of the Board. Each executive share option converts into one ordinary share of the Company on exercise. No amounts have been paid or are payable by the recipient upon receipt of the options. The options neither carry rights to dividends nor voting rights. Options may be exercised at any time from the date of vesting to the date of their expiry.

During the financial year 750,000 unlisted options exercisable at 18 cents on or before 30 April 2014 were granted to Roseann Adessa and vested on grant date. As noted above, Roseann Adessa ceased to be deemed senior management from 17 November 2011.

At the end of the financial year the following share options granted to directors and senior management were in existence:

	2011 No:	2010 No:
Exercisable at 7 cents on or before 30 June 2012	7 800 000	7 800 000

All options vested on grant date. No further service or performance criteria need to be met in relation to these options.

BONUS PAYMENTS

In April 2011, a one off bonus payment of $350,000 was made to Mr Evans at the discretion of the remuneration committee in recognition of Mr Evans' efforts in driving the successful $34 million capital raising in November 2010 and the subsequent growth in the Company's share price and market capitalisation.

In December 2011, a one off bonus payment of $25,000 was made to Mr Harper. This bonus payment was made at the discretion of the Board.

EMPLOYMENT CONTRACTS

Mr Evans is employed as Executive Chairman under an employment contract with the following key terms:

- Fixed remuneration of $463,950 per annum plus superannuation payable at 10%, reviewed annually with a guaranteed minimum increase in line with increases in the consumer price index;
- The Company may terminate Mr Evans' employment by giving Mr Evans twenty four months' written notice or twenty four months' payment in lieu of notice;
- Mr Evans may terminate his employment by giving the Company four months' written notice;
- If for any reason Mr Evans suffers a Material Diminution, he may within six months of such Material Diminution elect, by giving the Company two weeks' written notice, to treat his employment as being terminated by the Company at the end of that period of two weeks, and the Company must make a payment to the Mr Evans in lieu of a notice period equal to twenty four months.

Ms Norman is employed as Managing Director under an employment contract with the following key terms:

- A total remuneration package of $410,000 per annum, reviewed annually;
- The Company may terminate Ms Norman's employment by giving Ms Norman one months' written notice or one months' payment in lieu of notice;
- Ms Norman may terminate her employment by giving the Company one months' written notice;

Mr Harper is employed as Company Secretary and Chief Financial Officer under an employment contract with the following key terms:

- Fixed remuneration of $200,000 per annum plus superannuation payable at 10%, reviewed annually;
- The Company may terminate Mr Harper's employment by giving Mr Harper six months' written notice or six months' payment in lieu of notice;
- Mr Harper may terminate his employment by giving the Company three months' written notice;
- If for any reason Mr Harper suffers a Material Diminution, he may within three months of such Material Diminution elect, by giving the Company two weeks' written notice, to treat his employment as being terminated by the Company at the end of that period of two weeks, and the Company must make a payment to the Mr Harper in lieu of a notice period equal to six months:
- On termination of Mr Harper's employment a termination payment of one months' salary for each full year of employment is payable to Mr Harper.

DIRECTORS' SHAREHOLDINGS

The following table sets out each director's relevant interest in shares and options over shares of the Company at the date of this report:

	Fully Paid Ordinary Shares	Options Over Ordinary Shares
M J Evans	6 371 250	6 000 000
C M Norman	574 417	-
C L Cavness	1 150 000	-
A E Brindal	126 200	-
N J Limb	32 908 139	-

DIRECTORS' MEETINGS

The following table sets out the number of directors' meetings (including meetings of committees of directors) held during the financial year and the number of meetings attended by each director:

	Board of Directors Meetings		Remuneration Committee Meetings	
	Held	Attended	Held	Attended
M J Evans	8	8	-	-
C M Norman	-	-	-	-
C L Cavness	8	8	2	2
A E Brindal	8	8	2	2
N J Limb	-	-	-	-

SHARE OPTIONS

Details of share options over ordinary shares issued by the Company during the period together with details of options converted during the period and on issue at 31 December 2011 are set out in note 19 to the financial statements and form part of this report.

NON-AUDIT SERVICES

Details of amounts paid or payable to the auditor for audit services provided during the year by the auditor are outlined in note 35 to the financial statements.

As there were no non-audit services during the year, the directors are satisfied that the provision of non-audit services by the auditor (or by another person or firm on the auditor's behalf) is compatible with the general standard of independence for auditors imposed by the Corporations Act 2001.

AUDITOR'S INDEPENDENCE DECLARATION

The auditor's independence declaration is included on page 22 of the Annual Report.

Signed in accordance with a resolution of the directors made pursuant to Section 298(2) of the Corporations Act 2001.

On behalf of the directors

MJ Evans
Director

Perth, 29 March 2012

AUDITOR'S INDEPENDENCE DECLARATION

Deloitte.

Deloitte Touche Tohmatsu
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The Board of Directors
FAR Limited
Suite 2, Level 1
254 Rokeby Road
Subiaco, Western Australia, 6008

29 March 2012

Dear Board Members

FAR Limited

In accordance with section 307C of the Corporations Act 2001, I am pleased to provide the following declaration of independence to the directors of FAR Limited.

As lead audit partner for the audit of the financial statements of FAR Limited for the financial year ended 31 December 2011, I declare that to the best of my knowledge and belief, there have been no contraventions of:

(i) the auditor independence requirements of the Corporations Act 2001 in relation to the audit; and

(ii) any applicable code of professional conduct in relation to the audit.

Yours sincerely

Deloitte Touche Tohmatsu

DELOITTE TOUCHE TOHMATSU

Neil Smith
Partner
Chartered Accountants

Deloitte Touche Tohmatsu
ABN 74 490 121 060

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Independent Auditor's Report to the members of FAR Limited

Report on the Financial Report

We have audited the accompanying financial report of FAR Limited, which comprises the statement of financial position as at 31 December 2011, the statement of comprehensive income, the statement of cash flows and the statement of changes in equity for the year ended on that date, notes comprising a summary of significant accounting policies and other explanatory information, and the directors' declaration of the consolidated entity, comprising the company and the entities it controlled at the year's end or from time to time during the financial year as set out on pages 25 to 66.

Directors' Responsibility for the Financial Report

The directors of the company are responsible for the preparation of the financial report that gives a true and fair view in accordance with Australian Accounting Standards and the *Corporations Act 2001* and for such internal control as the directors determine is necessary to enable the preparation of the financial report that gives a true and fair view and is free from material misstatement, whether due to fraud or error. In Note 3, the directors also state, in accordance with Accounting Standard AASB 101 *Presentation of Financial Statements*, that the consolidated financial statements comply with International Financial Reporting Standards.

Auditor's Responsibility

Our responsibility is to express an opinion on the financial report based on our audit. We conducted our audit in accordance with Australian Auditing Standards. Those standards require that we comply with relevant ethical requirements relating to audit engagements and plan and perform the audit to obtain reasonable assurance whether the financial report is free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial report. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial report, whether due to fraud or error. In making those risk assessments, the auditor considers internal control, relevant to the company's preparation of the financial report that gives a true and fair view, in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the company's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Auditor's Independence Declaration

In conducting our audit, we have complied with the independence requirements of the *Corporations Act 2001*. We confirm that the independence declaration required by the *Corporations Act 2001*, which has been given to the directors of FAR Limited, would be in the same terms if given to the directors as at the time of this auditor's report.

AUDITOR'S REPORT

Deloitte.

Opinion

In our opinion:

(a) the financial report of FAR Limited is in accordance with the *Corporations Act 2001*, including:

  (i) giving a true and fair view of the consolidated entity's financial position as at 31 December 2011 and of its performance for the year ended on that date; and

  (ii) complying with Australian Accounting Standards and the *Corporations Regulations 2001*; and

(b) the consolidated financial statements also comply with International Financial Reporting Standards as disclosed in Note 3.

Report on the Remuneration Report

We have audited the Remuneration Report included in pages 17 to 20 of the directors' report for the year ended 31 December 2011. The directors of the company are responsible for the preparation and presentation of the Remuneration Report in accordance with section 300A of the *Corporations Act 2001*. Our responsibility is to express an opinion on the Remuneration Report, based on our audit conducted in accordance with Australian Auditing Standards.

Opinion

In our opinion the Remuneration Report of FAR Limited for the year ended 31 December 2011, complies with section 300A of the *Corporations Act 2001*.

Deloitte Touche Tohmatsu

DELOITTE TOUCHE TOHMATSU

Neil Smith
Partner
Chartered Accountants
Perth, 29 March 2012

DIRECTORS' DECLARATION

The directors declare that:

(a) in the directors' opinion, there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable;

(b) the attached financial statements are in compliance with International Financial Reporting Standards, as stated in note 3 to the financial statements;

(c) in the directors' opinion, the attached financial statements and notes thereto are in accordance with the Corporations Act 2001, including compliance with accounting standards and giving a true and fair view of the financial position and performance of the Consolidated Entity; and

(d) the directors have been given the declarations required by s.295A of the Corporations Act 2001.

At the date of this declaration, the Company is within the class of companies affected by ASIC Class Order 98/1418. The nature of the deed of cross guarantee is such that each company which is party to the deed guarantees to each creditor payment in full of any debt in accordance with the deed of cross guarantee.

In the directors' opinion, there are reasonable grounds to believe that the Company and the Companies to which the ASIC Class Order applies, as detailed in note 27 to the financial statements, will, as a group, be able to meet any obligations or liabilities to which they are, or may become, subject by virtue of the deed of cross guarantee.

Signed in accordance with a resolution of the directors made pursuant to s.295(5) of the Corporations Act 2001.

On behalf of the directors

MJ Evans
Director

Perth, 29 March 2012

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2011

	Note	2011 $	2010 $
Revenue	6	2 385 214	1 475 106
Other income	7	12 120	-
Direct operating costs		(347 889)	(443 338)
Depreciation and amortisation expense	8	(655 120)	(629 480)
Exploration expense		(8 848 376)	(3 577 400)
Abandonment expense		(38 092)	(9 084)
Finance costs	9	(609 419)	(600 929)
Administration expenses		(632 326)	(389 587)
Employee benefits expense	8	(736 145)	(1 040 707)
Consulting expense		(608 413)	(529 789)
Acquisition costs – Flow Energy Limited	28	(1 319 507)	-
Foreign exchange loss		(444 583)	(828 200)
Other expenses		(311 881)	(213 393)
Loss before income tax		(12 154 417)	(6 786 801)
Income tax expense	10(a)	-	-
Loss attributable to members of FAR Limited	21	(12 154 417)	(6 786 801)
Other comprehensive income			
Exchange differences arising on translation of foreign operations	20	(12 247)	(242 413)
Total comprehensive income for the period attributable to members of FAR Limited		(12 166 664)	(7 029 214)
Earnings per share:			
Basic (loss)/earnings (cents per share)	22	(0.90)	(0.93)
Diluted (loss)/earnings (cents per share)	22	(0.90)	(0.93)

Notes to the financial statements are included on pages 30 to 66.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AS AT 31 DECEMBER 2011

	Notes	2011 $	2010 $
CURRENT ASSETS			
Cash and cash equivalents	29(a)	23 803 920	38 092 132
Trade and other receivables	11	3 324 928	3 483 500
Other financial assets	12	305 780	-
Other	13	120 874	174 834
Total Current Assets		27 555 502	41 750 466
NON CURRENT ASSETS			
Other financial assets	12	71 924	23 215
Property, plant and equipment	14	205 804	217 493
Oil and gas properties	15	49 777 465	18 003 786
Total Non-Current Assets		50 055 193	18 244 494
TOTAL ASSETS		77 610 695	59 994 960
CURRENT LIABILITIES			
Trade and other payables	16	1 040 570	500 155
Borrowings	17	2 927 885	-
Provisions	18	519 026	1 108 964
Total Current Liabilities		4 487 481	1 609 119
NON-CURRENT LIABILITIES			
Borrowings	17	-	2 812 299
Deferred tax liabilities	10(c)	4 187 577	-
Provisions	18	68 907	-
Other financial liabilities		26 529	-
Total Non-Current Liabilities		4 283 013	2 812 299
TOTAL LIABILITIES		8 770 494	4 421 418
NET ASSETS		68 840 201	55 573 542
EQUITY			
Issued Capital	19	129 137 015	103 879 103
Reserves	20	1 940 063	1 776 899
Accumulated losses	21	(62 236 877)	(50 082 460)
TOTAL EQUITY		68 840 201	55 573 542

Notes to the financial statements are included on pages 30 to 66.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2011

	Share capital	Reserves				Accumulated losses	Total attributable to equity holders of the parent
		Option reserve	Equity component on convertible notes	Foreign currency translation reserve	Total		
	$	$	$	$	$	$	$
Balance at 1 January 2010	72 090 504	1 726 205	674 085	(651 728)	1 748 562	(43 295 659)	30 543 407
Loss for the year	-	-	-	-	-	(6 786 801)	(6 786 801)
Exchange differences arising on translation of foreign operations	-	-	-	(242 413)	(242 413)	-	(242 413)
Total comprehensive income for the year	-	-	-	(242 413)	(242 413)	(6 786 801)	(7 029 214)
Issue of options	-	270 750	-	-	270 750	-	270 750
Issue of shares	33 999 987	-	-	-	-	-	33 999 987
Share issue costs	(2 211 388)	-	-	-	-	-	(2 211 388)
Balance at 31 December 2010	103 879 103	1 996 955	674 085	(894 141)	1 776 899	(50 082 460)	55 573 542
Balance at 1 January 2011	103 879 103	1 996 955	674 085	(894 141)	1 776 899	(50 082 460)	55 573 542
Loss for the year	-	-	-	-	-	(12 154 417)	(12 154 417)
Exchange differences arising on translation of foreign operations	-	-	-	(12 247)	(12 247)	-	(12 247)
Total comprehensive income for the year	-	-	-	(12 247)	(12 247)	(12 154 417)	(12 166 664)
Issue of shares	25 305 521	-	-	-	-	-	25 305 521
Share issue costs	(50 198)	-	-	-	-	-	(50 198)
Issue of options	-	178 000	-	-	178 000	-	178 000
Transfer from equity component on convertible notes reserve	2 589	-	(2 589)	-	(2 589)	-	-
Balance at 31 December 2011	129 137 015	2 174 955	671 496	(906 388)	1 940 063	(62 236 877)	68 840 201

Notes to the financial statements are included on pages 30 to 66.

CONSOLIDATED CASH FLOW STATEMENT

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2011

	Note	2011 $	2010 $
CASH FLOWS FROM OPERATING ACTIVITIES			
Receipts from customers		851 680	1 053 928
Payments to suppliers		(3 633 814)	(2 534 599)
Interest and other costs of finance paid		(571 563)	(459 808)
Net cash (used in)/provided by operating activities	29(e)	(3 353 697)	(1 940 479)
CASH FLOWS FROM INVESTING ACTIVITIES			
Interest received		1 720 836	227 078
Payments for oil and gas properties		(11 072 161)	(3 207 332)
Payments for property, plant and equipment		(94 073)	(17 209)
Net cash outflow on acquisition of a business	28	(864 492)	-
Net cash (used in)/provided by investing activities		(10 309 890)	(2 997 463)
CASH FLOWS FROM FINANCING ACTIVITIES			
Repayment of borrowings		(154 510)	-
Proceeds from issue of shares		-	33 999 987
Payment for share issue costs		(18 575)	(2 211 388)
Net cash (used in)/provided by financing activities		(173 085)	31 788 599
NET (DECREASE)/INCREASE IN CASH AND CASH EQUIVALENTS		(13 836 672)	26 850 657
Cash and cash equivalents at the beginning of the year		38 092 132	11 710 120
Effects of exchange rate changes on cash and cash equivalents		(451 540)	(468 645)
Cash and cash equivalents at the end of the financial year	29(a)	23 803 920	38 092 132

Notes to the financial statements are included on pages 30 to 66.

NOTES TO THE FINANCIAL STATEMENTS

1. GENERAL INFORMATION

FAR Limited (the Company) is a listed public company, incorporated in Australia and operating in Africa, Australia, Jamaica and North America.

FAR Limited's registered office and its principal place of business at the date of this report are as follows:

Suite 2, Level 1
254 Rokeby Road
Subiaco
WA 6008
Tel: (08) 9380 6181

2. ADOPTION OF NEW AND REVISED ACCOUNTING STANDARDS

In the current period, the Consolidated Entity has adopted all of the new and revised Standards and Interpretations issued by the Australian Accounting Standards Board (the AASB) that are relevant to its operations and effective for reporting periods beginning on 1 January 2011.

The following new and revised Standards and Interpretations have been adopted in the current period:

- AASB 124 Related Party Disclosures (2009), AASB 2009-12 Amendments to Australian Accounting Standards
- AASB 2009-10 Amendments to Australian Accounting Standards – Classification of Rights Issues
- AASB 2010-3 Amendments to Australian Accounting Standards arising from the Annual Improvements Project
- AASB 2010-4 Further Amendments to Australian Accounting Standards arising from the Annual Improvements Project
- AASB 2010-5 Amendments to Australian Accounting Standards

The adoption of these standards and interpretations did not have any effect on the financial position or performance of the Consolidated Entity.

The Consolidated Entity has not elected to early adopt any new standards or amendments.

At the date of authorisation of the financial report, a number of Standards and Interpretations were in issue but not yet effective:

New or revised requirement	Effective for annual reporting periods beginning on or after
AASB 9 Financial Instruments (December 2009), AASB 2009-11 Amendments to Australian Accounting Standards arising from AASB 9	1 January 2013
AASB 9 Financial Instruments (December 2010), AASB 2010-7 Amendments to Australian Accounting Standards arising from AASB 9 (December 2010)	1 January 2013
AASB 10 Consolidated Financial Statements	1 January 2013
AASB 11 Joint Arrangements	1 January 2013
AASB 12 Disclosure of Interests in Other Entities	1 January 2013
AASB 127 Separate Financial Statements	1 January 2013
AASB 128 Investments in Associates and Joint Ventures (2011)	1 January 2013
AASB 13 Fair Value Measurement and related AASB 2011-8 Amendments to Australian Accounting Standards arising from AASB 13	1 January 2013
AASB 119 Employee Benefits (2011), AASB 2011-10 Amendments to Australian Accounting Standards arising from AASB 119 (2011) and AASB 2011-11 Amendments to AASB 119 (September 2011) arising from Reduced Disclosure Requirements	1 January 2013
AASB 1053 Application of Tiers of Australian Accounting Standards and AASB 2010-2 Amendments to Australian Accounting Standards arising from Reduced Disclosure Requirements	1 July 2013
AASB 1054 Australian Additional Disclosures, AASB 2011-1 Amendments to Australian Accounting Standards arising from the Trans-Tasman Convergence Project and AASB 2011-2 Amendments to Australian Accounting Standards arising from the Trans-Tasman Convergence Project – Reduced Disclosure Requirements	1 July 2011
AASB 2010-6 Amendments to Australian Accounting Standards – Disclosures on Transfers of Financial Assets	1 July 2011
AASB 2010-8 Amendments to Australian Accounting Standards – Deferred Tax: Recovery of Underlying Assets	1 January 2012

New or revised requirement	Effective for annual reporting periods beginning on or after
AASB 2011-4 Amendments to Australian Accounting Standards to Remove Individual Key Management Personnel Disclosure Requirements	1 July 2013
AASB 2011-6 Amendments to Australian Accounting Standards – Extending Relief from Consolidation, the Equity Method and Proportional Consolidation – Reduced Disclosure Requirements	1 July 2013
AASB 2011-7 Amendments to Australian Accounting Standards arising from the Consolidation and Joint Arrangement standards	1 January 2013
AASB 2011-9 Amendments to Australian Accounting Standards – Presentation of Items of Other Comprehensive Income	1 July 2012

At the date of authorisation of the financial report, the following Standards and Interpretations issued by the IASB/IFRIC where an equivalent Australian Standard or Interpretation has not been made by the AASB, were in issue but not yet effective:

New or revised requirement	Effective for annual reporting periods beginning on or after
Offsetting Financial Assets and Financial Liabilities (Amendments to IAS 32)	1 January 2014
Disclosures – Offsetting Financial Assets and Financial Liabilities (Amendments to IFRS 7)	1 January 2013
Mandatory Effective Date of IFRS 9 and Transition Disclosures (Amendments to IFRS 9 and IFRS 7)	1 January 2015

The directors note that the impact of the initial application of the Standards and Interpretations is not yet known or is not reasonably estimable. These Standards and Interpretations will be first applied in the financial report of the Consolidated Entity that relates to the annual reporting period beginning on or after the effective date of each pronouncement.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

STATEMENT OF COMPLIANCE

The financial report is a general purpose financial report which has been prepared in accordance with the Corporations Act 2001, Accounting Standards and Interpretations, and complies with other requirements of the law. The financial report comprises the consolidated financial statements of the Consolidated Entity.

Accounting Standards include Australian Accounting Standards. Compliance with Australian Accounting Standards ensures that the financial statements and notes of the Consolidated Entity comply with International Financial Reporting Standards ('IFRS').

The financial statements were authorised for issue by the directors on 29 March 2012.

BASIS OF PREPARATION

The financial report has been prepared on the basis of historical cost. Cost is based on the fair values of the consideration given in exchange for assets. All amounts are presented in Australian dollars, unless otherwise noted.

The following significant accounting policies have been adopted in the preparation and presentation of the financial report:

(a) Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Company and entities (including special purpose entities) controlled by the Company (its subsidiaries) (referred to as 'the Consolidated Entity' in these financial statements). Control is achieved where the Company has the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities.

The results of subsidiaries acquired or disposed of during the year are included in the consolidated statement of comprehensive income from the effective date of acquisition or up to the effective date of disposal, as appropriate.

Where necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with those used by other members of the Consolidated Entity.

All intra-group transactions, balances, income and expenses are eliminated in full on consolidation.

(b) Borrowings

Borrowings are recorded initially at fair value, net of transaction costs. Subsequent to initial recognition, borrowings are measured at amortised cost with any difference between the initial recognised amount and the redemption value being recognised in profit and loss over the period of the borrowing using the effective interest rate method.

Borrowings are classified as current liabilities unless the Consolidated Entity has an unconditional right to defer settlement of the liability for at least 12 months after the reporting date.

(c) Borrowing Costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets, until such time as the assets are substantially ready for their intended use or sale. Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalisation. All other borrowing costs are recognised in profit or loss in the period in which they are incurred.

(d) Cash and cash equivalents

Cash and cash equivalents includes cash on hand, deposits held at call with financial institutions and other short-term, highly liquid investments with original maturities of three months or less that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes on value, net of outstanding bank overdrafts. Bank overdrafts are shown within borrowings in current liabilities on the statement of financial position.

Cash flows have been allocated among operating, investing and financing activities which appropriately classify the Consolidated Entity's activities.

(e) Fair value estimation

The fair value of financial assets and financial liabilities must be estimated for recognition and measurement or for disclosure purposes.

Techniques, such as estimated discounted cash flows, are used to determine fair value for certain financial instruments. The fair value of forward exchange contracts, where applicable, is determined using forward exchange market rates at the reporting date.

The nominal value less estimated credit adjustments of trade receivables and payables are assumed to approximate their fair values. The fair value of financial liabilities is estimated by discounting the future contractual cash flows at the current market interest rate that is available to the Consolidated Entity for similar financial instruments.

(f) Employee benefits

General

Employee benefit expenses arising in respect of wages and salaries, non-monetary benefits, annual leave, long service leave and other types of employee benefits are charged to the statement of comprehensive income in the period when it is probable that settlement will be required and they are capable of being measured reliably. Contributions to superannuation funds by entities within the Consolidated Entity are charged to the statement of comprehensive income when due. A superannuation scheme is not maintained on behalf of employees.

Wages and salaries and annual leave

Liabilities for wages and salaries, including non-monetary benefits and annual leave are measured at their nominal value using the remuneration rate expected to apply at the time of settlement.

Long service leave

The liability for long service leave is recognised in the provision for employee benefits and measured as the present value of expected future payments to be made in respect of services provided by employees up to the reporting date using the projected unit credit method. Consideration is given to expected future wage and salary levels, experience of employee departures and periods of service. Expected future payments are discounted using market yields at the reporting date on national government bonds with terms to maturity and currency that match, as closely as possible, the estimated future cash outflows.

Termination benefits

Where contractual arrangements provide for a payment to a director or employee on termination of their employment, a provision for the payment of such amounts is recognised as the obligation arises.

(g) Financial assets

Financial assets at fair value through profit or loss

A financial asset is classified in this category if acquired principally for the purpose of selling in the short term and certain criteria are satisfied as outlined in AASB 139 'Financial Instruments: Recognition and Measurement'. Financial assets held for trading purposes are classified as current assets and are stated at fair value, with any resultant gain or loss recognised in profit or loss.

Held-to-maturity investments

Held-to-maturity investments are non-derivative financial assets with fixed or determinable payments and fixed maturities that the Consolidated Entity's management has the positive intention and ability to hold to maturity and are initially held at fair value net of transactions costs.

Bills of exchange classified as held to maturity are recorded at amortised cost using the effective interest method less impairment, with revenue recognised on an effective yield basis. The effective interest method is a method of calculating the amortised cost of a financial asset and of allocating interest income over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset, or, where appropriate, a shorter period.

Loans and receivables

Loans and receivables are non derivative financial assets with fixed or determinable payments that are not quoted in an active market. They arise when the Consolidated Entity provides money, goods or services directly to a debtor with no intention of selling the receivable. They are included in current assets, except for those with maturities greater than 12 months after the reporting date which are classified as non-current assets. Loans and receivables are included in receivables in the statement of financial position. Trade receivables, loans and other receivables are recorded at amortised cost less impairment.

Impairment of financial assets

Financial assets, other than those at fair value through profit or loss, are assessed for indicators of impairment at each reporting date. Financial assets are impaired where there is objective evidence that as a result of one or more events that occurred after the initial recognition of the financial asset the estimated future cash flows of the investment have been impacted.

For financial assets carried at amortised cost, the amount of the impairment is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the original effective interest rate. The carrying amount of financial assets including uncollectible trade receivables is reduced by the impairment loss through the use of an allowance account. Subsequent recoveries of amounts previously written off are credited against the allowance account. Changes in the carrying amount of the allowance account are recognised in profit or loss.

With the exception of available-for-sale equity instruments, if, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed through profit or loss to the extent the carrying amount of the investment at the date the impairment is reversed does not exceed what the amortised cost would have been had the impairment not been recognised.

In respect of available-for-sale equity instruments, any subsequent increase in fair value after an impairment loss is recognised directly in equity.

(h) Business combinations

Acquisitions of businesses are accounted for using the acquisition method. The consideration transferred in a business combination is measured at fair value which is calculated as the sum of the acquisition-date fair values of assets transferred by the Group, liabilities incurred by the Group to the former owners of the acquiree and the equity instruments issued by the Group in exchange for control of the acquiree. Acquisition-related costs are recognised in profit or loss as incurred.

At the acquisition date, the identifiable assets acquired and the liabilities assumed are recognised at their fair value at the acquisition date, except that:

- deferred tax assets or liabilities and liabilities or assets related to employee benefit arrangements are recognised and measured in accordance with AASB 112 'Income Taxes' and AASB 119 'Employee Benefits' respectively;
- liabilities or equity instruments related to share-based payment arrangements of the acquiree or share-based payment arrangements of the Group entered into to replace share-based payment arrangements of the acquire are measured in accordance with AASB 2 'Share-based Payment' at the acquisition date; and
- assets (or disposal groups) that are classified as held for sale in accordance with AASB 5 'Non-current Assets Held for Sale and Discontinued Operations' are measured in accordance with that Standard.

Goodwill is measured as the excess of the sum of the consideration transferred, the amount of any non-controlling interests in the acquiree, and the fair value of the acquirer's previously held equity interest in the acquiree (if any) over the net of the acquisition-date amounts of the identifiable assets acquired and the liabilities assumed. If, after reassessment, the net of the acquisition-date amounts of the identifiable assets acquired and liabilities assumed exceeds the sum of the consideration transferred, the amount of any non-controlling interests in the acquiree and the fair value of the acquirer's previously held interest in the acquiree (if any), the excess is recognised immediately in profit or loss as a bargain purchase gain.

Non-controlling interests that are present ownership interests and entitle their holders to a proportionate share of the entity's net assets in the event of liquidation may be initially measured either at fair value or at the non-controlling interests' proportionate share of the recognised amounts of the acquiree's identifiable net assets. The choice of measurement basis is made on a transaction-by-transaction basis. Other types of non-controlling interests are measured at fair value or, when applicable, on the basis specified in another Standard.

Where the consideration transferred by the Group in a business combination includes assets or liabilities resulting from a contingent consideration arrangement, the contingent consideration is measured at its acquisition-date fair value. Changes in the fair value of the contingent consideration that qualify as measurement period adjustments are adjusted retrospectively, with corresponding adjustments against goodwill. Measurement period adjustments are adjustments that arise from additional information obtained during the 'measurement period' (which cannot exceed one year from the acquisition date) about facts and circumstances that existed at the acquisition date.

The subsequent accounting for changes in the fair value of contingent consideration that do not qualify as measurement period adjustments depends on how the contingent consideration is classified. Contingent consideration that is classified as equity is not remeasured at subsequent reporting dates and its subsequent settlement is accounted for within equity. Contingent consideration that is classified as an asset or liability is remeasured at subsequent reporting dates in accordance with AASB 139, or AASB 137 'Provisions, Contingent Liabilities and Contingent Assets', as appropriate, with the corresponding gain or loss being recognised in profit or loss.

Where a business combination is achieved in stages, the Group's previously held equity interest in the acquiree is remeasured to fair value at the acquisition date (i.e. the date when the Group attains control) and the resulting gain or loss, if any, is recognised in profit or loss. Amounts arising from interests in the acquiree prior to the acquisition date that have previously been recognised in other comprehensive income are reclassified to profit or loss where such treatment would be appropriate if that interest were disposed of. If the initial accounting for a business combination is incomplete by the end of the reporting period in which the combination occurs, the Group reports provisional amounts for the items for which the accounting is incomplete. Those provisional amounts are adjusted during the measurement period (see above), or additional assets or liabilities are recognised, to reflect new information obtained about facts and circumstances that existed as of the acquisition date that, if known, would have affected the amounts recognised as of that date.

Business combinations that took place prior to 1 July 2009 were accounted for in accordance with the previous version of AASB 3.

(i) Financial instruments issued by the Company

Debt and equity instruments

Debt and equity instruments including ordinary shares and options are classified as either liabilities or as equity in accordance with the substance of the contractual arrangement.

Transaction costs on the issue of equity instruments

Transaction costs arising on the issue of equity instruments, including new shares and options, are recognised directly in equity as a reduction of the proceeds of the equity instruments to which the costs relate. Transaction costs are the costs that are incurred directly in connection with the issue of those equity instruments and which would not have been incurred had those instruments not been issued.

Interest and dividends

Interest and dividends are classified as expenses or as distributions of profit consistent with the statement of financial position classification of the related debt or equity instruments or component parts of compound instruments. The Consolidated Entity does not presently pay dividends.

Financial guarantee contract liabilities

Financial guarantee contract liabilities are measured initially at their fair values and subsequently at the higher of the amount recognised as a provision and the amount initially recognised less cumulative amortisation in accordance with the revenue recognition policies described in note 3(q).

Financial liabilities

Financial liabilities are classified as either financial liabilities 'at fair value through profit or loss' or other financial liabilities.

Financial liabilities at fair value through profit or loss

Financial liabilities at fair value through profit or loss are stated at fair value, with any resultant gain or loss recognised in profit or loss. The net gain or loss recognised in profit or loss incorporates any interest paid on the financial liability. Fair value is determined in the manner described in note 29.

Compound instruments

The component parts of compound instruments are classified separately as financial liabilities and equity in accordance with the substance of the contractual arrangement. At the date of issue, the fair value of the liability component is estimated using the prevailing market interest rate for a similar non-convertible instrument. This amount is recorded as a liability on an amortised cost basis until extinguished on conversion or upon the instruments reaching maturity. The equity component initially brought to account is determined by deducting the amount of the liability component from the fair value of the compound instrument as a whole. This is recognised and included in equity, net of income tax effects and is not subsequently remeasured.

Other financial liabilities

Other financial liabilities, including borrowings, are initially measured at fair value, net of transaction costs.

Other financial liabilities are subsequently measured at amortised cost using the effective interest method, with interest expense recognised on an effective yield basis.

The effective interest method is a method of calculating the amortised cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments through the expected life of the financial liability, or, where appropriate, a shorter period.

(j) Provisions

Provisions are recognised when the Consolidated Entity has a present obligation as a result of a past event, the future sacrifice of economic benefits is probable, and the amount of the provision can be measured reliably.

The amount recognised as a provision is the best estimate of the consideration required to settle the present obligation at reporting date, taking into account the risks and uncertainties surrounding the obligation. Where a provision is measured using the cashflows estimated to settle the present obligation, its carrying amount is the present value of those cashflows. When some or all of the economic benefits required to settle a provision are expected to be recovered from a third party, the receivable is recognised as an asset if it is virtually certain that recovery will be received and the amount of the receivable can be measured reliably.

The Consolidated Entity recognises any obligations for removal and restoration that are incurred during a particular period as a consequence of having undertaken exploration and evaluation activity. Restoration and abandonment obligations are reviewed annually taking into account estimates by independent petroleum engineers.

(k) Goods and services tax

Revenues, expenses and assets are recognised net of the amount of goods and services tax (GST), except:

(i) where the amount of GST incurred is not recoverable from the taxation authority, it is recognised as part of the cost of acquisition of an asset or as part of an item of expense; or
(ii) for receivables and payables which are recognised inclusive of GST.

The net amount of GST recoverable from, or payable to, the taxation authority is included as part of receivables or payables.

Cash flows are included in the cash flow statement on a gross basis. The GST component of cash flows arising from investing and financing activities which is recoverable from, or payable to, the taxation authority is classified as operating cash flows.

(l) Foreign currency translation

Functional and presentation currency

Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the Entity operates ("the functional currency").

The Consolidated financial statements are presented in Australian dollars, which is FAR Limited's functional and presentation currency.

Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the statement of comprehensive income.

Group companies and foreign operations

The results and financial position of all the Group entities (none of which has the currency of a hyperinflationary economy) that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

- Assets and liabilities for each statement of financial position presented are translated at the closing rate at the date of that statement of financial position;
- Income and expenses for each statement of comprehensive income are translated at average exchange rates (unless this is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated at the dates of the transactions); and
- All resulting exchange differences are recognised as a separate component of equity.

On consolidation, exchange differences arising from the translation of any net investment in foreign entities, and of borrowings and other currency instruments designated as hedges of such investments, are taken to shareholders' equity. When a foreign operation is sold or borrowings repaid a proportionate share of such exchange differences are recognised in the statement of comprehensive income as part of the gain or loss on sale.

(m) Payables

Trade payables and other accounts payable are recognised when the Consolidated Entity becomes obliged to make future payments resulting from the purchase of goods and services. The amounts are unsecured and usually paid within 30 days of recognition.

(n) Income tax

Current tax

Current tax is calculated by reference to the amount of income taxes payable or recoverable in respect of the taxable profit or tax loss for the period. It is calculated using tax rates and tax laws that have been enacted or substantively enacted by reporting date. Current tax for current and prior periods is recognised as a liability (or asset) to the extent that it is unpaid (or refundable).

Deferred tax

Deferred tax is accounted for using the balance sheet liability method in respect of temporary differences arising from differences between the carrying amount of assets and liabilities in the financial statements and the corresponding tax base of those items.

In principle, deferred tax liabilities are recognised for all taxable temporary differences. Deferred tax assets are recognised to the extent that it is probable that sufficient taxable amounts will be available against which deductible temporary differences or unused tax losses and tax offsets can be utilised. However, deferred tax assets and liabilities are not recognised if the temporary differences giving rise to them arise from the initial recognition of assets and liabilities (other than as a result of a business combination) which affects neither taxable income nor accounting profit. Furthermore, a deferred tax liability is not recognised in relation to taxable temporary differences arising from goodwill.

Deferred tax liabilities are recognised for taxable temporary differences arising on investments in subsidiaries and joint ventures except where the Consolidated Entity is able to control the reversal of the temporary differences and it is probable that the temporary differences will not reverse in the foreseeable future.

Deferred tax assets arising from deductible temporary differences associated with these investments and interests are only recognised to the extent that it is probable that there will be sufficient taxable profits against which to utilise the benefits of the temporary differences and they are expected to reverse in the foreseeable future.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the period(s) when the asset and liability giving rise to them are realised or settled, based on tax rates (and tax laws) that have been enacted or substantively enacted by reporting date. The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Consolidated Entity expects, at the reporting date, to recover or settle the carrying amount of its assets and liabilities.

Deferred tax assets and liabilities are offset when they relate to income taxes levied by the same taxation authority and the Company/Consolidated Entity intends to settle its current tax assets and liabilities on a net basis.

Current and deferred tax for the period

Current and deferred tax is recognised as an expense or income in the statement of comprehensive income, except when it relates to items that are recognised outside profit or loss, in which case the deferred tax is also recognised outside profit or loss, or where it arises from the initial accounting for a business combination, in which case it is taken into account in the determination of goodwill or excess.

Tax consolidation

The Company and all its wholly-owned Australian resident Entities are part of a tax consolidated group under Australian taxation law. FAR Limited is the Head Entity in the tax consolidated group. A tax funding arrangement has not been finalised between Entities within the tax consolidated group. Tax expense/income, deferred tax liabilities and deferred tax assets arising from temporary differences of the members of the tax consolidated group are recognised in the separate financial statements of the members of the tax consolidated group using the “stand alone taxpayer” approach by reference to the carrying amounts in the separate financial statements of each entity and the tax values applying under tax consolidation. Current tax liabilities and assets and deferred tax assets arising from unused tax losses and relevant tax credits of the members of the tax consolidated group are recognised by the Company (as Head-Entity in the tax consolidated group).

(o) Joint ventures

Jointly controlled assets and operations

Interests in jointly controlled assets and operations are reported in the financial statements by including the Consolidated Entity’s share of assets employed in the joint ventures, the share of liabilities incurred in relation to the joint ventures and the share of any expenses incurred or income generated in relation to the joint ventures in their respective classification categories.

(p) Leases

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases.

Assets held under finance leases are initially recognised at their fair value or, if lower, at amounts equal to the present value of the minimum lease payments, each determined at the inception of the lease. The corresponding liability to the lessor is included in the statement of financial position as a finance lease obligation.

Lease payments are apportioned between finance charges and reduction of the lease obligation so as to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are charged directly against income in accordance with the Consolidated Entity's general policy on borrowing costs. Refer to note 3(c).

Finance leased assets are amortised on a diminishing value basis over the term of the lease or, where it is likely the Consolidated Entity will obtain ownership of the asset, the estimated useful life of the asset.

Operating lease payments are recognised as an expense on a straight-line basis over the lease term, except where another systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed.

(q) Revenue recognition

Sale of oil and gas and related products

Revenue from the sale of oil and gas and related products is recognised when the Consolidated Entity has transferred to the buyer the significant risks and rewards of ownership and the amounts can be measured reliably. In the case of oil, this usually occurs at the time of lifting.

Interest revenue

Interest revenue is recognised on a time proportionate basis that takes into account the effective yield on the financial asset.

(r) Exploration and evaluation costs

Exploration and evaluation costs are accumulated in respect of each "area of interest" or geographical segment in accordance with AASB 6 'Exploration for and Evaluation of Mineral Resources' and are disclosed as a separate class of assets. Costs are either expensed as incurred or partially or fully capitalised as an exploration and evaluation asset provided exploration titles are current and at least one of the following conditions are satisfied:

(i) the exploration and evaluation expenditures are expected to be recouped through development and exploitation of the area of interest or by future sale; or

(ii) exploration and evaluation activities in the area of interest have not at the reporting date reached a stage which permits a reasonable assessment of the existence or otherwise of economically recoverable reserves, and active and significant operations in, or in relation to, the area of interest are continuing.

Exploration and evaluation assets are classified between tangible and intangible and are assessed for impairment when facts and circumstances suggest the carrying amount may exceed the recoverable amount. Impairment losses are recognised in the statement of comprehensive income.

Expenditures relating to development of oil and gas leases are shown separately and not included in exploration and evaluation assets.

(s) Property, plant and equipment and oil and gas properties

Plant and equipment, equipment under finance lease and oil and gas properties, including carried forward development expenditure, are stated at cost less accumulated depreciation and impairment. Cost includes expenditure that is directly attributable to the acquisition of the item. In the event that settlement of all or part of the purchase consideration is deferred, cost is determined by discounting the amounts payable in the future to their present value as at the date of acquisition. Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Consolidated Entity and the cost of the item can be measured reliably. All other repairs and maintenance are charged to the statement of comprehensive income during the financial period in which they are incurred.

All tangible assets have limited useful lives and are depreciated/amortised using the diminishing value method over their estimated useful lives, taking into account estimated residual values, with the exception of carried forward development expenditure in the production phase and plant and well equipment which are amortised on a units of production method based on the ratio of actual production to remaining proved reserves (1P) as estimated by independent petroleum engineers, and finance lease assets which are amortised over the term of the relevant lease or, where it is likely the Consolidated Entity will obtain ownership of the asset, the life of the asset.

Depreciation is calculated on a diminishing value basis so as to write off the net cost or other revalued amount of each asset over its expected useful life to its estimated residual value, as follows:

- Vehicles	22.5%
- Furniture, fittings and equipment	20%
- Telephones	30%
- Computer equipment	40%
- Plant and well equipment	Based on units of production
- Oil and gas properties	Based on units of production

Leasehold improvements are depreciated over the period of the lease or estimated useful life, whichever is the shorter, using the diminishing value method.

The estimated useful lives, residual values and depreciation method are reviewed at the end of each annual reporting period and adjusted if appropriate.

Gains and losses on disposals are determined by comparing proceeds with carrying amount. These are included in the statement of comprehensive income. When revalued assets are sold, it is Group policy to transfer the amounts included in other reserves in respect of those assets to retained earnings.

(t) Impairment of assets

Assets that are subject to amortisation are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash generating units). Impairment losses are recognised in the statement of comprehensive income.

If the recoverable amount of an asset (or cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (or cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognised in profit or loss immediately.

Where an impairment loss subsequently reverses, the carrying amount of the asset (or cash-generating unit) is increased to the revised estimate of its recoverable amount, but only to the extent that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (or cash-generating unit) in prior years. A reversal of an impairment loss is recognised in profit or loss immediately.

(u) Share-based payments

Equity-settled share-based payments with employees and others providing similar services are measured at the fair value of the equity instruments at the grant date. Fair value is measured by use of a Black Scholes model. The expected life used in the model has been adjusted, based on management's best estimate, for the effects of non-transferability, exercise restrictions, and behavioural considerations. Further details on how the fair value of equity-settled share-based transactions has been determined can be found in note 30.

The fair value determined at the grant date of the equity-settled share-based payments is expensed on a straight-line basis over the vesting period, based on the Group's estimate of shares that will eventually vest.

The above policy is applied to all equity-settled share-based payments that were granted after 7 November 2002 that vested after 1 January 2005. No amount has been recognised in the financial statements in respect of the other equity-settled share-based payments.

Equity-settled share-based payment transactions with other parties are measured at the fair value of the goods and services received, except where the fair value cannot be estimated reliably, in which case they are measured at the fair value of the equity instruments granted, measured at the date the entity obtains the goods or the counterparty renders the service.

For cash-settled share-based payments, a liability equal to the portion of the goods or services received is recognised at the current fair value determined at each reporting date.

(v) Earnings per share

Basic earnings per share

Basic earnings per share is calculated by dividing the profit attributable to equity holders of the Company, excluding any costs of servicing equity other than ordinary shares, by the weighted average number of ordinary shares outstanding during the year, adjusted for bonus elements in ordinary shares issued during the year.

Diluted earnings per share

Diluted earnings per share adjusts the figures used in the determination of basic earnings per share to take into account the after income tax effect of interest and other financing costs associated with dilutive potential ordinary shares and the weighted average number of shares assumed to have been issued for no consideration in relation to dilutive potential ordinary shares.

4. CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

In the application of the Group's accounting policies, which are described in note 3, management is required to make judgments, estimates and assumptions about carrying values of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgments. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

CRITICAL JUDGEMENTS IN APPLYING THE ENTITY'S ACCOUNTING POLICIES

The following are the critical judgements including those involving estimations, that management has made in the process of applying the Group's accounting policies and that have the most significant effect on the amounts recognised in the financial statements:

(i) Oil and Gas Reserve Estimates are made in determining the depletion charge to be levied against producing oil and gas properties during the period. These estimates are provided by Independent Petroleum Engineers. These estimates are also used in determining the fair value of oil and gas properties for the purpose of impairment testing.

(ii) The Consolidated Entity recognises any obligations for removal and restoration that are incurred during a particular period as a consequence of having undertaken exploration and evaluation activity. Future restoration and abandonment obligations are reviewed annually taking into account estimates by independent petroleum engineers. Presently the Consolidated Entity does not have any large scale production facilities that would have a material impact in relation to future restoration costs and, accordingly, there are no provisions for future restoration costs. This position may change should the Consolidated Entity embark on a more substantial development project.

(iii) The Consolidated Entity has capitalised significant exploration and evaluation expenditure on the basis either that this is expected to be recouped through future successful development or alternatively sale of the areas of interest. If ultimately the areas of interest are abandoned or are not successfully commercialised, the carrying value of the capitalised exploration and evaluation expenditure would need to be written down to its recoverable amount.

(iv) The Consolidated Entity has carried forward tax losses which have not been recognised as deferred tax assets as it is not considered sufficiently probable at this point in time, that these losses will be recouped by means of future profits taxable in the relevant jurisdictions.

5. SEGMENT INFORMATION

AASB 8 requires operating segments to be identified on the basis of internal reports about components of the entity that are regularly reviewed by the Managing Director (chief operating decision maker) in order to allocate resources to the segments and to assess its performance.

The consolidated entity undertakes exploration for and the production of oil and gas in Australia, Africa, Jamaica and North America.

SEGMENT ASSETS AND LIABILITIES

The following is an analysis of the Consolidated Entity's assets and liabilities by reportable operating segment:

	Assets		Liabilities	
	2011 $	2010 $	2011 $	2010 $
AGC	-	-	295 009	-
Australia	125 628	94 331	-	-
Canada	-	-	-	-
Guinea Bissau	5 469 126	2 816 766	-	-
Jamaica	6 923 178	-	-	-
Kenya	22 611 046	-	4 187 577	-
Senegal	14 670 052	14 378 586	-	-
USA	593 383	1 271 550	260 502	220 105
Corporate	27 218 282	41 433 727	4 027 406	4 201 313
Total assets and liabilities	77 610 695	59 994 960	8 770 494	4 421 418

SEGMENT REVENUE AND RESULTS

The following is an analysis of the Consolidated Entity's revenue and results by reportable segment for the periods under review:

	Revenue		Segment Profit / (Loss)	
	2011 $	2010 $	2011 $	2010 $
AGC	-	-	(8 627 333)	-
Australia	-	-	(167 500)	(68 951)
Canada	-	-	(664)	(1 354)
Guinea Bissau	-	-	-	-
Jamaica	-	-	-	-
Kenya	-	-	-	-
Senegal	-	-	-	-
USA	747 935	1 024 441	(515 205)	(3 846 792)
Corporate	1 637 279	450 665	(2 843 715)	(2 869 704)
Consolidated segment revenue and (loss)/ profit before tax for the year	2 385 214	1 475 106	(12 154 417)	(6 786 801)
Income tax expense			-	-
Consolidated segment revenue and (loss)/ profit after tax for the year	2 385 214	1 475 106	(12 154 417)	(6 786 801)

The revenue reported above represents revenue generated from external customers. There were no intersegment sales during the year.

OTHER SEGMENT INFORMATION

	Depreciation and Amortisation		Additions to Non-Current Assets		Impairment of Non-Current Assets	
	2011 $	2010 $	2011 $	2010 $	2011 $	2010 $
AGC	-	-	8 627 333	-	(8 627 333)	-
Australia	-	-	208 973	107 573	(177 673)	(68 951)
Canada	-	-	664	1 354	(664)	(1 354)
Guinea Bissau	-	-	2 652 359	2 816 766	-	-
Jamaica	-	-	6 923 178	-	-	-
Kenya	-	-	22 325 266	-	-	-
Senegal	-	-	291 465	473 219	-	-
USA	614 262	607 883	141 827	73 835	(42 706)	(3 507 095)
Corporate	40 858	21 597	102 159	2 236	-	-
	655 120	629 480	41 273 224	3 474 983	(8 848 376)	(3 577 400)

6. REVENUE

An analysis of the Consolidated Entity's revenue for the year from continuing operations is as follows:

	2011 $	2010 $
Sales Revenue:		
Oil and gas revenues	747 451	1 023 070
Interest Revenue:		
Bank deposits	1 572 002	445 463
Other Revenue	65 761	6 573
	2 385 214	1 475 106

7. OTHER INCOME

	2011 $	2010 $
Rebate under R&D tax concession scheme	11 211	-
Miscellaneous other income	909	-
	12 120	-

8. PROFIT / (LOSS) FOR THE YEAR

Loss for the year from continuing operations includes the following expenses:

	2011 $	2010 $
Depreciation and amortisation:		
- Property, plant & equipment	(114 535)	(112 039)
- Oil & gas properties	(540 585)	(517 441)
	(655 120)	(629 480)
Impairment of non-current assets:		
- exploration costs expensed:		
- Oil & gas properties	(8 848 376)	(3 577 400)
Operating lease rental expenses:		
- Rental expense on operating lease	(212 761)	(144 319)
Share based payments to consultants – equity settled	(88 000)	(270 750)
Share based payment of acquisition costs – equity settled	(350 000)	-
Employee benefit expense:		
- Short-terms employee benefits	(1 236 561)	(722 681)
- Post employment benefits:		
- Defined contribution plans	(90 524)	(64 791)
- Share based payments-equity settled	(90 000)	-
- Decrease/(increase) in employee benefits provisions (i)	680 940	(253 235)
	(736 145)	(1 040 707)

(i) During the current year, changes to Mr M J Evans' contractual arrangement resulted in the removal of his entitlement to a payment on termination of one months' salary for each full year of service. As a result of the change, the provision in respect of this future payment was reversed in full and is included in the movement in provisions disclosed above. Similarly, changes to Mrs J A Atling's termination entitlements during the year resulted in a reduction in the amount provided for.

9. FINANCE COSTS

	2011 $	2010 $
Interest on convertible notes	(440 891)	(445 675)
Total interest expense	(440 891)	(445 675)
Accretion expense – convertible note	(153 049)	(139 879)
Other finance costs	(15 479)	(15 375)
	(609 419)	(600 929)

10. INCOME TAXES

(a) Income tax recognised in profit or loss

	2011 $	2010 $
Tax expense/(income) comprises:		
Current tax expense/(income)	(3 646 325)	(2 036 040)
Tax losses not brought to account	3 646 325	2 036 040
	-	-
Deferred tax expense/(income) relating to the origination and reversal of temporary differences	2 981 123	781 237
Benefit arising from previously recognised tax losses of prior periods used to reduce deferred tax expense	(2 981 123)	(781 237)
Total tax expense/(income)	-	-

The prima facie income tax expense on pre-tax accounting profit from operations reconciles to the income tax expense in the financial statements as follows:

	2011 $	2010 $
Profit/(loss) from operations	(12 154 457)	(6 786 801)
Income tax expense/(income) calculated at 30%	(3 646 325)	(2 036 040)
Unused tax losses and tax offsets not recognised as deferred tax assets	3 646 325	2 036 040
	-	-

The tax rate used in the above reconciliation is the corporate tax rate of 30% payable by Australian corporate entities on taxable profits under Australian tax law. There has been no change in the corporate tax rate when compared with the previous reporting period. No adjustment has been made for the incremental impact of the USA federal income tax rate which is marginally higher at 35% for the purpose of this disclosure note as the impact is not considered significant with respect to the operations of the Consolidated Entity.

(b) Income tax recognised directly in equity

There were no current and deferred amounts charged directly to equity during the period.

(c) Deferred tax balances

	2011 $	2010 $
Deferred tax assets comprise:		
Tax losses in Australia	7 880 533	4 711 035
Tax losses in USA	61 841	250 216
	7 942 374	4 961 251
Deferred tax liabilities comprise:		
Temporary differences	12 129 951	4 961 251
	12 129 951	4 961 251
Deferred tax balances are presented in the statement of financial position as follows:		
Deferred tax liabilities	4 187 577	-

Taxable and deductible temporary differences arise from the following:

2011	Opening balance $	Recognised in income $	Recognised in equity $	Arising from business combinations $	Closing balance $
Oil & gas properties	5 431 287	2 837 674	-	4 187 577	12 456 538
Property, plant & equipment	5 834	(12 864)	-	-	(7 030)
Receivables	(148 574)	-	-	-	(148 574)
Provisions	(327 296)	156 313	-	-	(170 983)
Total	4 961 251	2 981 123	-	4 187 577	12 129 951

2010	Opening balance $	Recognised in income $	Recognised in equity $	Arising from business combinations $	Closing balance $
Oil & gas properties	4 602 932	828 355	-	-	5 431 287
Property, plant & equipment	(17 625)	23 459	-	-	5 834
Receivables	(148 574)	-	-	-	(148 574)
Provisions	(256 719)	(70 577)	-	-	(327 296)
Total	4 180 014	781 237	-	-	4 961 251

Refer to note 28 for details of temporary difference arising from business combinations.

TAX CONSOLIDATION

RELEVANCE OF TAX CONSOLIDATION TO THE CONSOLIDATED ENTITY

The Company and its wholly-owned Australian resident entities have formed a tax consolidated group with effect from 1 July 2007 and are therefore taxed as a single entity from that date. The Head Entity within the tax consolidated group is FAR Limited. The members of the tax consolidated group are identified at note 27.

During the year the company acquired a 100% interest in Flow Energy Limited resulting in Flow Energy Limited and its wholly-owned Australian resident entities joining the tax consolidated group.

	2011 $	2010 $
Unrecognised deferred tax balances		
The following deferred tax assets have not been brought to account as assets:		
Tax losses in the United States (net)	3 555 068	3 671 067
Tax losses in Australia (net)	13 796 850	8 295 763
	17 351 918	11 966 830

11. TRADE AND OTHER RECEIVABLES

	2011 $	2010 $
Trade receivables	98 872	121 485
Interest receivable	85 235	234 069
Other receivables	3 636 067	3 623 192
Less allowance for doubtful debts	(495 246)	(495 246)
	3 324 928	3 483 500

The credit period on the sale of oil and gas varies between 30 and 60 days. No trade receivables were past due at balance date.

Included in other receivables is an amount of US$3million due in respect of a prior year sale of the Consolidated Entity's interest in the Beibu Gulf Block 22-12 Joint Venture (through the disposal of a wholly owned subsidiary). This amount was received in full on 7 March 2012.

Other receivables include amounts of $495,246 (2010: $495,246) which were past due at balance date. These amounts have been provided for in full.

12. OTHER FINANCIAL ASSETS

CURRENT

	2011 $	2010 $
Security deposit	20 000	-
Performance bond	285 780	-
	305 780	-

The weighted average interest rate on the security deposit is 5.70% (2010: nil%).

NON-CURRENT

	2011 $	2010 $
Security deposit	71 924	23 215

The weighted average interest rate on the security deposit is 3.82% (2010: nil%).

13. OTHER CURRENT ASSETS

	2011 $	2010 $
Prepayments	120 874	174 834

14. PROPERTY, PLANT AND EQUIPMENT

	Plant and Equipment $	Total $
Gross Carrying Amount		
Balance at 1 January 2010	1 955 881	1 955 881
Additions	20 301	20 301
Disposals	-	-
Net foreign currency exchange differences	(212 612)	(212 612)
Balance at 1 January 2011	1 763 570	1 763 570
Additions	92 835	92 835
Additions through business combination (refer note 28)	11 085	11 085
Disposals	(55 123)	(55 123)
Net foreign currency exchange differences	1 131	1 131
Balance at 31 December 2011	1 813 498	1 813 498
Accumulated depreciation /amortisation and impairment		
Balance at 1 January 2010	1 627 569	1 627 569
Depreciation expense	112 039	112 039
Net foreign currency exchange differences	(193 531)	(193 531)
Balance at 1 January 2011	1 546 077	1 546 077
Depreciation expense	114 535	114 535
Disposals	(55 123)	(55 123)
Net foreign currency exchange differences	2 205	2 205
31 December 2011	1 607 694	1 607 694
Net Book Value		
31 December 2010	217 493	217 493
31 December 2011	205 804	205 804

15. OIL AND GAS PROPERTIES

	2011 $	2010 $
Producing properties		
Capitalised development costs:		
Balance at 1 January	9 181 012	10 378 137
Additions	82 450	24 477
Net foreign currency exchange differences	7 660	(1 221 602)
Balance at 31 December	9 271 122	9 181 012
Less: accumulated amortisation		
Balance at 1 January	8 496 832	9 097 379
Amortisation expense	540 585	517 441
Net foreign currency exchange differences	14 586	(1 117 988)
Balance at 31 December	9 052 003	8 496 832
	219 119	684 180
Non-producing properties		
Exploration and evaluation expenditure:		
Balance at 1 January	17 319 606	17 559 143
Additions	11 742 887	3 430 205
Additions through business combination (refer note 28)	29 343 967	-
Exploration expensed	(8 848 376)	(3 577 401)
Net foreign currency exchange differences	262	(92 341)
Balance at 31 December	49 558 346	17 319 606
Total oil and gas properties	49 777 465	18 003 786

Exploration and evaluation costs are accumulated in respect of each "area of interest" or geographical segment in accordance with AASB 6 'Exploration for and Evaluation of Mineral Resources'. Costs are capitalised as an exploration and evaluation asset provided exploration titles are current and at least one of the following conditions are satisfied:

- the exploration and evaluation expenditures are expected to be recouped through development and exploitation of the area of interest or by future sale; or
- exploration and evaluation activities in the area of interest have not at the reporting date reached a stage which permits a reasonable assessment of the existence or otherwise of economically recoverable reserves, and active and significant operations in, or in relation to, the area of interest are continuing

16. TRADE AND OTHER PAYABLES

	2011 $	2010 $
Trade Payables	323 950	232 454
Other	716 620	267 701
	1 040 570	500 155

The average credit period on purchases is approximately 30 days. No interest is charged on the trade payables for the first 30 days from the date of the invoice. Thereafter, interest may be levied on the outstanding balance at varying rates. The Group has financial risk management policies in place to ensure that all payables are paid within the credit timeframe.

17. BORROWINGS

	2011 $	2010 $
Current		
Unsecured loans – convertible notes	2 927 885	-
Non-Current		
Unsecured loans – convertible notes	-	2 812 299

6,638,033 15% convertible notes were issued in February 2009 at an issue price of $0.45 per note. Each note carries a coupon rate of 15% 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. At balance date 6,506,419 notes remained unconverted (2010: 6,602,589). All unconverted notes matured at 45 cents on 31 January 2012 and were repaid in full.

The financial liability component has been calculated by discounting the face value of the convertible notes together with the interest payable thereon over the maturity period, followed by an allocation of the debt issue costs between the debt and equity components on a pro-rata basis. The discount rate used was 17.5%, representing the directors' estimate of the interest rate applicable to a debt instrument issued under similar terms with a similar maturity period. The unwinding of the discount is charged to the statement of comprehensive income as an accretion expense within finance costs.

18. PROVISIONS

	2011 $	2010 $
Current		
Employee benefits (i)	519 026	1 108 964
Non-Current		
Employee benefits	68 907	-

(i) During the current year, changes to Mr M J Evans' contractual arrangement resulted in the removal of his entitlement to a payment on termination of one months' salary for each full year of service. As a result of the change, the provision in respect of this future payment was reversed in full and is included in the movement in provisions disclosed above. Similarly, changes to Mrs J A Atling's termination entitlements during the year resulted in a reduction in the amount provided for.

19. ISSUED CAPITAL

	2011 Number	2011 $	2010 Number	2010 $
Paid up capital: Ordinary fully paid shares at beginning of year	1 244 439 464	103 879 103	658 232 784	72 090 504
Shares allotted during the year (a)	905 640 693	25 305 521	586 206 680	33 999 987
Share issue costs	-	(50 198)	-	(2 211 388)
Transfer from equity component on convertible notes reserve	-	2 589	-	-
Ordinary fully paid shares at end of year	2 150 080 157	129 137 015	1 244 439 464	103 879 103

Changes to the then Corporations Law abolished the authorised capital and par value concept in relation to share capital from 1 July 1998. Therefore, the company does not have a limited amount of authorised capital and issued shares do not have a par value.

Fully paid ordinary shares carry one vote per share and the right to dividends.

(a) The following share issues were made during the year:

(i) 878,010,387 shares were issued as consideration for the off-market takeover of Flow Energy Limited. The shares were allotted in November and December 2011 (refer note 28).

(ii) 11,589,404 shares were issued as consideration for advisory fees of $350,000 relating to the acquisition of Flow Energy Limited (refer note 28).

(iii) 15,079,202 shares were issued as settlement of liabilities totalling $404,366 assumed on the acquisition of Flow Energy Limited.

(iv) 961,700 ordinary shares were issued on the conversion of convertible notes, with a principal value of $37,459. Additionally as a result of the conversion $2,589 was transferred from reserves to issued capital.

(b) At balance date the Company had the following options available to be exercised:

4,000,000 unlisted options to subscribe for ordinary shares at 20 cents on or before 9 March 2012
4,750,000 unlisted options to subscribe for ordinary shares at 7.5 cents on or before 31 March 2012
2,000,000 unlisted options to subscribe for ordinary shares at 5 cents on or before 30 June 2012
7,800,000 unlisted options to subscribe for ordinary shares at 7 cents on or before 30 June 2012
4,750,000 unlisted options to subscribe for ordinary shares at 10 cents on or before 31 March 2013
1,500,000 unlisted options to subscribe for ordinary shares at 10 cents on or before 30 April 2014

20. RESERVES

	2011 $	2010 $
(i) Option reserve		
- opening balance	1 996 955	1 726 205
- options allotted	178 000	270 750
- balance at end of year	2 174 955	1 996 955

The option reserve represents the value of options issued as share based payments based on the Black Scholes Valuation method. For further details on options issued during the year see note 31.

	2011 $	2010 $
(ii) Foreign currency translation reserve		
- balance at beginning of year	(894 141)	(651 728)
- translation of foreign operations	(12 247)	(242 413)
- balance at end of year	(906 388)	(894 141)

Exchange differences relating to the translation from functional currencies into Australian dollars are brought to account by entries made directly to the foreign currency translation reserve, as described in note 3.

	2011 $	2010 $
(iii) Equity component on convertible notes		
- balance at beginning of year	674 085	674 085
- issue of convertible notes	-	-
- transfer to issued capital	(2 589)	-
- balance at end of year	671 496	674 085

The equity component on convertible notes represents the equity component (conversion rights) on the issue of unsecured convertible notes. Refer to note 17 for further information.

The equity component was calculated as the face value of the note, less the financial liability component at the date of issue. The financial liability component at date of issue was calculated by discounting the face value of the convertible notes together with the interest payable thereon over the maturity period, followed by an allocation of the debt issue costs between the debt and equity components on a pro-rata basis. The discount rate used represented the directors' estimate of the interest rate applicable to a debt instrument issued under similar terms with a similar maturity period.

21. ACCUMULATED LOSSES

	2011 $	2010 $
Balance at beginning of financial year	(50 082 460)	(43 295 659)
Net (loss) / profit	(12 154 417)	(6 786 801)
Balance at end of financial year	(62 236 877)	(50 082 460)

22. EARNINGS PER SHARE

	2011 Cents per share	2010 Cents per share
Basic (loss)/earnings per share	(0.90)	(0.93)
Diluted (loss)/earnings per share	(0.90)	(0.93)
Basic and diluted earnings per share		
The earnings and weighted average number of ordinary shares used in the calculation of basic and diluted earnings per share are as follows:		
	$	$
Earnings: Net (loss)/per share for the year	(12 154 417)	(6 786 801)
	Number	Number
Weighted average number of ordinary shares for the purposes of basic and diluted earnings per share	1 350 614 928	730 064 128

The following potential ordinary shares are not dilutive and are therefore excluded from the weighted average number of ordinary shares used in the calculation of diluted EPS:

	2011 Number	2010 Number
$0.14 March 2011 unlisted options	-	6 000 000
$0.075 March 2012 unlisted options	4 750 000	4 750 000
$0.20 March 2012 unlisted options	4 000 000	-
$0.05 June 2012 unlisted options	2 000 000	2 000 000
$0.07 June 2012 unlisted options	7 800 000	7 800 000
$0.10 March 2013 unlisted options	4 750 000	4 750 000
$0.18 April 2013 unlisted options	1 500 000	-
Convertible notes maturing 31 January 2012 (i)	65 064 190	66 025 890
	89 864 190	91 325 890

(i) Convertible notes are convertible into 10 shares each at 4.5 cents per share. The number of shares disclosed above represents the maximum number of shares that would be issued on full conversion of all convertible notes on issue at balance date.

23. COMMITMENTS FOR EXPENDITURE

	2011 $	2010 $
Oil and Gas Properties		
Not longer than 1 year	7 770 058	10 085 511
Longer than 1 year and not longer than 5 years	5 225 536	4 919 807
Longer than 5 years	-	-
	12 995 594	15 005 318

The exploration commitments reflect the minimum expenditure to meet the conditions under which the licences are granted or such greater amounts that have been contractually committed. These commitments may vary from time to time, subject to approval by the grantor of titles or by variation of contractual agreements. The expenditure represents potential expenditure which may be reduced by entering into sale, farmout or relinquishment of the interests and may vary depending upon the results of exploration. Should expenditure not reach the required level in respect of each area of interest, the Consolidated Entity's interest could be either reduced or forfeited.

Included in the commitments above is an amount of US$5million in respect of a performance bond relating to a well commitment on the Consolidated Entity's Senegal leases. Subsequent to the year end a Presidential Decree was received confirming the Consolidated Entity's entry into the second renewal period of the licences. The second renewal period runs for two years from 6 February 2012 and requires a commitment to drill an exploration well. The performance bond will be refundable in the event that the Joint Venture completes the drilling of an exploration well on the blocks during the second renewal period or forfeited at the end of the period in the event of non-performance.

The commitments above do not included the cost of drilling the Senegal exploration well as the Consolidated Entity's share of costs cannot be reliably estimated at this stage. The Consolidated Entity is currently marketing the prospect and seeking a farmout that would see the Company free carried through the drilling of the well. The Consolidated Entity's exposure to well costs will be subject to the terms of any farmout agreement which may be signed and the working interest retained by the Consolidated Entity.

Non-cancellable operating lease commitments are disclosed in note 25 to the financial statements.

24. CONTINGENT LIABILITIES AND CONTINGENT ASSETS

	2011 $	2010 $
Contingent liabilities		
Guinea Bissau – contingent payment from future production (i)	12 800 315	12 791 499
Guinea Bissau – contingent withholding tax liability (ii)	407 675	-
	13 207 990	12 791 499
Contingent assets		
China sale – conditional payment (iii)	2 953 919	2 951 884
	2 953 919	2 951 884

(i) In 2009, the Company entered into an Agreement to acquire a 15% interest in three blocks offshore Guinea Bissau. Under the terms of the Agreement, in the event of future production from the blocks the vendor will be entitled to recover up to US$13million in past exploration costs from the Company's proceeds from production. Any such recovery will be at a rate of 50% of the Company's annual net revenue as defined by the agreement.

(ii) During the year, the Consolidated Entity was advised by the operator of its blocks in Guinea Bissau that the Joint Venture partners have a contingent withholding tax liability which would become payable in the event of the Joint Venture entering the development phase of the licences. The Consolidated Entity's share of the estimated contingent liability as at 31 December 2011 is $407,675.

(iii) In 2009, the Consolidated Entity sold its interest in the Beibu Gulf Block 22-12 Joint Venture (through the disposal of a wholly owned subsidiary). Under the terms of the Sale Agreement, the purchase price was payable in three tranches subject to certain conditions being met. In recognising the gain on sale in 2009 the third tranche payment of US$3million was not brought to account. The receipt of this amount is contingent on gross production of 1,000,000 barrels of oil from the project. Recent reports to the ASX from the Operator of the Joint Venture note that first production is anticipated prior to the end of 2012.

There are no contingent liabilities arising from service contracts with executives.

25. LEASES

OPERATING LEASES - LEASING ARRANGEMENTS

Operating leases relate to office facilities with lease terms of between 1 to 5 years remaining at balance date. The Company / Consolidated Entity does not have an option to purchase the leased asset at the end of the expiry term.

	2011 $	2010 $
Non-cancellable operating lease payments:		
Not longer than 1 year	211 411	107 422
Longer than 1 year and not longer than 5 years	497 893	91 075
Longer than 5 years	-	-
	709 304	198 497

26. INTERESTS IN JOINT VENTURE OPERATIONS

The Consolidated Entity has an interest in the following material joint venture operations whose principal activities are oil and gas production and/or exploration.

Name	Equity Interest	
	2011 %	2010 %
AGC		
AGC Profond (i)	8.80	-
Australia		
WA-457-P (ii)	100.00	-
WA-458-P(ii)	100.00	-
WA-254-P / WA-47-R	10.71	10.71
EP104/R1/L15	8.00-12.00%	12.00
Guinea Bissau		
Sinapa / Esperanca	15.00	15.00
Jamaica		
Blocks 6, 7, 10, 11 and 12 (ii)	50.00	-
Kenya		
L6 (ii)	60.00	-
L9 (ii)(iii)	30.00	-
Senegal		
Rufisque Offshore / Sangomar Offshore / Sangomar Deep Offshore	90.00	90.00

(i) Interest in the AGC Profond block was acquired under a Heads of Agreement signed in October 2010 but regulatory approval of the acquisition was not received until the current year.

(ii) Interests were acquired through the off-market takeover of Flow Energy Limited.

(iii) The Deed of Assignment and Joint Operating Agreement in respect of the Consolidated Entity's interest in Block L9 are in the process of being finalised at the date of approval of the financial statements.

In addition to the interests set out in the above table, the Consolidated Entity holds working interests in numerous oil and gas leases in North America.

The Consolidated Entity's interests in assets employed in the above joint venture operations are detailed below. The amounts are included in the financial statements under their respective asset categories

	2011 $	2010 $
Current Assets		
Other financial assets	285 780	-
Other assets	-	58 215
Non-Current Assets		
Property, plant and equipment	56 336	129 283
Oil and gas properties	49 777 765	18 003 786
Current Liabilities		
Trade and other payables	533 922	200 099

CONTINGENT LIABILITIES AND CAPITAL COMMITMENTS

The capital commitments arising from the Consolidated Entity's interests in joint ventures are disclosed in note 23.

The contingent liabilities in respect of the Consolidated Entity's interest in joint ventures are disclosed in note 24.

27. SUBSIDIARIES

Name of Entity	Country of incorporation	Ownership interest	
		2011 %	2010 %
Parent Entity			
FAR Limited (i)	Australia		
Subsidiaries			
First Australian Resources Pty Ltd (ii) (iv)	Australia	100	100
Humanot Pty Ltd (ii) (iv)	Australia	100	100
First Australian Resources Inc	USA	100	100
Flow Energy Limited (ii) (iii)	Australia	100	-
Neptune Exploration Pty Ltd (ii) (iii)	Australia	100	-
Lightmark Enterprises Pty Ltd (ii) (iii)	Australia	100	-
Petrole Investments Pty Ltd (iii)	Mauritius	100	-
Arawak Oil & Gas Limited (iii)	British Virgin Islands	100	-

(i) FAR Limited is the Head Entity within the tax consolidated group.

(ii) These companies are members of the tax consolidated group.

(iii) Acquired on 17 November 2011 under the off market takeover of Flow Energy Limited. Refer to note 28 for further details.

(iv) These wholly-owned controlled Entities have entered into a deed of cross guarantee with FAR Limited pursuant to ASIC Class Order 98/1418 and are relieved from the requirements to prepare and lodge an audited financial report.

The consolidated statement of comprehensive income and statement of financial position of entities which are party to the deed of cross guarantee are:

Statment of Comprehensive Income	2011 $	2010 $
Revenues	1 637 181	450 665
Other income	12 120	-
Depreciation and amortisation expense	(40 097)	(21 597)
Exploration expense	(8 795 497)	(70 304)
Impairment of loans	-	(3 607 685)
Finance costs	(609 315)	(600 929)
Admin expense	(526 011)	(310 556)
Employee benefits expense	(554 524)	(912 421)
Acquisition costs – Flow Energy Limited	(1 319 507)	-
Consulting expense	(604 827)	(445 889)
Foreign exchange loss	(447 793)	(1 491 772)
Other expenses	(297 875)	(200 788)
Loss before income tax	(11 546 145)	(7 211 276)
Income tax expense	-	-
Loss for the year	(11 546 145)	(7 211 276)
Other comprehensive income	-	-
Total comprehensive income	(11 546 145)	(7 211 276)

27. SUBSIDIARIES (CONTINUED)

Statement of Financial Position	2011 $	2010 $
CURRENT ASSETS		
Cash and cash equivalents	23 610 510	37 857 317
Receivables	3 138 170	3 354 711
Other financial assets	-	-
Other	82 785	112 244
Total Current Assets	26 831 465	41 324 272
NON CURRENT ASSETS		
Trade and other receivables	2 129 551	1 341 974
Other financial assets	25 589 322	1 026 918
Property, plant and equipment	125 693	87 982
Oil and gas properties	20 139 178	17 289 683
Total Non-Current Assets	47 983 744	19 746 557
TOTAL ASSETS	74 815 209	61 070 829
CURRENT LIABILITIES		
Trade and other payables	692 085	298 027
Borrowings	2 927 885	-
Provisions	405 727	1 090 987
Total Current Liabilities	4 025 697	1 389 014
NON-CURRENT LIABILITIES		
Borrowings	-	2 812 299
Provisions	6 289	-
Other financial liabilities	26 529	-
Total Non-Current Liabilities	32 818	2 812 299
TOTAL LIABILITIES	4 058 515	4 201 313
NET ASSETS	70 756 694	56 869 516
EQUITY		
Issued Capital	129 137 015	103 879 103
Reserves	2 846 451	2 671 040
Accumulated losses	(61 226 772)	(49 680 627)
TOTAL EQUITY	70 756 694	56 869 516

Accumulated Losses	2011 $	2010 $
Balance at beginning of financial year	(49 680 627)	(42 469 351)
Net Loss	(11 546 145)	(7 211 276)
Balance at end of financial year	(61 226 772)	(49 680 627)

28. ACQUISITION OF BUSINESS

On 17 November 2011 the Company acquired Flow Energy Limited, an oil and gas exploration company with interests in Kenya, Australia and Jamaica, through an off-market takeover with consideration paid in ordinary shares. As at 31 December 2011 the Company held 100% of Flow Energy Limited shares. In total, 878,010,387 shares were issued as consideration at a fair value of $24,513,696. The fair value of the consideration has been determined based on the market value of the shares on the date of issue.

Acquisition costs of $1,319,507 were paid by the Company in respect of the acquisition, of which $350,000 were equity settled by the issue of 11,589,404 ordinary shares. These costs have been excluded from the consideration paid and have been recognised as an expense during the current year.

	2011 $	2010 $
Consideration:		
Consideration satisfied through the issue of shares	24 513 696	-
Total Consideration	24 513 696	-

The book value and fair value of the assets and liabilities acquired were as follows:

	Book Value $	Fair Value Adjustment $	Fair Value on Acquisition $
Current Assets			
Cash and cash equivalents	105 015	-	105 015
Trade and other receivables	68 630	-	68 630
Other financial assets	305 780	-	305 780
Other	26 829	-	26 829
Non-Current Assets			
Property, plant and equipment	11 085	-	11 085
Oil and gas properties	7 164 349	22 179 618	29 343 967
Current Liabilities			
Trade and other payables	(845 614)	-	(845 614)
Borrowings	(154 510)	-	(154 510)
Provisions	(101 437)	-	(101 437)
Non-Current Liabilities			
Deferred tax liabilities	-	(4 187 577)	(4 187 577)
Provisions	(58 472)	-	(58 472)
	6 521 655	17 992 041	24 513 696

The Company has provisionally recognised the fair value of the identifiable assets and liabilities of the above business combinations based upon the best information available as of the reporting date. At this point in time the Company is still in the process of finalising the tax resetting exercise for the acquisitions which may have an impact on the provisional acquisition accounting. The review of the fair value of the assets and liabilities acquired will be completed within 12 months of the acquisition date at the latest.

	2011 $	2010 $
Cash outflow on acquisition:		
Cash settled acquisition costs	969 507	-
Less: cash and cash equivalents acquired	(105 015)	-
Net cash outflow on acquisition	864 492	-

Included in the net loss for the year is a loss of $96,276 attributable to the activities of Flow Energy Limited and its subsidiaries. There was no revenue attributable to Flow Energy Limited and its subsidiaries. It is not practicable to estimate the effect on revenue or the loss for the year had the acquisition taken place at the beginning of the financial year as the financial performance of Flow Energy Limited is activity driven and the level of activity during the year may have been different had the acquisition taken place at an earlier date.

29. NOTES TO THE CASH FLOW STATEMENT

(a) Reconciliation of cash and cash equivalents

For the purposes of the cash flow statement, cash and cash equivalents includes cash on hand and in banks and investments in money market instruments, net of outstanding bank overdrafts. Cash and cash equivalents at the end of the financial year as shown in the cash flow statement are reconciled to the related items in the statement of financial position as follows:

	2011 $	2010 $
Cash and cash equivalents	23 803 920	38 092 132
	23 803 920	38 092 132

(b) Non-cash financing and investing activities

During the year the Company acquired Flow Energy Limited, an oil and gas exploration company with interests in Kenya, Australia and Jamaica, through an off-market takeover with consideration paid in ordinary shares. In total, 878,010,387 shares were issued as consideration at a fair value of $24,513,696.

Acquisition costs of $1,319,507 were paid by the Company in respect of the acquisition, of which $350,000 were equity settled by the issue of 11,589,404 ordinary shares.

During the financial year, there were no other non-cash financing or investing activities.

(c) Financing facilities

During the financial year, no financing facilities were used by the Consolidated Entity.

(d) Cash balances not available for use

There are no restrictions on cash balances at the reporting date.

Subsequent to the year end, a Presidential Decree was received confirming the Consolidated Entity's entry into the second renewal period of its Senegal licences. The second renewal period runs for two years from 6 February 2012 and requires a commitment to drill an exploration well backed by a US$5million performance bond. As at the date of approval of the financial report the performance bond has not been called. The performance bond will be refundable in the event that the Joint Venture completes the drilling of an exploration well on the blocks during the second renewal period.

(e) Reconciliation of profit for the period to net cash flows from operating activities

	2011 $	2010 $
Loss for the year	(12 154 417)	(6 786 801)
Depreciation and amortisation of non-current assets	655 120	629 480
Foreign exchange (gain)/loss	444 583	828 200
Equity settled share-based payments	178 000	270 750
Exploration expensed	8 848 376	3 577 400
Interest income received	(1 572 002)	(445 463)
Accretion on convertible note	153 049	139 879
Acquisition costs – Flow Energy Limited	1 319 507	-
(Increase)/decrease in assets:		
Trade and other receivables	22 613	(189 140)
Other financial assets	-	232
Other current assets	(28 803)	(85 801)
Increase/(decrease) in liabilities:		
Trade and other payables	(538 783)	(132 450)
Provisions	(680 940)	253 235
Net cash from operating activities	(3 353 697)	(1 940 479)

30. FINANCIAL INSTRUMENTS

(a) Capital risk management

The Consolidated Entity manages its capital to ensure that it will be able to continue as a going concern whilst maintaining an optimal debt to equity balance. The capital structure of the Consolidated Entity consists of cash and cash equivalents, convertible loan notes and equity attributable to equity holders of the parent comprising issued capital, reserves and accumulated losses.

(b) Financial risk management objectives

The Consolidated Entity's management provides services to the business, co-ordinates access to domestic and international financial markets, and manages the financial risks relating to the operations of the Consolidated Entity.

The Consolidated Entity does not enter into or trade financial instruments, including derivative financial instruments, for speculative purposes. The use of financial derivatives is governed by the Consolidated Entity's policies approved by the board of directors.

The Consolidated Entity's activities expose it primarily to the financial risks of changes in foreign currency exchange rates, interest rates, liquidity risk and commodity price risk. The Consolidated Entity does not presently enter into derivative financial instruments to manage its exposure to interest rate and foreign currency risk.

(c) Significant accounting policies

Details of the significant accounting policies and methods adopted, including the criteria for recognition, the basis of measurement and the basis on which income and expenses are recognised, in respect of each class of financial asset, financial liability and equity instrument, are disclosed in note 3 to the financial statements.

(d) Categories of financial instruments

	2011 $	2010 $
Financial assets		
Cash and cash equivalents	23 803 920	38 092 132
Loans and receivables	3 702 632	3 506 715
Financial liabilities		
Amortised cost	3 994 984	3 312 454

(e) Foreign currency risk management

The Consolidated Entity undertakes certain transactions denominated in foreign currencies, hence exposures to exchange rate fluctuations arise. Exchange rate exposures are managed within approved policy parameters which may include forward foreign exchange contracts against specific obligations denominated in foreign currency.

The Consolidated Entity may enter into forward foreign exchange contracts to cover specific foreign currency payments from time to time relating to specific drilling obligations that are denominated in US dollars. There were no forward foreign currency contracts outstanding at the reporting date.

Foreign currency risk sensitivity

The Consolidated Entity is mainly exposed to US dollars. The following analysis details the Consolidated Entity's sensitivity to a 10% increase and decrease in the Australian dollar against the US dollar. The sensitivity analysis only includes outstanding foreign currency denominated monetary items and adjusts their translation at the period end for a 10% change in foreign currency rates.

At the reporting date, if the Australian dollar had increased/decreased by 10% against the US dollar the Consolidated Entity's net profit after tax would decrease/increase by $320,548.

(f) Commodity price risk management

The Consolidated Entity's oil and gas production is sold at spot price and hence has exposure to commodity price fluctuations. No forward commodity price contracts were entered into during the year.

Commodity price sensitivity analysis

The following analysis details the Consolidated Entity's sensitivity to a 10% increase and decrease in the average commodity price during the year.

If the average commodity prices during the year had increased/decreased by 10% the Consolidated Entity's net profit after tax would increase/decrease by $74,745.

(g) Liquidity risk management

The Consolidated Entity manages liquidity risk by maintaining adequate reserves, banking facilities and reserve borrowing facilities by continuously monitoring forecast and actual cash flows and matching the maturity profiles of financial assets and liabilities.

LIQUIDITY AND INTEREST RISK TABLES

The following tables detail the Consolidated Entity's remaining contractual maturity for its non-derivative financial assets and liabilities. The tables have been prepared based on the undiscounted cash flows expected to be received/paid by the Consolidated Entity.

	Weighted average effective interest rate	Maturity Less than 1 month	1-3 months	3 months to 1 year	1-5 years	5+ years	Total
	%	$'000	$'000	$'000	$'000	$'000	$'000
2011							
Financial assets:							
Non-interest bearing	-	4 289 496	-	-	26 124	-	4 315 620
Variable interest rate	3.75	356 643	-	-	-	-	356 643
Fixed interest rate	5.33	5 743 479	16 994 506	305 780	45 800	-	23 089 565
		10 389 618	16 994 506	305 780	71 924	-	27 761 828
Financial liabilities:							
Non-interest bearing	-	1 067 099	-	-	-	-	1 067 099
Fixed interest rate	15.00	2 964 484	-	-	-	-	2 964 484
		4 031 583	-	-	-	-	4 031 583
2010							
Financial assets:							
Non-interest bearing	-	2 387 706	-	3 483 500	23 215	-	5 894 421
Variable interest rate	4.25	3 642 045	-	-	-	-	3 642 045
Fixed interest rate	5.87	7 683 553	24 873 288	-	-	-	32 556 841
		13 713 304	24 873 288	3 483 500	23 215	-	42 093 307
Financial liabilities:							
Non-interest bearing	-	500 155	-	-	-	-	500 155
Fixed interest rate	15.00	-	111 419	334 257	3 008 302	-	3 453 978
		500 155	111 419	334 257	3 008 302	-	3 954 133

(h) Interest rate risk management

The Consolidated Entity is exposed to interest rate risk as it earns interest at floating rates from a portion of its cash and cash equivalents. The Consolidated Entity places a portion of its funds into short term fixed interest deposits which provide short term certainty over the interest rate earned.

Interest rate sensitivity analysis

The following analysis details the Consolidated Entity's sensitivity to a 10% increase and decrease in the average interest rate during the year.

If the average interest rate during the year had increased/decreased by 10% the Consolidated Entity's net profit after tax would increase/decrease by $157,200

(i) Credit risk management

Trade accounts receivable presently consist of several established customers, spread across the oil and gas industry in the USA segment. The system for disbursements for oil and gas sales is well developed.

The Consolidated Entity does not have any significant credit risk exposure to any single counterparty or any group of counterparties having similar characteristics. The credit risk on liquid funds and financial instruments is limited because the counterparties are banks with high credit-ratings assigned by international credit-rating agencies. The carrying amount of financial assets recorded in the financial statements, net of any allowances for losses, represents the Consolidated Entity's maximum exposure to credit risk.

(j) Fair value of financial instruments

The directors consider that the carrying amount of financial assets and financial liabilities recorded in the financial statements approximates their fair values (2010: net fair value).

31. SHARE-BASED PAYMENTS

EMPLOYEE SHARE OPTION PLAN

Whilst the Consolidated Entity does not have a formal ownership-based compensation scheme for employees (including directors) of the Company, certain share options may be granted to directors and employees as part of their remuneration from time to time. All options issued to directors are granted in accordance with a resolution of shareholders. Options granted to employees are at the discretion of the Board. Each executive share option converts into one ordinary share of the Company on exercise. No amounts have been paid or are payable by the recipient upon receipt of the options. The options neither carry rights to dividends nor voting rights. Options may be exercised at any time from the date of vesting to the date of their expiry.

The following table reconciles the outstanding share options granted to employees at the beginning and end of the financial year:

	2011 No:	2010 No:
Balance at beginning of the financial year	7 800 000	17 300 000
Expired during the financial year	-	9 500 000
Granted during the financial year	1 500 000	-
Balance at the end of the financial year	9 300 000	7 800 000

(i) Options exercised during the financial year

No options were exercised during the current financial year.

(ii) Options granted during the financial year

On 21 April 2011, the Company issued 1,500,000 unlisted incentive options exercisable at 18 cents on or before 30 April 2014 to employees. All options vested on grant date. The options packages have been valued at $90,000 in total using the Black Scholes model and the financial effect has been recognised in 'Employee Benefits Expense' in the current financial year statement of comprehensive income.

The following inputs have been used to calculate the fair value of these options at grant date:

Option pricing inputs	
Number granted	1 500 000
Grant date	21 April 2011
Grant date share price	11 cents
Exercise price	18 cents
Expected volatility	100%
Option life	1,104 days
Risk-free interest rate	4.75%
Fair value per option	6 cents

(iii) Balance at the end of the financial year

At the end of the financial year the following share options granted to employees were in existence:

	2011 No:	2010 No:
Exercisable at 7 cents on or before 30 June 2012	7 800 000	7 800 000
Exercisable at 18 cents on or before 30 April 2014	1 500 000	-

SERVICES RECEIVED

On 21 April 2011, the Company issued 4,000,000 unlisted options exercisable at 20 cents on or before 9 March 2012 in lieu of consultancy fees. All options vested on grant date.

The options package has been valued at $270,750 using the Black Scholes model. The financial effect of the option issue has been recognised as a share-based payments expense in Consulting Expenses in the current financial year statement of comprehensive income. At the date of this report none of these options have been exercised.

The following inputs have been used to calculate the fair value of these options at grant date:

Option pricing inputs	
Number granted	4 000 000
Grant date	21 April 2011
Grant date share price	11 cents
Exercise price	20 cents
Expected volatility	100%
Option life	322 days
Risk-free interest rate	4.75%
Fair value per option	2.2 cents

In addition to the options discussed above, a further 11,500,000 options issued to consultants in prior years as share-based payments remain unexercised at balance date. Further information concerning these options is set out in note 19.

During the year the following share based payments were made through the issue of ordinary shares:

(i) 11,589,404 shares were issued as consideration for advisory fees of $350,000 relating to the acquisition of Flow Energy Limited.

(ii) 15,079,202 shares were issued as settlement of liabilities totalling $404,366 assumed on the acquisition of Flow Energy Limited.

32. KEY MANAGEMENT PERSONNEL COMPENSATION

(a) Details of key management personnel

The key management personnel of the Consolidated Entity during the year are listed below and were deemed to be key management personnel for the whole period unless otherwise stated:

- M J Evans - Executive Chairman (also Managing Director until 28 November 2011)
- C M Norman - Managing Director (appointed 28 November 2011)
- C L Cavness - Non-Executive Director
- A E Brindal - Non-Executive Director / Company Secretary
- N J Limb - Non-Executive Director (appointed 28 November 2011)
- C J Harper - Chief Financial Officer / Company Secretary
- P Nicholls - Exploration Manager (appointed 17 November 2011)
- J A Atling - Administration Manager Australia (key management personnel until 17 November 2011)
- R Adessa - Administration Manager USA (key management personnel until 17 November 2011)

The changes to key management personnel during the current period are as a result of the acquisition of Flow Energy Limited on 17 November 2011.

The compensation disclosed below relates only to the period in which the individuals listed above were deemed to be key management personnel.

(b) Key management personnel compensation

The aggregate compensation of the key management personnel of the Consolidated Entity and the Company is set out below:

	2011 $	2010 $
Short-term employee benefits	1 361 368	834 064
Post-employment benefits	77 341	64 353
Share-based payment	45 000	-
Other long-term benefits	(669 368)	246 080
Total	814 341	1 144 497

33. RELATED PARTY DISCLOSURES

(a) Equity interests in related parties

EQUITY INTERESTS IN SUBSIDIARIES

Details of the percentage of ordinary shares held in subsidiaries are disclosed in note 27 to the financial statements.

EQUITY INTERESTS IN ASSOCIATES AND JOINT VENTURES

Details of interests in joint ventures are discussed in note 26.

(b) Key management personnel compensation

Details of key management personnel compensation are disclosed in note 32 to the financial statements.

(c) Key management personnel equity holdings

FULLY PAID ORDINARY SHARES

2011	Balance 1/1/11	Received on Exercise of Options	Net Other Change (i)	Balance 31/12/11
Directors				
M J Evans	6 371 250	-	-	6 371 250
C M Norman	-	-	574 417	574 417
C L Cavness	1 150 000	-	-	1 150 000
A E Brindal	126 200	-	-	126 200
N J Limb	-	-	32 908 139	32 908 139
Executives				
C J Harper	-	-	-	-
P Nicholls	-	-	6 185 700	6 185 700
J A Atling	-	-	-	-
R Adessa	2 601	-	(2 601)	-

(i) Net other change represents the shareholding on appointment or ceasing to be key management personnel.

2010	Balance 1/1/10	Received on Exercise of Options	Net Other Change (i)	Balance 31/12/10
Directors				
M J Evans	6 225 450	-	145 800	6 371 250
C L Cavness	1 150 000	-	-	1 150 000
A E Brindal	29 000	-	97 200	126 200
Executives				
C J Harper	-	-	-	-
J A Atling	-	-	-	-
R Adessa	2 601	-	-	2 601

(i) Net other change represents shares purchased and sold, including shares acquired through participation in the Company's share purchase plan.

SHARE OPTIONS

2011	Balance 1/1/11	Options Granted as Compensation	Options Exercised	Net Other Change (i)	Balance 31/12/11
Directors					
M J Evans	6 000 000	-	-	-	6 000 000
C M Norman	-	-	-	-	-
C L Cavness	-	-	-	-	-
A E Brindal	-	-	-	-	-
N J Limb	-	-	-	-	-
Executives					
C J Harper	1 800 000	-	-	-	1 800 000
P Nicholls	-	-	-	-	-
J A Atling	-	-	-	-	-
R Adessa	-	750 000	-	(750 000)	-

(i) Net other change represents the option holding at the date of ceasing to be key management personnel.

2010	Balance 1/1/10	Options Granted as Compensation	Options Exercised	Net Other Change (i)	Balance 31/12/10
Directors					
M J Evans	11 000 000	-	-	(5 000 000)	6 000 000
C L Cavness	1 000 000	-	-	(1 000 000)	-
A E Brindal	-	-	-	-	-
Executives					
C J Harper	3 300 000	-	-	(1 500 000)	1 800 000
J A Atling	-	-	-	-	-
R Adessa	500 000	-	-	(500 000)	-

(i) Net other change comprises options which expired during the financial year.

All options vested at grant date and were exercisable at the balance date.

Further details of share options granted to directors and executives during the year have been disclosed at note 31 to the financial statements.

CONVERTIBLE NOTES

2011	Balance 1/1/11	Net Other Change (i)	Balance 31/12/11
Directors			
M J Evans	-	-	-
C M Norman	-	-	-
C L Cavness	-	-	-
A E Brindal	-	-	-
N J Limb	-	-	-
Executives			
C J Harper	4 500	-	4 500
P Nicholls	-	-	-
J A Atling	13 500	(13 500)	-
R Adessa	-	-	-

(i) Net other change represents the note holding at the date of ceasing to be key management personnel

2010	Balance 1/1/10	Net Other Change	Balance 31/12/10
Directors			
M J Evans	-	-	-
C L Cavness	-	-	-
A E Brindal	-	-	-
Executives			
C J Harper	4 500	-	4 500
J A Atling	13 500	-	13 500
R Adessa	-	-	-

The convertible notes have a face value of 45 cents each. 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 matured at 45 cents on 31 January 2012 and were repaid in full.

(d) Transactions with the Directors of the Consolidated Entity

During the year, administrative support, office accommodation and IT facilities were provided at commercial rates by a director related entity, Mineral Deposits Limited, of which Mr N J Limb is a director. Mineral Deposits Limited charged $8,800 (2010: nil) in relation to the provision of these services.

During the prior year, fees of US$6,000 were paid to Mr C L Cavness for the provision of professional advisory services based on normal terms and conditions.

(e) Controlling entity

The Parent Entity in the Consolidated Entity is FAR Limited. Both the ultimate Parent Entity and the ultimate Australian Entity in the wholly owned group is FAR Limited.

34. SUBSEQUENT EVENTS

Subsequent to the financial year end:

a) A Presidential Decree was received confirming the Consolidated Entity's entry into the second renewal period of its Senegal licences. The second renewal period runs for two years from 6 February 2012 and requires a commitment to drill an exploration well backed by a US$5million performance bond. As at the date of approval of the financial report, the performance bond has not been called. The performance bond will be refundable in the event that the Joint Venture completes the drilling of an exploration well on the blocks during the second renewal period.

b) On 7 March 2012, an amount of US$3million due in respect of a prior year sale of the Consolidated Entity's interest in the Beibu Gulf Block 22-12 Joint Venture (through the disposal of a wholly owned subsidiary) was received in full.

c) All unconverted convertible notes matured at 45 cents on 31 January 2012 and were repaid in full. The total amount paid on maturity was $2,927,885.

d) On 29 March 2012, the Consolidated Entity announced that it will raise up to $12 million before share issue expenses, through a share placement of 280 million shares at 4.3 cents per share. In addition, up to $3 million, before share issue expenses, will be raised through a Share Purchase Plan.

The financial effect of the above has not been recognised in the current financial year.

Other than as stated in this note, the directors are not aware of any other matters or circumstances at the date of this report, other than those referred to in this report, that have significantly affected or may significantly affect the operations, the results of the operations or the state of affairs of the Consolidated Entity in subsequent financial years.

35. REMUNERATION OF AUDITORS

	2011 $	2010 $
Auditor of the Parent Entity:		
Audit or review of the financial report	52 500	45 500
Taxation services	-	-
	52 500	45 500

The auditor of the Consolidated Entity is Deloitte Touche Tohmatsu.

36. PARENT ENTITY DISCLOSURES

a) Financial Position

	2011 $	2010 $
Assets		
Current assets	26 831 465	41 324 272
Non-current assets	47 983 747	19 746 560
Total Assets	74 815 212	61 070 832
Liabilities		
Current liabilities	4 738 197	1 389 014
Non-current liabilities	32 818	2 812 299
Total Liabilities	4 771 015	4 201 313
Equity		
Issued Capital	129 137 015	103 879 103
Reserves	2 846 451	2 671 040
Accumulated losses	(61 939 269)	(49 680 624)
Total Equity	70 044 197	56 869 519

b) Financial Performance

	2011 $	2010 $
Loss for the year	(12 258 645)	(7 211 266)
Other comprehensive income	-	-
Total comprehensive income	(12 258 645)	(7 211 266)

c) Guarantees entered into by the parent entity in relation to the debts of its subsidiaries

Other than the Deed of Cross Guarantee disclosed in note 27, at reporting date there are no guarantees entered into by the Parent Entity in relation to the debts of its subsidiaries (2010: nil).

d) Contingent liabilities of the parent entity

	2011 $	2010 $
Contingent liabilities		
Guinea Bissau – contingent payment from future production	12 800 315	12 791 499
Guinea Bissau – contingent withholding tax liability	407 675	-
	13 207 990	12 791 499

Refer to note 24 for further details.

e) Commitments for capital expenditure entered into by the parent entity

	2011 $	2010 $
Oil and Gas Properties		
Not longer than 1 year	3 703 626	10 085 511
Longer than 1 year and not longer than 5 years	5 225 536	4 919 807
Longer than 5 years	-	-
	8 929 162	15 005 318

Refer to note 23 for further details.

SUPPLEMENTARY INFORMATION

Pursuant to the Listing requirements of the Australian Securities Exchange

NUMBER OF HOLDERS OF EQUITY SECURITIES

ORDINARY SHARES

At 21 March 2012, the issued capital comprised of 2,150,080,157 ordinary shares held by 7,731 holders.

UNLISTED OPTIONS

At 21 March 2012, there were 20,800,000 unlisted options, of various exercise prices and expiry dates, held by 7 holders, each with a holding of greater than 100,000 options. Each option converts to one share. Options do not carry the right to vote.

SPREAD DETAILS AS AT 21 MARCH 2012 – ORDINARY SHARES

			Number of Holders
1	-	1,000	431
1,001	-	5,000	482
5,001	-	10,000	549
10,001	-	100,000	3,910
100,001 and over			2,359
Total			7,731
Holding less than a marketable parcel			1,524

SUBSTANTIAL SHAREHOLDERS

No notifications of current substantial shareholders have been received by the Company.

TOP TWENTY SHAREHOLDERS AS AT 21 MARCH 2012

	Number of Shares	Percentage
JP Morgan Nominees Australia Limited	139,916,064	6.507
HSBC Custody Nominees (Australia) Limited	96,944,577	4.509
National Nominees Limited	94,424,942	4.392
Citicorp Nominees Pty Limited	94,032,964	4.373
Oliver Lennox-King	75,647,869	3.518
Mitch Limb	47,431,820	2.206
Toad Facilities Pty Ltd	42,660,000	1.984
Fountain Oaks Pty Ltd	32,200,366	1.498
City of London Group Plc	29,555,480	1.375
Flow Energy Limited (Takeover Trust Account)	29,259,738	1.361
ABN AMRO Clearing Sydney Nominees Pty Ltd	18,360,688	0.854
Floteck Consultants Limited	16,000,000	0.744
Allor Australia Investments Pty Ltd	14,090,000	0.655
Philip Alan Kenneth Naylor	13,651,200	0.635
Greenslade Holdings Pty Ltd	12,798,000	0.595
John Daniel Powell	11,829,480	0.550
Zenix Nominees Pty Ltd	11,589,404	0.539
Robert Lord	10,000,000	0.465
David Davidson & Elizabeth Davidson	10,000,000	0.465
John William Greenhalgh	9,939,780	0.462
	810,332,372	37.687

RESTRICTIONS ON SECURITIES

At 21 March 2012 there were 33,482,556 ordinary shares which are subject to voluntary restriction agreements until 17 November 2012.

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