Annual Report 2012

FAR's African story is ready to unfold

FAR Limited

Contents

Company Highlights

A$93.8M
Enterprise value
(at 1 March 2013)

A$115M
Market capitalisation
(at 1 March 2013)

15
personnel across 5 countries

Shares on issue
2,499,846,742

A4.6c *Share price* (at 1 March 2013)

Diversified African asset base
(9 blocks in 3 countries)

Exposure to both transform margin West Africa and Lamu Basin, Kenya

Near term drilling catalysts in adjacent blocks (Anadarko, BG, Afren, Apache in Kenya and African Petroleum in Senegal)

Large scale acreage position
with early mover advantage

7+ billion bbl
prospect inventory

5 wells
in the next 18 months

Australian junior oil & gas explorer

Listed on Australian Securities Exchange ASX: FAR

FAR believes that it has built a world class asset portfolio

FAR's story as a leading African oil and gas explorer continued to unfold in 2012, with efforts strongly focused on advancing towards frontier drilling in Senegal and Kenya.

Fellow Shareholders,

This has been a year of great progress for FAR and we are positioned for a very exciting year ahead. We have continued to strengthen our African projects and position them for farm-out and drilling in the coming 12 months. Our early mover status on the East and West African margins, which have now become some of the most sought after locations worldwide, has enabled us to be one of the few juniors with high equity positions in important blocks. We pride ourselves in having a strong technical team, which not only distinguishes us from most juniors but has allowed us to develop and present our prospects to potential partners in a way that we believe will bring us early success. We have also moved to strengthen our internal processes and corporate governance procedures consistent with our desire to be highly professional in everything we do.

In the body of this report you will find information about our projects and their status which I hope you will find useful and informative. I am sure this information will help you follow developments during the coming year more easily.

FAR's story as a leading African oil and gas explorer continued to unfold in 2012, with efforts strongly focused on advancing towards frontier drilling in Senegal and Kenya.

The recent partnering with Cairn Energy PLC for drilling in Senegal is a wonderful milestone for the Company to achieve. Cairn joins FAR to drill a well in early 2014 and FAR will be free carried through this program. The well will be testing three plays in the basin which, if successful, have many follow up drilling targets resulting in multi-billion barrel potential. The L-1 well will be the first offshore well to be drilled in Senegal since 1993 and FAR is highly leveraged to the success in this region beyond Senegal through our Guinea-Bissau and AGC Profond projects.

During the year, FAR successfully acquired 3D seismic in Kenya L6, a block located in a highly sought after petroleum exploration region. Importantly, this survey was completed within the expected timeframe and approved budgeted amount and with impressive health, safety and environment outcomes.

The fast track results, processed in 2012, informed the updated prospect inventory and prospective resource estimates released following the year end. The success rate achieved by oil and gas explorers in neighbouring areas illustrates the value of modern, high quality 3D seismic data in frontier zones.

FAR believes that it has built a world class asset portfolio, with just two of FAR's offshore African oil exploration permits assessed as containing approximately seven billion barrels of hydrocarbon resources on an un-risked, best-estimate basis.

FAR enjoys a high level of support and cooperation from its partners and governing bodies in the areas in which it explores. Petrosen in Senegal is a partner in the drilling of the forthcoming well and in Kenya, FAR is preparing for drilling in both the L9 and L6 blocks in 2014; L9 in partnership with Ophir Energy PLC and Vanoil Energy Limited and L6 with Pancontinental Oil and Gas NL. In Guinea-Bissau, FAR is also preparing a drilling program with partners Svenska Petroleum Exploration AB. In total, FAR plans to participate in five wells in three countries in the forthcoming 18 months, offering shareholders many opportunities for success through discovery.

In line with consolidating the Company's permit portfolio and strategic focus on African exploration and acreage acquisition, FAR continued its campaign to divest non-core assets, relinquishing and selling assets in Jamaica, North America, and Australia.

The FAR team had some important changes this year. Ben Clube was appointed to the new role as FAR's Commercial Manager in October 2012 and Pete Thiessen became Chief Financial Officer and Company Secretary. This followed FAR's relocation from Perth to Melbourne with Pete and Ben taking over from Colin Harper who made an exemplary contribution to FAR over his five years of employment. Michael Evans, FAR's Executive Chairman and CEO also retired during the year. Michael was responsible for FAR's early move into West Africa, building the extensive acreage position the Company now enjoys, and oversaw FAR's takeover of Flow Energy Limited, which saw FAR extend its footprint into the exciting offshore activity of Kenya.

We thank Michael for many years of diligent service to shareholders. We also thank Roseann Adessa, who dutifully served as FAR's Denver based Administration Manager for 18 years.

A number of significant corporate accomplishments were achieved by FAR during the year. These included successfully raising capital through a placement and share purchase plan and receiving a three million dollar second tranche payment in respect to the sale of our interest in the Beibu Gulf Block 22/12 Joint Venture. The Company also became debt free following repayment of Convertible Notes originally issued in 2009. Consequently, FAR moves into the 2013 year with a robust cash position, further supported by a strong financial management policy.

During the year, FAR recorded a loss of $9,054,434, largely related to the impairment of Jamaica.

FAR undertook a rebranding during the 2012 financial year. The re-branding highlights FAR's African focus while simultaneously acknowledging its Australian roots. Adopting the baobab as FAR's new logo signifies this common link, as the tree grows naturally on both continents. The baobab flourishes in harsh conditions; akin to FAR, which has withstood the hardships of the capital markets since its public listing in 1985. We hope you like it!

The diligence of FAR's Directors, managers and technical team is reflected in the Company's activities over the year and I thank them for their efforts. I am proud of FAR's achievements in my first term as Chairman and I look forward to the Company's continued successes as we endeavor to reward the support of FAR's shareholders.

Nic Limb
Chairman

HIGHLIGHTS

After the end of the financial year, FAR secured a farm-in agreement with Cairn Energy PLC for its three blocks offshore Senegal. Under the term of the agreement, FAR will be fully carried through an exploration well, expected early 2014, and will receive a payment for back costs of approximately US$10 million.

FAR and Cairn Energy PLC will enter into an alliance to evaluate new exploration opportunities offshore Senegal. The Company is now well placed to build on and strengthen its existing West Africa acreage position in Senegal, AGC Profond and Guinea-Bissau.

In April 2012, FAR raised AU$15 million through a placement of 280 million shares at 4.3 cents per share and 70 million shares at 4.3 cents per share through a Share Purchase Plan to shareholders.

In January 2012, AU$2.9 million was repaid to all convertible note holders leaving the Company debt free.

In March 2012, US$3 million was received from the sale of the Beibu Gulf project. A further payment of US$3 million is expected once production milestones on the project are met.

At the end of the financial year FAR had a robust cash position with combined cash and long term deposits of AU$23.2 million.

A 778 km^2 3D seismic survey over part of the L6 permit in Kenya was completed in July 2012. A fast track processed data product was received in October 2012.

Farm-down initiatives were started on FAR's Kenyan L6 and L9 blocks and data rooms held during the year.

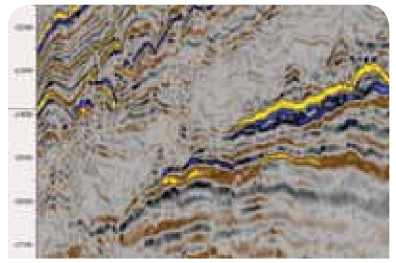
With its strategic focus on African exploration, FAR continued its program to divest non-core assets in North America, Jamaica and Australia.

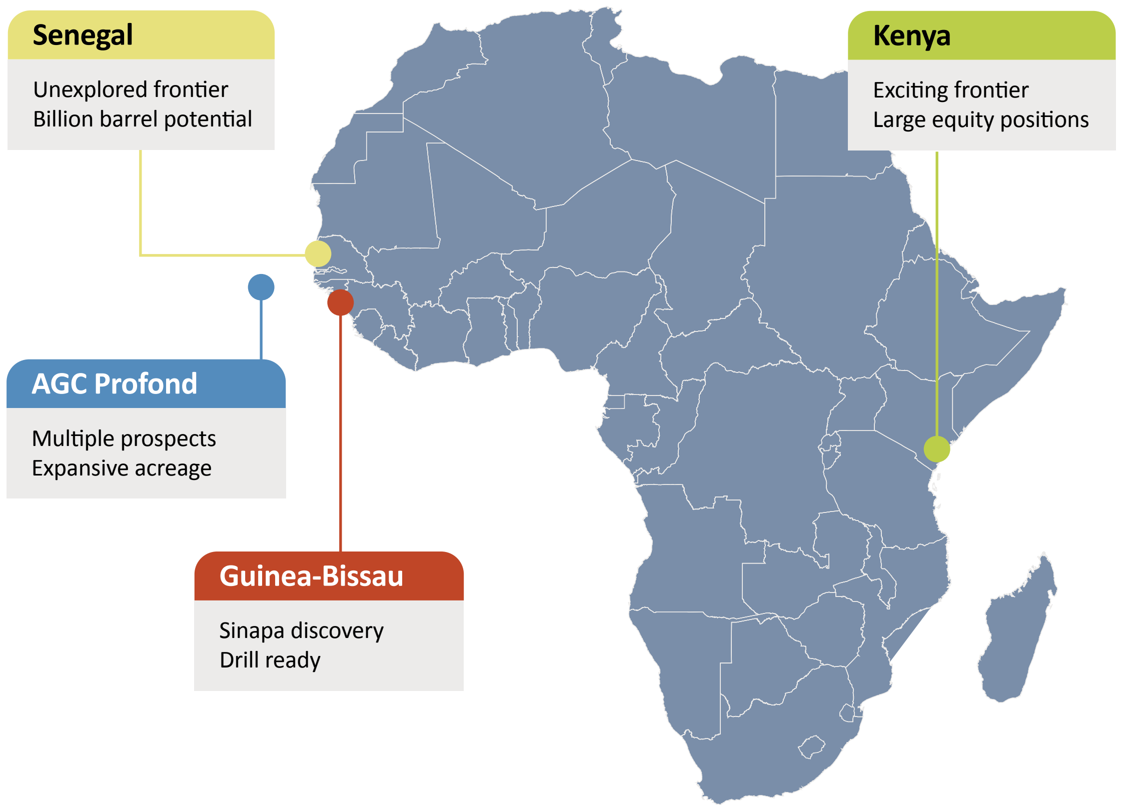
Creating a leading African focussed oil and gas explorer

EXPLORATION ASSETS

During 2012 FAR continued to develop and mature its portfolio of exploration projects principally in Africa. Industry interest is growing in the East and West Africa exploration arenas with recent significant discoveries and an anticipated increase in drilling activity over the next 24 months.

Project	Asset	FAR Paying Interest	Operator
Senegal (post Cairn farm-in)	Rufisque, Sangomar and Sangomar Deep	27.8%	Cairn Energy
Guinea-Bissau	Block 2, 4A, 5A	21.43%	Svenska
AGC	AGC Profond	10%	Ophir Energy
Kenya	Block L6	60%	FAR
	Block L9	30%	Ophir Energy
Australia	WA-458-P	100%	FAR
	WA-457-P	100%	FAR
	EP-104/R1	8%	Buru
	L15	12%	Buru





EAST AFRICA

FAR has interests in two highly prospective licences with strong farm-out potential in the heart of the Lamu Basin in Kenya, East Africa. Kenya's exciting and fast emerging oil and gas arena is increasingly drawing the attention of major international players, following the exploration success and discoveries in the neighbouring Rovuma Basin offshore Mozambique and Tanzania and the success of Mbawa-1, the first offshore well in Kenya to be drilled using 3D seismic.

While exploration was conducted by major oil companies from the 1950s, no exploration activity was undertaken in the Lamu Basin between 1986 and 2002. Exploration activity has now restarted with a significant proportion of the Lamu Basin now leased to major players, including Anadarko, Apache, TOTAL, ENI and BG Group. FAR has been exploring in the Lamu Basin since 2006, when the Company completed a farm-in on the L6 permit.

During the year, the highly anticipated Mbawa-1 well in block L8 (located between FAR's two Kenyan permits) was drilled by Apache. The Mbawa-1 well, which encountered 52 metres of net gas pay and indicated the possible presence of oil, has demonstrated the existence of a working hydrocarbon system in the offshore Lamu basin.

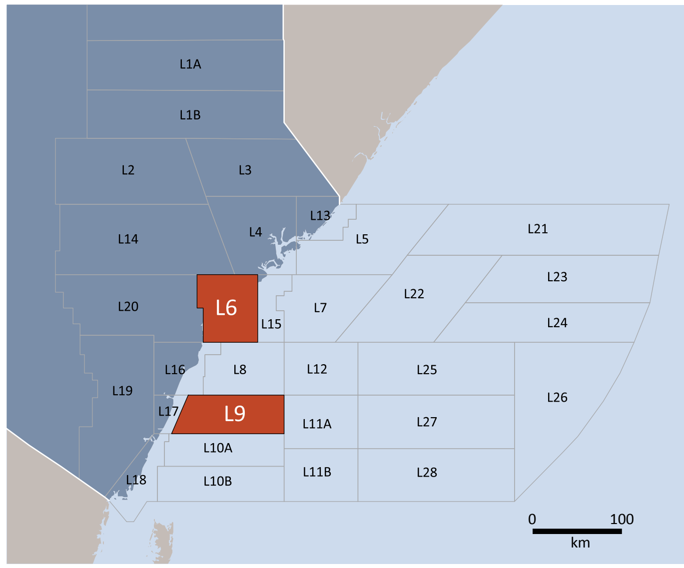
The results of this well are extremely encouraging and bode well for FAR's exploration in East Africa. Anadarko Corporation spudded two wells in early 2013, one in offshore block L11A to the east of FAR's L9 block and a second well in offshore block L7 to the east of FAR's L6 block. Success in either of these wells will be significant for FAR and add to further geological understanding of the basin.

Lamu Basin, offshore Kenya, East Africa

KENYA

BLOCK L6
60% paying and beneficial interest
Operator: FAR Limited

BLOCK L9
30% paying and beneficial interest
Operator: Ophir Energy PLC ('Ophir')

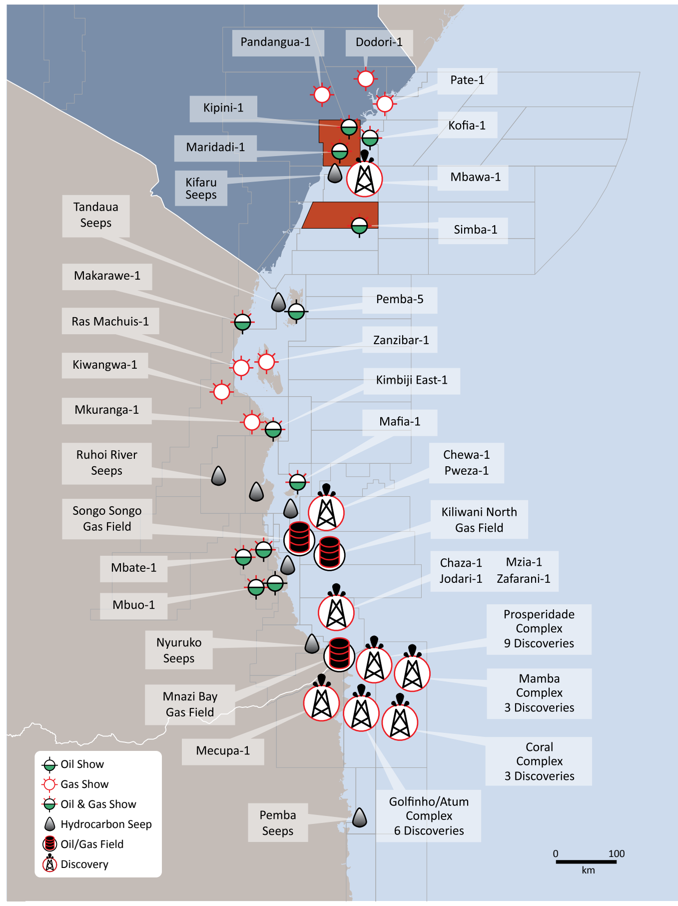


BLOCK L6

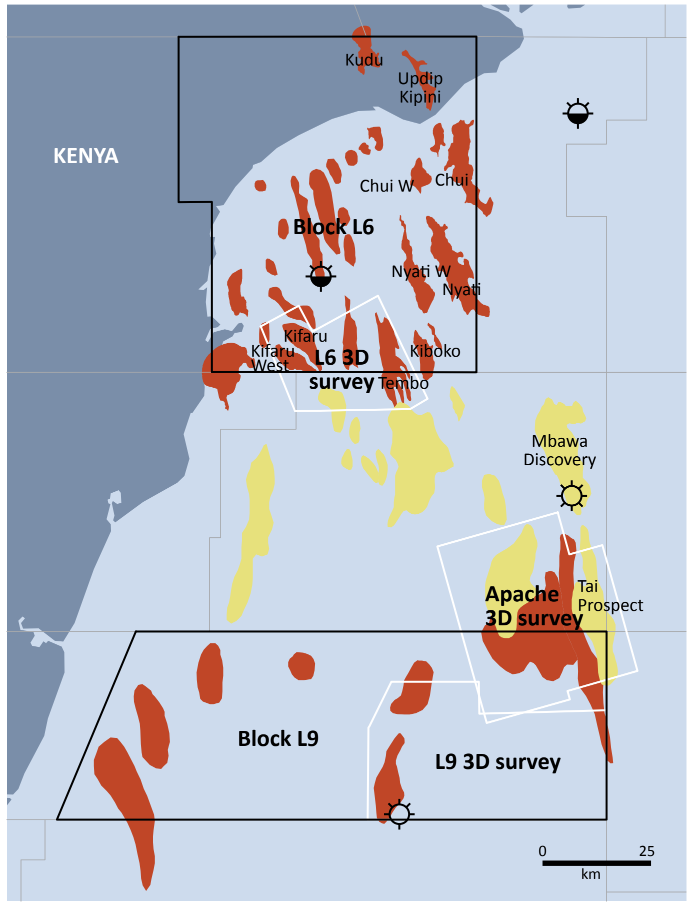
With a current licence area of 4,986km², the L6 permit has both onshore and offshore potential with water depths varying from shallow transition zones to approximately 400 metres. Flow Energy Limited, acquired by FAR in 2011, entered the block through a Farm-in Agreement in 2006. FAR holds a 60% interest in L6 and is Operator of the block.

During the year FAR completed a 778km² 3D seismic survey over the L6 permit offshore Kenya. The survey was conducted by Fugro Geoteam and was completed within the approved budget and expected schedule. The seismic acquisition fulfilled the work program obligations for the current period of the L6 permit Production Sharing Contract ('PSC') and has met the PSC's financial obligations.

Fast track results of the processed 3D data were received in October 2012 and the final processing is nearing completion. Combined with existing 2D data mapping, the Company had identified a number of hydrocarbon play types and prospects. Within the additional 3D coverage, FAR has matured three prospects (Tembo, Kifaru and Kifaru West) which have prospective resources of 327, 178 and 130 million barrels of oil (un-risked best estimate, 100% basis) respectively, or in a gas only success case, 807, 517 and 388 billion cubic feet of gas. The chances of a discovery of the three prospects have been assessed to be 21%, 19% and 18% respectively.



Exploration activity and recent drilling successes along the East African Margin



FAR prospects and leads, offshore Lamu Basin

Combined prospective resources for the L6 block have been assessed at 3.7 billion barrels of oil or 10.2 trillion cubic feet of gas (un-risked, best estimate, 100% basis).

During the year well planning activities were started for the first offshore exploration well. An Environmental Impact Assessment is well progressed and an invitation to tender was issued for drilling project management services.

In parallel FAR started a farm-out initiative to select a partner to fund and potentially operate the first exploration well. A FAR final investment decision for the exploration well will depend on FAR's progress in securing a suitable farm-in partner.

BLOCK L9

Block L9 was awarded in 2011 and a Production Sharing Contract (PSC) has been entered into with the Government of the Republic of Kenya. Negotiations are nearing completion on a Joint Operating Agreement and Deeds of Assignment.

The highly prized L9 block covers an area of 5,100km² in water depths ranging from 300 metres to 1,400 metres. Previously one well, Simba-1, had been drilled in the L9 block in 1979 which encountered gas shows. In addition offshore oil seeps have been identified to the north of L9. In combination these lend support to a working hydrocarbon system in the Lamu basin.

The initial two year exploration period of the PSC has a work program commitment of a 500km² 3D seismic acquisition. After this initial period, there is an option to commit to a further two year exploration period with a work program obligation of one exploration well. Ophir, the Operator of the block, has completed a 1,536km² 3D seismic acquisition and proposes a further 3D seismic survey in 2013 to be followed by an exploration well.

On behalf of the L9 Joint Venture, Ophir during the year progressed a farm-out initiative, held data rooms and has conducted preliminary negotiations. FAR continues to consider its farm-out options.

FAR holds a 30% interest in L9.

The Company is now well placed to build on and strengthen its existing West Africa acreage position in Senegal, AGC Profond and Guinea-Bissau.

Mauritania-Senegal-Guinea-Bissau Basin, West Africa

OFFSHORE WEST AFRICA

In West Africa along the Central Atlantic Margin, FAR has a portfolio of exploration permits in Senegal, Guinea-Bissau and AGC Profond. 2012 was a significant year for deep water exploration in this exploration arena with wells being drilled by Anadarko (Sierra Leone and Liberia), Hyperdynamics (Guinea), African Petroleum (Liberia and Sierra Leone) and Chevron (Liberia).

SENEGAL

RUFISQUE, SANGOMAR & SANGOMAR DEEP
27.5% paying interest, 25% beneficial interest (on conclusion of farm-out)
Operator: Cairn Energy PLC ('Cairn')

Shortly before going to print, FAR successfully completed a farm-in agreement with a UK listed oil and gas company, Cairn, for its three blocks offshore Senegal. Pursuant to the farm-in agreement, which is subject to Senegalese Government approval, Cairn will operate and carry FAR through an exploration well expected to be drilled in early 2014.

Under the terms of the farm-in agreement, Cairn is to acquire a 65% working interest and operatorship by fully funding 100% of the costs of an exploration well and testing to an investment cap of US$80 million. Cairn estimates the cost of the dry hole well to be approximately US$65 million. As part of the farm-in agreement, Cairn will pay FAR US$9.8 million for past costs incurred on the blocks and FAR will retain a 25% working interest. In addition, FAR and Cairn will also enter into an Area of Mutual Interest agreement to work together to evaluate and consider applying jointly for exploration opportunities offshore Senegal.

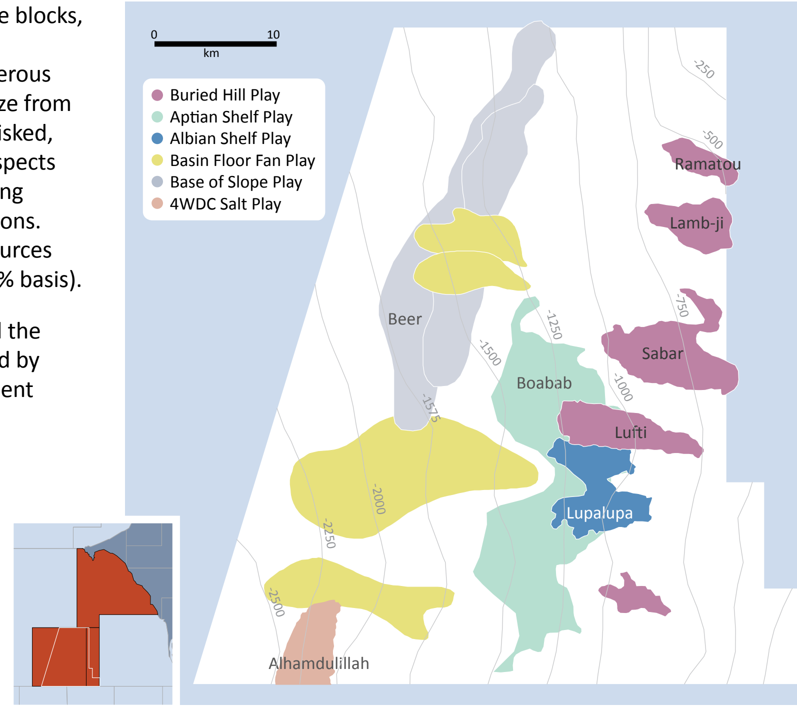
As evidenced by this significant achievement, FAR's efforts during the reporting period concentrated on attracting an experienced Joint Venture partner to operate and drill the first exploration well in offshore Senegal for many years. In support of this initiative, FAR undertook detailed seismic interpretative work and prospect mapping during the financial year to develop a prospect portfolio for the blocks.

FAR's three contiguous Senegalese blocks – Rufisque, Sangomar and Sangomar Deep offshore – have significant exploration potential. The blocks cover an area of approximately 7,490km² over the shelf, slope, and basin floor of the Senegalese portion of the productive Mauritania-Senegal-Guinea-Bissau Basin.

From 2,050km² of modern 3D seismic data acquired in the blocks, FAR has identified a number of play types and has mapped 11 potentially drillable prospects as well as numerous other leads. The identified prospects range in potential size from 58 to 632 million barrels of prospective oil resource (un-risked, best estimate, 100% basis). Importantly, many of the prospects have associated seismic amplitude responses strengthening confidence in the potential for the presence of hydrocarbons. In combination, the Senegal blocks have prospective resources of 3.585 billion barrels of oil (unrisked best estimate, 100% basis).

African Petroleum has recently confirmed its plans to drill the Alhamdulillah prospect in 2013. This prospect is estimated by African Petroleum to have 1.1 billion barrels of oil equivalent (BOE) unrisked recoverable volume. FAR estimates that 252 million barrels (un-risked, best estimate, 100% basis) of the prospect extends in FAR's Senegalese acreage.

During the reporting period, FAR was Operator of the three Senegal blocks and held a 90% beneficial interest, with Petrosen, the national oil company, holding a carried 10% interest.



Sangomar prospects and leads, offshore Senegal

GUINEA-BISSAU

SINAPA (BLOCK 2) & ESPERANÇA (BLOCKS 4A & 5A)
21.43% paying interest, 15% beneficial interest
Operator: Svenska Petroleum Exploration AB ('Svenska')

The Sinapa (Block 2) and Esperança (Blocks 4A and 5A) offshore licences cover an area of approximately 5,832km² and lie in water depths ranging from 10 metres to in excess of 1,000 metres. The licences lie on the continental shelf around 180 kilometres off the Guinea-Bissau coast and west of the Bissau River estuary. Immediately to the north of FAR's holdings lies the billion barrel Dome Flore discovery.

FAR has a 21.43% paying interest (15% beneficial interest) in the Sinapa and Esperança licences. Operations are managed by Svenska, a Swedish based and privately owned oil and gas company.

The underlying exploration potential of offshore Guinea-Bissau has long been recognised given the proven hydrocarbon system, good potential reservoirs and multiple drillable prospects in a wide shallow-waters shelf setting. Encouraging results from 3D seismic acquired in 2010 had identified numerous prospects and leads.

The Sinapa oil discovery in the blocks is in 30 meters of water depth and is estimated by the Operator to have a contingent recoverable resource of 59 million barrels (unrisked mean). In addition there are several large untested prospects identified and mapped on recent 3D seismic, including the Atum prospect, with a prospective recoverable resource of 97 million barrels (unrisked mean estimate).

In 2012, a three year extension to the current exploration term, Phase 1, was granted by the Bissauan Council of Ministers. There are no work program obligations on the block. During the year the Operator, following the completion of seismic interpretative studies, started well planning activities in the block for one exploration well and one appraisal well on the Sinapa discovery.

FAR and Svenska have a strong in-country social program in Guinea-Bissau and monitor the country's political situation closely. The Company entered into these blocks in 2009 and the blocks provide excellent synergies with FAR's offshore Senegal and AGC blocks.

AGC

AGC PROFOND
10% paying interest, 8.8% beneficial interest
Operator: Ophir Energy PLC ('Ophir')

Expanding FAR's West African footprint

The AGC Profond is part of FAR's suite of West African assets. The 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 AGC Profond block consists of the deepwater portions of two blocks previously known as Cheval Marin and Croix du Sud. The block covers an area of 9,838km^2 and is located in water depths ranging from approximately 50 to 3,500 metres. FAR has a 10% working interest in the AGC Profond block and an 8.8% beneficial interest.

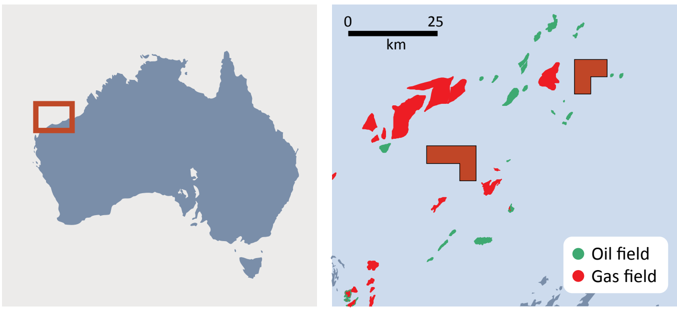
The activities in 2012 have focussed on preparing a full technical evaluation of the block's prospectivity by integrating the results of the region's first ever ultra-deep water well that was drilled in 2011.

In September 2012, the Joint Venture participants, Ophir and FAR, agreed to move into the second 2 year renewal period of the Production Sharing Agreement. This commits the Joint Venture to drill one well in the next 2 years. Since this meeting, the Joint Venture has also committed to acquiring approximately 1,000km^2 of 3D seismic on a non-exclusive basis at no cost to the Joint Venture. This survey was completed in March 2013.

AUSTRALIA

Efforts in Australia in this financial year have focussed on progressing activities in blocks surrounded by proven petroleum systems offshore Western Australia and divesting non-core assets to maintain focus on the Company's African exploration program.

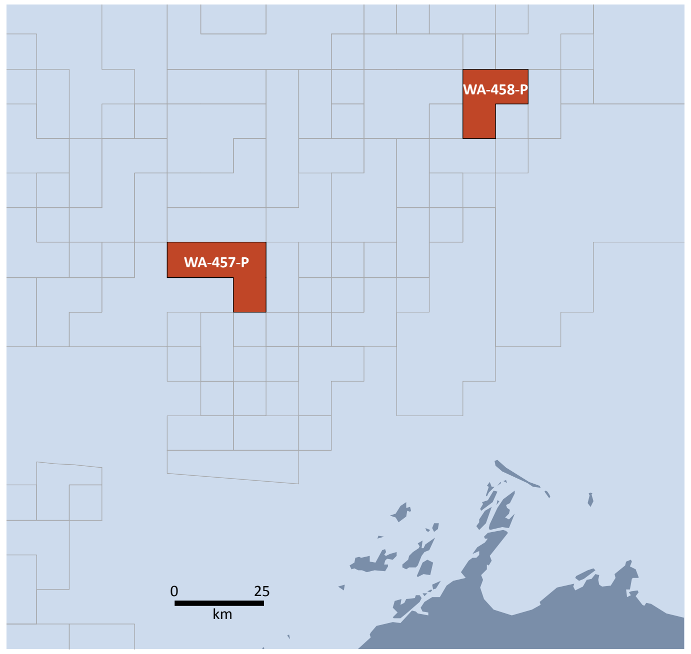
Surrounded by proven petroleum systems



FAR acreage proximity to proven producing oil and gas fields, offshore Carnarvon Basin

WESTERN AUSTRALIA

OFFSHORE CARNARVON BASIN
WA-457-P & WA-458-P
100% paying and beneficial interest
Operator: FAR Limited



FAR's offshore blocks WA-457-P and WA-458-P are located in a prolific oil and gas producing region. FAR holds 100% of both blocks. The licence area of WA-457-P and WA-458-P is 323km^2 and 243km^2 respectively. The blocks were awarded in July 2011.

2012 activities focused on compiling regional data and reprocessing existing 2D and 3D seismic ahead of planning a 3D seismic survey in 2013.

Both blocks have a three year initial exploration period consisting of seismic reprocessing and geophysical studies, 3D seismic data acquisition and geological studies. The work commitment for the first exploration period is AU$3.45 million for WA-458-P and AU$4.3 million WA-457-P. These commitments are inclusive of 242km^2 of new 3D seismic data for WA-458-P and 322km^2 for WA-457-P. 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.

FAR is in the process of assessing farm-out options for both permits.

OFFSHORE CARNARVON BASIN
WA-254-P / WA-47-R
Operator: Apache Energy Limited ('Apache')

During the reporting period, FAR executed a contract for the sale of its 11.25% interest in the WA-47-R Permit to Hydra Limited with an effective date of 1 July 2012. The total sale value of the transaction was US$188,727 plus reimbursement of Joint Venture costs incurred from the effective date to completion date of 1 March 2013.

The sale was the result of an equity divestment program initiated by FAR and other minority Joint Venture partners. Hydra Energy (WA) Pty Ltd has recently advised FAR that approval and registration of the transfer of the Sale Interests under the WA-47-R Sale and Purchase Agreement have been received.

The WA-47-R block contains the small, undeveloped Sage field which was not considered a fit with FAR's focus on high potential exploration and acquisition growth opportunities in Africa.

CANNING BASIN – EP 104/R1
8% participating and beneficial interest
Operator: Buru Energy Limited

In December 2011, the King Sound Airborne Gravity 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 determining 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 2013.

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

CANNING BASIN – L15
12% participating and beneficial interest
Operator: Buru Energy Limited

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.

BASS BASIN – T/18P
0.09375% overriding royalty
Operator: Origin Energy Resources Limited

FAR Limited 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 is in receipt of correspondence from SAGASCO (now Origin Energy Resources Limited, Operator of the T/18P Joint Venture) accepting liability in respect of its obligation under the Deed.

CHINA

BEIBU GULF BLOCK 22/12
Operator: Roc Oil Company Limited (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 in April 2009.
2. US$3 million upon approval of an Oilfield Development Program ('ODP') or if commercial development of the project proceeds. FAR received this payment on 7 March 2012.
3. US$3 million once the project has produced 1 million barrels of oil (gross).

While expected in this financial year, most recent information available from the Operator indicates that the conditions precedent for the third and final payment will be satisfied in 2013.

JAMAICA

BLOCKS 6,7,10,11 and 12
Operator: Finder Exploration

In order to maintain the focus on its African exploration assets, FAR (together with its partner in Jamaica) relinquished its five prospective, but early stage, offshore permits in Jamaica's Walton basin. FAR held a 50% equity share in the assets.

The permit was in good standing as the Joint Venture had exceeded the minimum expenditure and commitment requirements for the acreage.

NORTH AMERICA

As with past years, FAR continued to limit expenditures to current production maintenance in North America and sold several properties allowing capital to be focussed on FAR's core African activities. Furthermore, FAR executed a Purchase and Sale Agreement on 20 February 2013 for the sale of all remaining US properties in Texas and Louisiana. The sale is subject to customary conditions and a due diligence review. Completion of the sale is not expected until after the date of this report.

The 2012 year saw continued weakness in North American natural gas prices while FAR's share of production fell as a result of natural decline and a reduced number of assets.

Oil sales during the year to 31 October 2012 were 4,601 barrels (2011 – 5,478 barrels) for an average of 15 barrels per day at an average price of US$96.88 per barrel (2011 - US$96.33 per barrel) before production taxes. Gas sales during the year were 28.9 million cubic feet (2011 – 47.5 million cubic feet) or an average of 95 thousand cubic feet per day at an average price of US$2.46 per thousand cubic feet (2011 - US$4.16 per thousand cubic feet) before production taxes.

The following table records an assessment of estimated recoverable reserves, effective 1 September 2012, provided by Coutret and Associates, independent USA based petroleum engineers.

	OIL (bbls)	GAS (BCF)
Gross	476	7.329
Net	27.1	0.323

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.

No exploration activity was undertaken in North America in 2012.

Disclaimers

The estimated quantities of petroleum that may potentially be recovered by the application of a future development project(s) relate to undiscovered accumulations. These estimates have both an associated risk of discovery and a risk of development. Further exploration appraisal and evaluation is required to determine the existence of a significant quantity of potentially moveable hydrocarbons.

The document may include forward looking statements. Forward looking statements include, but are not necessarily limited to, statements concerning FAR's planned operation program and other statements that are not historic facts. When used in this document, the words such as 'could', 'plan', ' estimate', 'expect', 'intend', 'may', 'potential', 'should' and similar expressions are forward looking statements. Although FAR Limited believes its expectations reflected in these are reasonable, such statements involve risks and uncertainties, and no assurance can be given that actual results will be consistent with these forward looking statements.

Competent Person Statement

Information in this report relating to hydrocarbon resource estimates has been compiled by Peter Nicholls, the FAR Limited exploration manager. Mr Nicholls has over 30 years of experience in petroleum geophysics and geology and is a member of the American Association of Petroleum Geology, and the Petroleum Exploration Society of Australia. Mr Nicholls consents to the inclusion of the information in this report relating to hydrocarbon prospective resources in the form and context in which it appears. The prospective resource estimates contained in this report are in accordance with the standard definitions set out by the Society of Petroleum Engineers, Petroleum Resource Management System.

Environment & Sustainability Policy

FAR is committed to achieving excellence in managing environmental, safety, health and social performance in all work places, activities and operations

It is acknowledged that, to be most effective and to achieve long term success, this should become part of the culture of the organisation, embedded into FAR's philosophy, practices and business processes. As such, this policy applies to all personnel engaged by FAR and under FAR's operational control. The Company expects its suppliers, contractors and consultants to uphold the same standards.

FAR has adopted a number of policies and practices to assist it in achieving the outcomes of the Company's Environment & Sustainability Policy including a Code of Conduct, a Human Rights & Child Protection Policy, an Anti-Bribery & Corruption Policy and a Risk Oversight & Management Policy. These policies are available on FAR's website.

FAR seeks to:

- protect the health, safety and wellbeing of our staff, contractors and the local communities our operations impact upon;
- manage and maintain positive and respectful relationships with the communities with which we conduct business and in which we operate, including encouraging and supporting their economic prosperity;
- manage safety and environmental risk, ensuring that all material risks are identified, objectively assessed, monitored and responded to in an appropriate manner;
- maintain a high standard of care for the natural environment and adopting appropriate environment management systems; and
- reduce our environmental footprint by efficient use of resources, management of water and energy consumption and management of waste and emissions.

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 full-disclosure 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.

During the reporting period, FAR undertook a review of the Company's governance-related documents, which can be found under the Governance and Social Responsibility tab of FAR's website. These policies and charters are listed below:

Charters
Audit Committee
Nomination Committee
Remuneration Committee

Policies
Anti-Bribery & Corruption
Code of Conduct
Diversity
Environment & Sustainability
Human Rights & Child Protection
Market Disclosure & Communications
Risk Oversight & Management
Security Trading & Policy Statement

The Anti-Bribery & Corruption policy was adopted on 10 January 2013 and a resolution adopting the Human Rights and Child Protection policy was passed on 27 February 2013.

PRINCIPLE 1: LAY SOLID FOUNDATIONS FOR MANAGEMENT AND OVERSIGHT

Recommendation 1.1: Companies should establish the functions reserved to the Board and those delegated to senior executives and disclose those functions.

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

The Board has delegated to the Managing Director management responsibility and authority to conduct the Company's day to day activities.

Directors receive regular and comprehensive reports from the Managing Director and have access to Company records, information and the senior management team.

Recommendation 1.2: Companies should disclose the process for evaluating the performance of senior executives.

A review of executive performance is conducted by the Managing Director on an annual basis. These evaluations assess both individual and group performance of the Company's executives. The Managing Director's evaluations were conducted through formal discussions with executives during the course of the year and formal discussions after the end of the year.

A report on executive performance is also provided to the Remuneration Committee as part of the annual salary review process. The remuneration committee is comprised of Mr N J Limb (non-executive chairman) and Mr A E Brindal (non-executive director). The Remuneration Committee reports to the Board.

Recommendation 1.3: Companies should provide the information indicated in the Guide to reporting on Principle 1.

The Company operates in accordance with the processes discussed above.

PRINCIPLE 2: STRUCTURE THE BOARD TO ADD VALUE

Recommendation 2.1: A majority of the board should be independent directors.

Executive Chairman Michael Evans retired from the Board on 19 April 2012. Prior to his departure the Board comprised three independent non-executive directors and two executive directors. Since the retirement of Michael Evans, the Board is comprised of three non-executive directors and one executive director with the appointment of Cath Norman to the Board. Throughout the course of the year the Company's Board consisted of a majority of independent directors.

The Board considers that the non-executive directors, Mr C L Cavness, Mr A E Brindal and Mr N J Limb satisfy the independence criteria under ASX Best Practice Guidelines in that the non-executive directors:

- 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 his or her duties as a director at the Company's expense provided s/he 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 and are available on the Company's website.

Recommendation 2.2: The Chair should be an independent director.

ASX Best Practice Recommendation 2.2 provides that the chair should be an independent director. The role of Chairman was held by Michael Evans, an executive director, from 1 January 2012 until 19 April 2012. While Michael Evans was not an independent director, the Board believed that his extensive industry experience and record as a director of other listed resource companies made him the most appropriate person given the size, composition and operation of the Company for the position of chair.

Following the retirement of Michael Evans, Mr Nic Limb was appointed as chair and, consistent with Recommendation 2.2, is an independent director.

Recommendation 2.3: The roles of chair and chief executive officer should not be exercised by the same individual.

From 1 January 2012 to 19 April 2012 the Company's position of Chairperson was held by Michael Evans. From 20 April 2012 to 31 December 2012 Nic Limb held the position of Chairperson. The position of Managing Director was held by Cath Norman throughout the year.

Recommendation 2.4: The board should establish a nomination committee.

The Board established a Nomination Committee on 31 December 2012. Prior to that date, the Board performed the role of the Nomination Committee. The Board believed prior to 31 December 2012 that there would be no efficiencies gained by establishing a separate Nomination Committee. Items that would usually be required to be discussed by a Nomination Committee were marked as separate agenda items at Board meetings.

Members of the Nomination Committee include three independent directors and the Committee members include: Mr A E Brindal, Mr C L Cavness and Mr N J Limb. Nic Limb is the Chairperson of the Nomination Committee. The Company considers that the Chairperson and members of the Nomination Committee are the most appropriate given their experience and qualifications. A Nomination Committee charter has been adopted by the Board which describes the role, composition, functions and responsibilities of the Nomination Committee. The Nomination Committee charter is disclosed on the Company's website.

The responsibilities of the Nomination Committee are to review and make recommendations to the Board on: the necessary and desirable competencies of directors; the size and composition of the Board; succession plans; the process for evaluating the performance of the Board, its committees and directors; and the appointment and re-election of directors.

The Nomination Committee did not meet during the reporting period, but will meet at least two times each year in future.

Recommendation 2.5: Companies should disclose the process for evaluating the performance of the board, its committees and individual directors.

The Nomination Committee charter requires that a performance evaluation of the Board be conducted on an annual basis. During the course of the reporting period the Board did not undertake a formal review process; however, the Board intends to perform one in the following year. The Board considers formal discussion was sufficient for the reporting period.

Recommendation 2.6: Companies should provide the information indicated in the Guide to reporting on Principle 2.

The skills, experience and expertise relevant to the position of director held by each director in office, including period in office, is provided in the Directors' Report section of the Annual Report and on the Company's website. The directors considered by the Board to constitute independent directors include: Mr N J Limb, Mr A E Brindal and Mr C L Cavness. With the exception of Mr Brindal, there are no relationships which may affect their independent status. In the case of Mr Brindal, the Board is satisfied his independence is not impaired by his joint appointment as Company Secretary.

As stated above, there is a procedure agreed by the Board for directors to take independent advice at the expense of the Company.

The Board seeks to achieve a mix of skills, knowledge, and expertise as well as operational and international experience amongst its directors.

The newly formed Nomination Committee consisting of three independent directors (Mr N J Limb, Mr A E Brindal and Mr C L Cavness) did not meet during the year.

The Board aims to hold at least 4 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.

PRINCIPLE 3: PROMOTE ETHICAL AND RESPONSIBLE DECISION MAKING

Recommendation 3.1: Companies should establish a code of conduct and disclose the code or a summary of the code as to:

- **the practices necessary to maintain confidence in the company's integrity;**
- **the practices necessary to take into account their legal obligations and the reasonable expectations of their stakeholders;**
- **the responsibility and accountability of individuals for reporting and investigating reports of unethical practices.**

The Company has a corporate Code of Conduct ('code') that has been adopted by the Board. The code of conduct applies to all directors and employees. The code will be reviewed by the Board each year and 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 and signed off by new employees.

On 31 December 2012 FAR's Board ratified an updated Code of Conduct which is available on the Company's website.

Recommendation 3.2: Companies should establish a policy concerning diversity and disclose the policy or a summary of that policy. The policy should include requirements for the board to establish measurable objectives for achieving gender diversity and for the board to assess annually both the objectives and progress in achieving them.

The Company adopted a Diversity policy on 31 December 2012. The policy is available on the Company's website.

The Company recognises that a talented and diverse workforce is a key competitive advantage and our success is a reflection of the quality and skills of our people. The Company benefits by bringing together high quality people of different gender, age, ethnicity, religious and cultural backgrounds who possess a diverse range of experiences and perspectives. FAR values diversity in all aspects of its business and is committed to creating an environment where the contribution of all its personnel is received fairly and equitably. Every employee within FAR is responsible for supporting and maintaining FAR's corporate culture and integrity, including its commitment to diversity in the workplace.

The Diversity policy formalises the Company's view and approach to diversity in the work place.

Recommendation 3.3: Companies should disclose in each annual report the measurable objectives for achieving gender diversity set by the Board in accordance with the diversity policy and progress towards achieving them.

The Board had not set measurable objectives for achieving gender diversity for this reporting period. However, with the adoption of a formal diversity policy at year end, the Company has made a commitment to establishing and reviewing appropriate and measurable objectives in future. The Company's view is that it has relatively large female representation across all levels of the Company including Board and Senior Executive.

Recommendation 3.4: Companies should disclose in each annual report the proportion of women employees in the whole organisation, women in senior executive positions and women on the board.

As at 31 December 2012 FAR had the following director and employee workforce profile, including long-term consultants:

	Female	Female %	Male	Male %
Board of Directors	1	25	3	75
Executive Management (including executive directors)	1	25	3	75
Other	5	42	7	58
Total	6	31.5	13	68.5

Recommendation 3.5: Companies should provide the information indicated in the Guide to reporting on Principle 3.

FAR's Code of Conduct and Diversity policies are available on the Company's website.

PRINCIPLE 4: SAFEGUARD INTEGRITY IN FINANCIAL REPORTING

Recommendation 4.1: The board should establish an audit committee.

The Board of FAR established an Audit Committee on the 31 December 2012. For reasons of efficiency and the size of the Company, prior to this date the Board addressed matters that would otherwise be dealt with by an Audit Committee. During the reporting period, the Board took the following steps to safeguard the integrity of financial information:

- The Chief Financial Officer was required to state in writing to the Board that the Company's financial reports presented a true and fair view, in all material respects, of the Company's financial condition and operating results and were in accordance with relevant accounting standards.
- The former Chief Financial Officer, Mr C J Harper was formally qualified in the field of financial reporting and was a member of the Institute of Chartered Accountants of Scotland. Mr P A Thiessen, who became Chief Financial Officer on 1 October 2012 is a member of the Institute of Chartered Accountants and holds a Bachelor of Business in Accounting.
- Personnel responsible for generating financial reports within the group held appropriate tertiary qualifications in the field of accounting and finance and were required to undertake continuing professional education.

The objectives of the Audit Committee are to: ensure the integrity of the Company's financial reporting; oversee the independence of the external auditor; ensure that controls are established and maintained in order to safeguard the Company's financial and physical resources; and ensure that systems and procedures are in place so that the Company complies with relevant statutory, regulatory and reporting requirements.

Recommendation 4.2: The audit committee should be structured so that it:

- **consists only of non-executive directors;**
- **consists of a majority of independent directors;**
- **is chaired by an independent chair who is not chair of the board; and**
- **has at least three members.**

FAR's three independent non-executive directors are members of the Audit Committee. Mr A E Brindal, who is not the Chairperson of the Board, has been appointed Chairman of the Audit Committee.

Recommendation 4.3: The audit committee should have a formal charter.

The Audit Committee charter was adopted by the Board on 31 December 2012. The Audit Committee charter addresses the committee's objectives, membership, authority, and responsibilities. The charter covers five broad areas of responsibilities including: general; independent external audit; financial reporting; risk management; and compliance. The committee will meet often enough to undertake its role effectively and report regularly to the Board.

Recommendation 4.4: Companies should provide the information indicated in the Guide to reporting on Principle 4.

The Company's Audit Committee charter is available on FAR's website.

PRINCIPLE 5: MAKE TIMELY AND BALANCED DISCLOSURE

Recommendation 5.1: Companies should establish written policies designed to ensure compliance with ASX Listing Rule disclosure requirements and to ensure accountability at a senior executive level for that compliance and disclose those policies or a summary of those policies.

On 31 December 2012 the Board adopted a policy on Market Disclosure and Communications. This policy emphasises FAR's commitment to ensuring that all investors have equal and timely access to material information concerning FAR, including: its financial position, performance, ownership and governance; ensuring that all announcements are clear, concise and factual; complying with the disclosure principles contained in the ASX Listing Rules, and the Corporations Act 2001 (Cth); and preventing the selective or inadvertent disclosure of material price sensitive information.

The Chairman, Managing Director, Commercial Manager and the Company Secretary are responsible for: managing FAR's compliance with its continuous disclosure obligations; identifying and reviewing information to determine if disclosure is required; implementing reporting processes and controls and determining guidelines for the release of information; and ensuring that the Board is kept fully informed of its determinations and is promptly advised of all information disclosed to the market.

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.

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

Recommendation 5.2: Companies should provide the information indicated in the Guide to reporting on Principle 5.

FAR's Market Disclosure and Communications policy is available on the Company's website.

The Board of FAR takes responsibility for adopting and monitoring this policy and the executive management team has responsibility for its effective implementation. This policy applies to all personnel engaged by FAR and under FAR's operational control. Every employee within FAR is responsible for supporting and maintaining FAR's corporate culture and integrity.

PRINCIPLE 6: RESPECT THE RIGHTS OF SHAREHOLDERS

Recommendation 6.1: Companies should design a communications policy for promoting effective communication with shareholders and encouraging their participation at general meetings and disclose their policy or a summary of that policy.

FAR is committed to meeting its continuous disclosure obligations and keeping all interested parties up-to-date with Company news. Shareholders are encouraged to contact the Company at any time to seek information on any matter.

Electronic communication is readily accessible to shareholders, and other interested parties, who elect to register their email address via a mechanism on the Company's website.

FAR encourages and supports shareholder participation in general meetings. At each meeting a corporate presentation is given on the Company's status and current projects with questions invited from those present.

Recommendation 6.2: Companies should provide the information indicated in the Guide to reporting on Principle 6.

FAR's Market Disclosure and Communications policy is available on the Company's website.

PRINCIPLE 7: RECOGNISE AND MANAGE RISK

Recommendation 7.1: Companies should establish policies for the oversight and management of material business risks and disclose a summary of those policies.

The Board adopted the Company's Risk Oversight and Management policy on 31 December 2012. Under the policy the Board is responsible for approving the Company's policies on risk assessment and management and satisfying itself that management has developed a sound system of risk management and internal control. 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.

For the duration of the reporting period, the Company did not have a Risk Oversight and Management policy. However the Board followed the broad principles of the Risk Oversight and Management policy and discussed risk management on active projects on a regular basis.

The Board recognises that the Company is a junior exploration company and exploration for oil and gas is a high risk investment profile and has managed risk accordingly.

Recommendation 7.2: The board should require management to design and implement the risk management and internal control system to manage the company's material business risks and report to it on whether those risks are being managed effectively. The board should disclose that management has reported to it as to the effectiveness of the company's management of its material business risks.

After the end of the reporting period the Managing Director designed formal procedures for reporting, implementing, and providing assurance as to the effectiveness of the Company's Risk Oversight and Management policy to the Board and the Company has prepared a risk register and documented the plans for managing these risks. The Company is in the process of implementing these formal procedures.

Recommendation 7.3: The board should disclose whether it has received assurance from the chief executive officer (or equivalent) and the chief financial officer (or equivalent) that the declaration provided in accordance with section 295A of the Corporations Act is founded on a sound system of risk management and internal control and that the system is operating effectively in all material respects in relation to financial reporting risks.

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. This declaration is given in accordance with section 295A of the Corporations Act 2001.

Recommendation 7.4: Companies should provide the information indicated in the Guide to reporting on Principle 7.

The Company's new formal Risk Oversight and Management policy is available on FAR's website.

PRINCIPLE 8: REMUNERATE FAIRLY AND RESPONSIBLY

Recommendation 8.1: The board should establish a remuneration committee.

A Remuneration Committee charter was adopted by the Board on 31 December 2012 and a Remuneration Committee established during the reporting period. The Board will review the responsibilities of the Remuneration Committee on an annual basis. One Remuneration Committee meeting was held during the year and its recommendations were presented to the Board.

Recommendation 8.2: The remuneration committee should be structured so that it:

- **consists of a majority of independent directors;**
- **is chaired by an independent chair;**
- **has at least three members.**

The Remuneration Committee members are Mr A E Brindal and Mr N J Limb, who are both non-executive directors. Mr A E Brindal is the Chairman of the committee. While the committee consists of a majority of independent directors and is chaired by an independent chair, it does not consist of three members. The Company's new Remuneration Committee charter discloses FAR's intention to have three independent directors on the Remuneration Committee; however, at this stage the Company does not believe it has an additional appropriately qualified Board member to appoint to the Remuneration Committee.

Recommendation 8.3: Companies should clearly distinguish the structure of non-executive directors' remuneration from that of executive directors and senior executives.

Detailed commentary on the remuneration of the Chairman, Managing Director, other directors and senior executives is set out in the Remuneration Report contained within the Company's Annual Report. 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.

Recommendation 8.4: Companies should provide the information indicated in the guide to reporting on Principle 8.

FAR's Remuneration Committee charter is available on the Company's website.

Directors' Report

The directors of FAR Limited submit herewith the Annual Financial Report for the year ended 31 December 2012. 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:

Nicholas James Limb – Non-Executive Chairman
(appointed 28 November 2011)

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, and appointed Chair on 19 April 2012.

Catherine Margaret Norman – Managing Director
(appointed 28 November 2011)

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
(appointed 17 May 1995)

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
(appointed 19 December 2007)

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.

Michael John Evans – Executive Chairman
(retired 19 April 2012)

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.

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

Peter Anthony Thiessen
(appointed 20 August 2012)

Mr Thiessen is a member of the Institute of Chartered Accountants and holds a BA degree in Accounting. Mr Thiessen also serves as the Chief Financial Officer (appointed 1 August 2012) of the Consolidated Entity.

Colin John Harper
(appointed 24 August 2007 - ceased 30 September 2012)

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
(appointed 26 April 2000)

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 2012 after income tax was $9,054,434 (2011: $12,154,417).

DIVIDENDS

The directors recommend that no dividend be paid for the year ended 31 December 2012 nor have any been paid or declared 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

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

SUBSEQUENT EVENTS

On 20 February 2013, the Company entered into a Purchase and Sale Agreement for the disposal of numerous oil and gas leases in North America subject to satisfactory fulfilment of conditions precedent. The assets and liabilities related to these oil and gas leases have been recognised as a discontinued operation in note 6 to these financial statements.

On 19 March 2013, the Company announced a farm in agreement for its three blocks offshore Senegal in West Africa to Cairn Energy Plc ('Cairn'), a major UK listed oil and gas company. Pursuant to the farm in agreement, which is subject to Senegalese Government approval, Cairn will operate and carry FAR through an exploration well expected to be drilled in early 2014. Cairn will acquire a 65% working interest and operatorship by fully funding 100% of the costs of an exploration well and testing to an investment cap of US$80 million and will pay the Company US$9.8 million for past costs incurred on the three blocks. FAR will retain a 25% working interest.

Other than the above, 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 farming 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.

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 2012 are set out in note 32 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 36 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 26 of the annual report.

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 Key Management Personnel for the year ended 31 December 2012.

The directors of the Company during the year were:

- Michael John Evans - Executive Chairman (resigned 19 April 2012)
- Nicholas James Limb - Non-Executive Director, Chairman (appointed Chairman 19 April 2012)
- Catherine Margaret Norman - Managing Director
- Charles Lee Cavness - Non-Executive Director
- Albert Edward Brindal - Non-Executive Director / Company Secretary

The term Key Management Personnel is used in this Remuneration Report to refer to the following persons:

- Colin John Harper - Chief Financial Officer / Company Secretary (ceased employment 30 September 2012)
- Peter Nicholls - Exploration Manager
- Peter Anthony Thiessen – Chief Financial Officer / Company Secretary (appointed 1 August 2012)
- Benedict James Murray Clube - Commercial Manager (appointed 8 October 2012)

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, the role of Administration Manager ceased to be deemed Key Management Personnel. As such, remuneration for this role has not been included for the year ended 31 December 2012.

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 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 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 2012:

	31 Dec 2008 $	31 Dec 2009 $	31 Dec 2010 $	31 Dec 2011 $	31 Dec 2012 $
Revenue	3,086,217	1,496,168	1,475,106	1,637,279	1,192,665
Profit/(loss) from continuing operations	(9,665,758)	2,142,343	(6,786,801)	(11,639,212)	(9,062,261)
Profit/(loss) from continuing & discontinued operations	(9,665,758)	2,142,343	(6,786,801)	(12,154,417)	(9,054,434)

	31 Dec 2008 cents	31 Dec 2009 cents	31 Dec 2010 cents	31 Dec 2011 cents	31 Dec 2012 cents
Share price at start of year	12.0	2.8	6.2	8.2	2.8
Share price at end of year	2.8	6.2	8.2	2.8	3.4
Dividend	-	-	-	-	-
Basic (loss)/earnings per share	(1.90)	0.34	(0.93)	(0.90)	(0.38)
Diluted (loss)/earnings per share	(1.90)	0.34	(0.93)	(0.90)	(0.38)

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 32 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:

2012	Short-term employee benefits				Post-employment	Share-based payment	Other long term benefits (v)	Total	% consisting of options
Name	Salary and fees	Bonus	Termination	Other	Super	Options			
Directors									
M J Evans (i)	154,650	-	708,025	(22,926)	15,465	-	(156,756)	698,458	-
C M Norman	378,360	-	-	9,652	31,640	420,000	37,794	877,446	48%
C L Cavness	50,000	-	-	-	-	-	-	50,000	-
A E Brindal	50,000	-	-	-	-	-	-	50,000	-
N J Limb	63,333	-	-	-	-	-	-	63,333	-
Executives									
C J Harper (ii)	150,000	-	133,836	(2,637)	15,000	126,000	(57,109)	365,090	35%
P A Thiessen (iii)	83,333	-	-	3,372	8,333	147,600	238	242,876	61%
P Nicholls	369,200	-	-	-	-	210,000	-	579,200	36%
B Clube (iv)	75,000	-	-	822	6,042	291,000	214	373,078	78%
Total	1,373,876	-	841,861	(11,717)	76,480	1,194,600	(175,619)	3,299,481	

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

(i) Resigned effective 19 April 2012

(ii) Resigned effective from 30 September 2012

(iii) Appointed effective from 1 August 2012

(iv) Appointed effective from 8 October 2012

(v) Other long-term benefits represent the movements in provisions for long service leave and termination benefits. During the current year, the resignation of Mr M J Evans and Mr C J Harper resulted in the reversal of provision of termination and long service leave entitlements which were paid to these key management personnel upon cessation of their employment. During the prior 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. Further, changes to Mrs J A Atling's termination entitlements during the prior year resulted in a decrease in amounts provided for in relation to these entitlements.

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 year the following share based payment arrangements were in existence:

Options series	Grant date	Expiry date	Grant date fair value	Exercise price
(1) Issued 10 Feb 2009	10-Feb-09	30-Jun-12	$0.021	$0.050
(2) Issued 12 Jun 2009	12-Jun-09	30-Jun-12	$0.051	$0.070
(3) Issued 11 Mar 2010	11-Mar-10	31-Mar-12	$0.027	$0.075
(4) Issued 11 Mar 2010	11-Mar-10	31-Mar-13	$0.030	$0.100
(5) Issued 21 Apr 2011	21-Apr-11	09-Mar-12	$0.022	$0.200
(6) Issued 21 Apr 2011	21-Apr-11	30-Apr-14	$0.060	$0.180
(7) Issued 31 May 2012	31-May-12	30-Jun-15	$0.021	$0.060
(8) Issued 23 Jul 2012	23-Jul-12	23-Jul-15	$0.029	$0.060
(9) Issued 21 Aug 2012	21-Aug-12	30-Jun-15	$0.025	$0.060

All options listed above vest on the date of grant.

The following grants of share based payment compensation to key management personnel relate to the current financial year:

	During the financial year					
Name	Option series	No. granted	No. vested	% of grant vested	% of grant cancelled	Date cancelled
C M Norman	(7) Issued 31 May 12	20,000,000	20,000,000	100%	-	-
C J Harper*	(7) Issued 31 May 12	6,000,000	6,000,000	100%	100%	31-Dec-12
P A Thiessen	(9) Issued 21 Aug 12	6,000,000	6,000,000	100%	-	-
P Nicholls	(7) Issued 31 May 12	10,000,000	10,000,000	100%	-	-
B Clube	(8) Issued 23 Jul 12	10,000,000	10,000,000	100%	-	-

* - The options granted to Mr C J Harper on 31 May 2012 were cancelled on 31 December 2012 as a consequence of his cessation of employment with the company on 30 September 2012.

Name	Value of options granted at grant date(i)	Value of options exercised at the exercise date	Value of options lapsed at the date of lapse
C M Norman	420,000	-	-
C J Harper	126,000	-	126,000
P A Thiessen	147,600	-	-
P Nicholls	210,000	-	-
B Clube	291,000	-	-

(i) The value of options granted during the period is recognised in compensation over the vesting period of the grant, in accordance with Australian Accounting Standards.

Bonus Payments

There were no bonus payments made to directors or key management personnel during the year ended 31 December 2012.

Employment Contracts

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

- A total remuneration package of $419,020 per annum, reviewed annually;
- The Company may terminate Ms Norman's employment by giving Ms Norman 12 weeks written notice or 12 weeks payment in lieu of notice or a combination of notice and payment in lieu of notice; and
- Ms Norman may terminate her employment by giving the Company two months' written notice.

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

- A total remuneration package of $224,840 per annum, reviewed annually;
- The Company may terminate Mr Thiessen's employment by giving Mr Thiessen 12 weeks written notice or 12 weeks payment in lieu of notice or a combination of notice and payment in lieu of notice; and
- Mr Thiessen may terminate his employment by giving the Company 12 weeks written notice.

Mr Clube is employed as Commercial Manager under an employment contract with the following key terms:

- A total remuneration package of $357,700 per annum, reviewed annually;
- The Company may terminate Mr Clube's employment by giving Mr Clube 12 weeks written notice or 12 weeks payment in lieu of notice or a combination of notice and payment in lieu of notice; and
- Mr Clube may terminate his employment by giving the Company 12 weeks written notice.

Mr Nicholls is contracted as Exploration Manager under a Consultancy Agreement with the following key terms:

- A daily rate of $1,900, any rate changes are to be agreed between the parties.
- The Company may terminate the Agreement by giving notice to Mr Nicholls if he breaches any provision of the Agreement or shall neglect his responsibilities or otherwise misconduct himself or becomes bankrupt.

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
C M Norman	574,417	20,000,000
C L Cavness	1,150,000	-
A E Brindal	311,061	-
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	1	1	-	-
C M Norman	5	5	-	-
C L Cavness	5	5	-	-
A E Brindal	5	5	1	1
N J Limb	5	5	1	1

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

Nic Limb
Chairman
Melbourne, 28 March 2013

Financial Report 2012

FAR moves into the 2013 year with a robust cash position, further supported by a strong financial management policy.

Deloitte.

Deloitte Touche Tohmatsu
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The Board of Directors
FAR Limited
Level 17, 530 Collins Street
MELBOURNE VIC 3000

28 March 2013

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 2012, 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

Ian Sanders
Partner
Chartered Accountants

Deloitte.

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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 consolidated statement of financial position as at 31 December 2012, the consolidated statement of profit or loss and other comprehensive income, the consolidated cash flow statement and the consolidated 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 29 to 70.

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.

Deloitte.

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.

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 2012 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 21 to 24 of the directors' report for the year ended 31 December 2012. 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 2012, complies with section 300A of the *Corporations Act 2001*.

DELOITTE TOUCHE TOHMATSU

Ian Sanders
Partner
Chartered Accountants
Melbourne, 28 March 2013

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 28 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

Nic Limb
Chairman
Melbourne, 28 March 2013

Consolidated Statement of Profit or Loss and other Comprehensive Income

For the financial year ended 31 December 2012

	Note	2012 $	2011 $
Revenue	7	1,192,665	1,637,279
Other income	8	2,904,441	12,120
Depreciation and amortisation expense	9	(52,239)	(40,858)
Exploration expense	9	(7,454,864)	(8,805,670)
Finance costs	10	(39,203)	(609,419)
Administration expenses		(1,002,025)	(571,561)
Employee benefits expense	9	(3,338,211)	(594,310)
Consulting expense		(691,523)	(604,827)
Acquisition costs – Flow Energy Limited	29	-	(1,319,507)
Foreign exchange loss		(354,768)	(444,583)
Other expenses		(226,534)	(297,876)
Loss before income tax		(9,062,261)	(11,639,212)
Income tax expense	11(a)	-	-
Loss attributable to members of FAR Limited from continuing operations		(9,062,261)	(11,639,212)
Profit/(loss) from discontinued operations	6	7,827	(515,205)
Loss attributable to members of FAR Limited	22	(9,054,434)	(12,154,417)
Other comprehensive income			
Exchange differences arising on translation of foreign operations	21	271,026	(12,247)
Total comprehensive income for the period attributable to members of FAR Limited		(8,783,408)	(12,166,664)
Earnings per share: **From continuing and discontinued operations**			
Basic (loss)/earnings (cents per share)	23	(0.38)	(0.90)
Diluted (loss)/earnings (cents per share)	23	(0.38)	(0.90)
From continuing operations			
Basic (loss)/earnings (cents per share)	23	(0.38)	(0.86)
Diluted (loss)/earnings (cents per share)	23	(0.38)	(0.86)

Notes to the financial statements are included on pages 34 to 70.

Consolidated Statement of Financial Position

As at 31 December 2012

	Note	2012 $	2011 $
CURRENT ASSETS			
Cash and cash equivalents	30(a)	17,350,678	23,803,920
Trade and other receivables	12	351,573	3,324,928
Other financial assets	13	442,567	305,780
Other	14	61,066	120,874
Assets held for sale	6	287,757	-
Total Current Assets		18,493,641	27,555,502
NON CURRENT ASSETS			
Trade and other receivables	12	2,889,060	-
Other financial assets	13	5,400,000	71,924
Property, plant and equipment	15	192,475	205,804
Oil and gas properties	16	55,181,145	49,777,465
Total Non-Current Assets		63,662,680	50,055,193
TOTAL ASSETS		82,156,321	77,610,695
CURRENT LIABILITIES			
Trade and other payables	17	1,503,020	1,040,570
Borrowings	18	-	2,927,885
Provisions	19	207,040	519,026
Other financial liabilities		26,529	-
Liabilities – associated with assets held for sale	6	55,794	-
Total Current Liabilities		1,792,383	4,487,481
NON-CURRENT LIABILITIES			
Trade and other payables	17	173,343	-
Deferred tax liabilities	11(c)	4,187,577	4,187,577
Provisions	19	21,052	68,907
Other financial liabilities		-	26,529
Total Non-Current Liabilities		4,381,972	4,283,013
TOTAL LIABILITIES		6,174,355	8,770,494
NET ASSETS		75,981,966	68,840,201
EQUITY			
Issued Capital	20	143,384,588	129,137,015
Reserves	21	3,888,689	1,940,063
Accumulated losses	22	(71,291,311)	(62,236,877)
TOTAL EQUITY		75,981,966	68,840,201

Notes to the financial statements are included on pages 34 to 70.

Consolidated Statement of Changes in Equity

For the financial year ended 31 December 2012

		Reserves					
	Share capital $	Option reserve $	Equity component on convertible notes $	Foreign currency translation reserve $	Total $	Accumulated losses $	Total attributable to equity holders of the parent $
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
Balance at 1 January 2012	129,137,015	2,174,955	671,496	(906,388)	1,940,063	(62,236,877)	68,840,201
Loss for the year	-	-	-	-	-	(9,054,434)	(9,054,434)
Exchange differences arising on translation of foreign operations	-	-	-	271,026	271,026	-	271,026
Total comprehensive income for the year	-	-	-	271,026	271,026	(9,054,434)	(8,783,408)
Issue of options	-	1,677,600	-	-	1,677,600	-	1,677,600
Issue of shares	15,039,947	-	-	-	-	-	15,039,947
Share issue costs	(792,374)	-	-	-	-	-	(792,374)
Balance at 31 December 2012	143,384,588	3,852,555	671,496	(635,362)	3,888,689	(71,291,311)	75,981,966

Notes to the financial statements are included on pages 34 to 70.

Consolidated Cash Flow Statement

For the financial year ended 31 December 2012

	Note	2012 $	2011 $
CASH FLOWS FROM OPERATING ACTIVITIES			
Receipts from customers		731,432	851,680
Payments to suppliers		(4,556,007)	(3,633,814)
Interest and other costs of finance paid		(38,812)	(571,563)
Net cash (used in)/provided by operating activities	30(e)	(3,863,387)	(3,353,697)
CASH FLOWS FROM INVESTING ACTIVITIES			
Interest received		1,117,617	1,720,836
Payments for oil and gas properties		(12,404,934)	(11,072,161)
Proceeds from oil and gas properties		3,009,425	-
Payments for property, plant and equipment		(243,042)	(94,073)
Proceeds from property plan and equipment		79,640	-
Proceeds from security deposits		20,000	-
Payment of security deposits		(5,484,900)	-
Net cash outflow on acquisition of a business	29	-	(864,492)
Net cash (used in)/provided by investing activities		(13,906,194)	(10,309,890)
CASH FLOWS FROM FINANCING ACTIVITIES			
Repayment of borrowings		(2,927,889)	(154,510)
Proceeds from issue of shares		15,039,947	-
Payment for share issue costs		(792,375)	(18,575)
Net cash (used in)/provided by financing activities		11,319,683	(173,085)
NET (DECREASE)/INCREASE IN CASH AND CASH EQUIVALENTS		(6,449,898)	(13,836,672)
Cash and cash equivalents at the beginning of the year		23,803,920	38,092,132
Effects of exchange rate changes on cash and cash equivalents		(3,344)	(451,540)
Cash and cash equivalents at the end of the financial year	30(a)	17,350,678	23,803,920

Notes to the financial statements are included on pages 34 to 70.

1. GENERAL INFORMATION

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

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

Level 17, 530 Collins Street
Melbourne VIC 3000
Tel: (03) 9618 2550

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 2012.

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

- AASB 2010-6 'Amendments to Australian Accounting Standards – Disclosures on Transfers of Financial Assets';
- AASB 1054 'Australian Additional Disclosures'; and
- AASB 2011-1 'Amendments to Australian Accounting Standards arising from Trans-Tasman Convergence Project'.

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:

Standard/Interpretation	Effective for annual reporting periods beginning on or after	Expected to be initially applied in the financial year ending
AASB 9 'Financial Instruments' (December 2009), AASB 2009-11 'Amendments to Australian Accounting Standards arising from AASB 9'	1 January 2015	31 December 2015
AASB 9 'Financial Instruments' (December 2010), AASB 2010-7 'Amendments to Australian Accounting Standards arising from AASB 9 (December 2010)'	1 January 2015	31 December 2015
AASB 10 'Consolidated Financial Statements', AASB 2011-7 'Amendments to Australian Accounting Standards arising from the Consolidation and Joint Arrangements Standards'	1 January 2013	31 December 2013
AASB 11 'Joint Arrangements', AASB 2011-7 'Amendments to Australian Accounting Standards arising from the Consolidation and Joint Arrangements Standards'	1 January 2013	31 December 2013
AASB 12 'Disclosure of Interests in Other Entities', AASB 2011-7 'Amendments to Australian Accounting Standards arising from the Consolidation and Joint Arrangements Standards'	1 January 2013	31 December 2013
AASB 13 'Fair Value Measurement' and related AASB 2011-8 'Amendments to Australian Accounting Standards arising from AASB 13'	1 January 2013	31 December 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	31 December 2013
AASB 127 'Separate Financial Statements' (2011), AASB 2011-7 'Amendments to Australian Accounting Standards arising from the Consolidation and Joint Arrangements Standards'	1 January 2013	31 December 2013
AASB 128 'Investments in Associates and Joint Ventures' (2011), AASB 2001-7 'Amendments to Australian Accounting Standards arising from the Consolidation and Joint Arrangements Standards'	1 January 2013	31 December 2013
AASB 2011-4 'Amendments to Australian Accounting Standards to Remove Individual Key Management Personnel Disclosure Requirements	1 July 2013	31 December 2014
AASB 2011-9 'Amendments to Australian Accounting Standards – Presentation of Items of Other Comprehensive Income'	1 July 2012	31 December 2013
AASB 2012-2 'Amendments to Australian Accounting Standards – Disclosures – Offsetting Financial Assets and Financial Liabilities (Amendments to AASB 7)'	1 January 2013	31 December 2013
AASB 2012-2 'Amendments to Australian Accounting Standards – Disclosures – Offsetting Financial Assets and Financial Liabilities (Amendments to AASB 132)'	1 January 2014	31 December 2014
AASB 2012-5 'Amendments to Australian Accounting Standards arising from Annual Improvements 2009-2011 Cycle'	1 January 2013	31 December 2013

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 28 March 2013.

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 profit or loss and other 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 profit or loss and other 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 profit or loss and other 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 acquiree 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 31.

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 cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows. 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 profit or loss and other 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 profit or loss and other 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 profit or loss and other 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 profit or loss and other 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 profit or loss and other 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 profit or loss and other 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 propertie	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 profit or loss and other 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 profit or loss and other 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 32.

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 undertook during the year exploration for and the production of oil and gas in Australia, Africa, Jamaica and North America.

The Consolidated Entity holds working interests in numerous oil and gas leases in North America which are subject to a Purchase and Sale Agreement executed 20 February 2013 subject to satisfactory fulfilment of conditions precedent. The assets and liabilities related to these oil and gas leases have been recognised as a discontinued operation in note 6.

Segment Assets and Liabilities

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

	Assets		Liabilities	
	2012 $	2011 $	2012 $	2011 $
AGC	301,761	-	-	295,009
Australia	1,433,072	125,628	-	-
Canada	-	-	-	-
Guinea-Bissau	6,131,116	5,469,126	-	-
Jamaica	-	6,923,178	-	-
Kenya	31,956,410	22,611,046	4,162,933	4,187,577
Senegal	21,206,469	14,670,052	-	-
USA	148,767	317,928	201,433	260,502
Corporate	20,690,969	27,218,282	1,754,195	4,027,406
Total assets and liabilities	81,868,564	77,335,240	6,118,561	8,770,494
Assets and liabilities relating to North American discontinued operations	287,757	275,455	55,794	-
Total assets and liabilities	82,156,321	77,610,695	6,174,355	8,770,494

Segment Revenue and Results

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

	Revenue		Segment Profit/(Loss)	
	2012 $	2011 $	2012 $	2011 $
AGC	-	-	(99,949)	(8,627,333)
Australia	-	-	(117,778)	(167,500)
Canada	-	-	(648)	(664)
Guinea-Bissau	-	-	-	-
Jamaica	-	-	(7,006,301)	-
Kenya	-	-	-	-
Senegal	-	-	-	-
USA	-	-	-	-
Corporate	1,192,665	1,637,279	(1,837,585)	(2,843,715)
Consolidated segment revenue and (loss)/ profit before tax for the year from continuing operations	1,192,665	1,637,279	(9,062,261)	(11,639,212)
Income tax expense	-	-	-	-
Consolidated segment revenue and (loss)/ profit after tax for the year	1,192,665	1,637,279	(9,062,261)	(11,639,212)

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

	Depreciation and Amortisation		Additions to Non-Current Assets		Impairment of Non-Current Assets	
	2012 $	2011 $	2012 $	2011 $	2012 $	2011 $
AGC	-	-	401,710	8,627,333	(101,449)	(8,627,333)
Australia	-	-	1,702,001	208,973	(346,466)	(177,673)
Canada	-	-	648	664	(648)	(664)
Guinea-Bissau	-	-	661,990	2,652,359	-	-
Jamaica	-	-	83,123	6,923,178	(7,006,301)	-
Kenya	-	-	9,183,460	22,325,266	-	-
Senegal	-	-	1,136,416	291,465	-	-
USA	-	-	-	-	-	-
Corporate	52,239	40,858	177,515	102,159	-	-
	52,239	40,858	13,346,863	41,131,397	(7,454,864)	(8,805,670)
Discontinued operations	90,098	614,262	70,412	141,827	-	(42,706)
	142,337	655,120	13,417,275	41,273,224	(7,454,864)	(8,848,376)

6. DISCONTINUED OPERATIONS

On 20 February 2013, the Consolidated Entity entered into a Purchase and Sale agreement for the sale of numerous oil and gas leases in North America, effective from 1 November 2012. The agreement is subject to satisfactory fulfilment of conditions precedent which at the date of this report remain outstanding.

The combined results of the discontinued operation in the Consolidated Statement of Profit and Loss and Other Comprehensive Income are set out below:

	2012 $	2011 $
Revenue	508,057	747,451
Other income	161,512	484
Direct operating costs	(273,363)	(347,889)
Depreciation and amortisation expense	(90,098)	(614,262)
Exploration expense	-	(42,706)
Abandonment expense	(69,229)	(38,092)
Administration expense	(70,020)	(60,765)
Employee benefits expense	(209,168)	(141,835)
Consulting expense	(43,550)	(3,586)
Other expenses	93,686	(14,005)
Profit/(loss) before income tax	7,827	(515,205)
Income tax expense	-	-
Profit/(loss) attributable to members of FAR Limited from continuing operations	7,827	(515,205)

	2012 $	2011 $
Cash flows from discontinued operations		
Net cash inflows/(outflows) from operating activities	(12,689)	77,664
Net cash outflows from investing activities	(61,517)	(146,950)
Net cash outflows	(74,206)	(69,286)

As a result of recognising a discontinued operation for the sale of numerous oil & gas leases in North America the following assets and liabilities have been classified as held for sale:

	31 Dec 2012 $
Oil and gas properties	192,729
Property, plant & equipment	55,642
Trade and other receivables	39,386
Total assets classified as held for sale	287,757
Trade and other payables	(55,794)
Liabilities associated with assets classified as held for sale	(55,794)
Net assets classified as held for sale	231,963

7. REVENUE

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

	2012 $	2011 $
Interest received	1,090,983	1,571,518
Other Revenue	101,682	65,761
	1,192,665	1,637,279

8. OTHER INCOME

	2012 $	2011 $
Rebate under R&D tax concession scheme	-	11,211
Miscellaneous other income	501	909
Gain on sale of oil and gas properties	2,903,940	-
	2,904,441	12,120

9. PROFIT / (LOSS) FOR THE YEAR

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

	2012 $	2011 $
Depreciation and amortisation:		
- Property, plant & equipment	(52,239)	(40,858)
Impairment of non-current assets:		
- Exploration costs expensed:		
- Oil & gas properties	(7,454,864)	(8,805,670)
Operating lease rental expenses:		
- Rental expense on operating lease	(359,246)	(212,761)
Share based payments to consultants – equity settled	(388,500)	(88,000)
Share based payment of acquisition costs – equity settled	-	(350,000)
Employee benefit expense:		
- Short-term employee benefits – salaries and fees	(1,164,148)	(1,094,726)
- Short-term employee benefits – terminations	(1,115,051)	-
Post employment benefits:		
- Defined contribution plans	(129,753)	(90,524)
- Share based payments-equity settled	(1,289,100)	(90,000)
- Decrease / (increase) in employee benefits provisions (i)	359,841	680,940
	(3,338,211)	(594,310)

(i) During the current year, key management personnel ceased employment and were paid all leave and termination entitlements. The decrease in the provision reflects the payment of these entitlements.

10. FINANCE COSTS

	2012 $	2011 $
Interest on convertible notes	(37,301)	(440,891)
Total interest expense	(37,301)	(440,891)
Accretion expense – convertible note	-	(153,049)
Other finance costs	(1,902)	(15,479)
	(39,203)	(609,419)

11. INCOME TAXES

(a) Income tax recognised in profit or loss

	2012 $	2011 $
Tax expense / (income) comprises:		
Current tax expense / (income)	(3,210,651)	(3,646,325)
Tax losses not brought to account	3,210,651	3,646,325
	-	-
Deferred tax expense / (income) relating to the origination and reversal of temporary differences	1,730,081	2,981,123
Benefit arising from previously recognised tax losses of prior periods used to reduce deferred tax expense	(1,730,081)	(2,981,123)
Prior year unders/overs	(12,743,136)	-
De-recognition of previously unrecognised tax losses	12,743,136	-
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:

	2012 $	2011 $
Profit / (loss) from operations	(9,054,434)	(12,154,457)
Income tax expense / (income) calculated at 30%	(2,716,330)	(3,646,325)
Non-deductible expenses	335,823	
Non-assessable gains	(830,144)	
Unused tax losses and tax offsets not recognised as deferred tax assets	3,210,651	3,646,325
	-	-

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

	2012 $	2011 $
Deferred tax assets comprise:		
Tax losses in Australia	9,610,614	7,880,533
Tax losses in USA	61,841	61,841
	9,672,455	7,942,374
Deferred tax liabilities comprise:		
Temporary differences	13,860,032	12,129,951
	13,860,032	12,129,951
Deferred tax balances are presented in the statement of financial position as follows:		
Deferred tax liabilities	4,187,577	4,187,577

Taxable and deductible temporary differences arise from the following:

2012	Opening balance $	Recognised in income $	Recognised in equity $	Arising from business combinations $	Closing balance $
Oil & gas properties	12,456,538	1,686,840	-	-	14,143,378
Property, plant & equipment	(7,030)	4,014	-	-	(3,016)
Receivables	(148,574)	(63,328)	-	-	(211,902)
Provisions	(170,983)	102,555	-	-	(68,428)
Total	12,129,951	1,730,081	-	-	13,860,032

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

Refer to note 29 for details of temporary difference arising from business combinations.

	2012 $	2011 $
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	3,555,068
Tax losses in Australia (net)	808,051	13,796,850
	4,363,119	17,351,918

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 28.

12. TRADE AND OTHER RECEIVABLES

	2012 $	2011 $
Current		
Trade receivables	59,842	98,872
Interest receivable	63,340	85,235
Other receivables	559,813	3,636,067
Less allowance for doubtful debts	(331,422)	(495,246)
	351,573	3,324,928
Non-current		
Amount receivable for sale of Beibu Gulf Block 22/12	2,889,060	-

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 non-current 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 represents the final instalment of proceeds receivable from the sale of Beibu Gulf.

Other receivables include amounts of $245,755 (2011: $495,246) which were past due at balance date. These amounts have been provided for in full.

13. OTHER FINANCIAL ASSETS

Current

	2012 $	2011 $
Security deposit	71,887	20,000
Performance bonds	370,680	285,780
	442,567	305,780

The weighted average interest rate on the security deposit is 4.45% (2011: 5.70%).

Non-current

	2012 $	2011 $
Security deposit (i)	5,400,000	71,924

The weighted average interest rate on the security deposit is 4.40% (2011: 3.82%).

(i) The security deposit is subject to a flawed asset agreement. Under the terms of the agreement the security deposit is held as security by the bank over a letter of credit, or performance bond provided to the Senegal Government in respect of the second renewal period. 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. 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. See Note 25(iv).

14. OTHER CURRENT ASSETS

	2012 $	2011 $
Prepayments	61,066	120,874

15. PROPERTY, PLANT AND EQUIPMENT

	Plant and Equipment $	Total $
Gross Carrying Amount		
Balance at 1 January 2011	1,763,570	1,763,570
Additions	92,835	92,835
Additions through business combination (refer note 29)	11,085	11,085
Disposals	(55,123)	(55,123)
Net foreign currency exchange differences	1,131	1,131
Balance at 1 January 2012	1,813,498	1,813,498
Additions	191,539	191,539
Assets classified as held for sale	(1,448,675)	(1,448,675)
Disposals	(232,064)	(232,064)
Net foreign currency exchange differences	(35,781)	(35,781)
Balance at 31 December 2012	288,517	288,517
Accumulated depreciation / amortisation and impairment		
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
Balance at 1 January 2012	1,607,694	1,607,694
Depreciation expense	65,903	65,903
Assets classified as held for sale	(1,393,033)	(1,393,033)
Disposals	(149,983)	(149,983)
Net foreign currency exchange differences	(34,539)	(34,539)
31 December 2012	96,042	96,042
Net Book Value		
31 December 2011	205,804	205,804
31 December 2012	192,475	192,475

16. OIL AND GAS PROPERTIES

	2012 $	2011 $
Producing properties		
Capitalised development costs: **Balance at 1 January**	9,271,122	9,181,012
Additions	56,687	82,450
Disposals	(527,841)	-
Assets classified as held for sale	(8,597,583)	-
Net foreign currency exchange differences	(202,385)	7,660
Balance at 31 December	-	9,271,122
Less: accumulated amortisation **Balance at 1 January**	9,052,003	8,496,832
Amortisation expense	76,434	540,585
Disposals	(525,955)	-
Assets classified as held for sale	(8,404,854)	-
Net foreign currency exchange differences	(197,628)	14,586
Balance at 31 December	-	9,052,003
	-	219,119
Non-producing properties		
Exploration and evaluation expenditure: **Balance at 1 January**	49,558,346	17,319,606
Additions	13,124,253	11,742,887
Additions through business combination (refer note 29)	-	29,343,967
Disposals	(46,590)	-
Exploration expensed	(7,454,864)	(8,848,376)
Net foreign currency exchange differences	-	262
Balance at 31 December	55,181,145	49,558,346
Total oil and gas properties	55,181,145	49,777,465

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.

17. TRADE AND OTHER PAYABLES

	2012 $	2011 $
Current		
Trade payables	1,256,473	323,950
Other	246,547	716,620
	1,503,020	1,040,570

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.

Non-Current		
Other	173,343	-

18. BORROWINGS

	2012 $	2011 $
Current		
Unsecured loans – convertible notes	-	2,927,885

6,638,033 15% convertible notes were issued in February 2009 at an issue price of 45 cents per note. Each note carried a coupon rate of 15% payable quarterly in arrears and was convertible into 10 ordinary shares on or before 31 January 2012 by payment of 4.5 cents per share. At 31 January 2012, 6,506,419 notes matured at 45 cents and were repaid in full.

19. PROVISIONS

	2012 $	2011 $
Current		
Employee benefits (i)	207,040	519,026
Non-Current		
Employee benefits	21,052	68,907

(i) During the current year, key management personnel ceased employment and were paid all leave and termination entitlements. The decrease in the provision reflects the payment of these entitlements.

20. ISSUED CAPITAL

	2012 Number	2012 $	2011 Number	2011 $
Paid up capital: Ordinary fully paid shares at beginning of year	2,150,080,157	129,137,015	1,244,439,464	103,879,103
Shares allotted during the year (a)	349,766,585	15,039,947	905,640,693	25,305,521
Share issue costs	-	(792,374)	-	(50,198)
Transfer from equity component on convertible notes reserve	-	-	-	2,589
Ordinary fully paid shares at end of year	2,499,846,742	143,384,588	2,150,080,157	129,137,015

Changes to 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) On 5 April 2012, the Company issued 280,000,000 ordinary shares at 4.3 cents per share as part of a share placement to fund oil and gas exploration off the coast of Kenya.
   (ii) On 24 April 2012, the Company issued 69,766,585 shares at 4.3 cents per share as part of a share purchase plan for existing shareholders.

Share options outstanding at balance date

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

Option Series	Number	Grant date	Expiry date	Exercise Price $	Fair value at grant date $
(4) Granted 11 March 2010	4,750,000	11-Mar-10	31-Mar-13	0.100	0.030
(6) Granted 21 April 2011	1,500,000	21-Apr-11	30-Apr-14	0.180	0.060
(7) Granted 31 May 2012	52,500,000	31-May-12	30-Jun-15	0.060	0.021
(8) Granted 23 July 2012	10,000,000	23-Jul-12	23-Jul-15	0.060	0.029
(9) Granted 21 August 2012	6,000,000	22-Aug-12	30-Jun-15	0.060	0.025

Further details on share options outstanding are included at note 32 of this annual report.

21. RESERVES

	2012 $	2011 $
Option reserve (i)	3,852,555	2,174,955
Foreign currency translation reserve (ii)	(635,362)	(906,388)
Equity component on convertible notes (iii)	671,496	671,496
	3,888,689	1,940,063

(i) Option reserve		
- opening balance	2,174,955	1,996,955
- options allotted	1,677,600	178,000
- balance at end of year	3,852,555	2,174,955

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 32.

(ii) Foreign currency translation reserve		
- balance at beginning of year	(906,388)	(894,141)
- translation of foreign operations	271,026	(12,247)
- balance at end of year	(635,362)	(906,388)

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.

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

The equity component on convertible notes represents the equity component (conversion rights) on the issue of unsecured convertible notes. Refer to note 18 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.

22. ACCUMULATED LOSSES

	2012 $	2011 $
Balance at beginning of financial year	(62,236,877)	(50,082,460)
Net (loss) / profit	(9,054,434)	(12,154,417)
Balance at end of financial year	(71,291,311)	(62,236,877)

23. EARNINGS PER SHARE

	2012 Cents per share	2011 Cents per share
Basic (loss) / earnings per share		
From continuing operations	(0.38)	(0.86)
From discontinued operations	(0.00)	(0.04)
Total basic (loss) / earning per share	(0.38)	(0.90)
Diluted (loss) / earnings per share		
From continuing operations	(0.38)	(0.86)
From discontinued operations	(0.00)	(0.04)
Total diluted (loss) / earning per share	(0.38)	(0.90)

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: Loss for the year attributable to members of FAR Limited	(9,054,434)	(12,154,417)
(Profit) / loss for the year from discontinued operations used in the calculation of basic and diluted earnings per share from discontinued operations	(7,827)	515,205
Loss for the year used in calculation of basic and diluted earnings per share from continuing operations	(9,062,261)	(11,639,212)
	Number	**Number**
Weighted average number of ordinary shares for the purposes of basic and diluted earnings per share	2,412,028,813	1,350,614,928

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:

	2012 Number	2011 Number
$0.075 March 2012 unlisted options	-	4,750,000
$0.20 March 2012 unlisted options	-	4,000,000
$0.05 June 2012 unlisted options	-	2,000,000
$0.07 June 2012 unlisted options	-	7,800,000
$0.10 March 2013 unlisted options	4,750,000	4,750,000
$0.18 April 2013 unlisted options	1,500,000	1,500,000
$0.06 June 2015 unlisted options	58,500,000	-
$0.06 July 2015 unlisted options	10,000,000	-
Convertible notes maturing 31 January 2012 (i)	-	65,064,190
	74,750,000	89,864,190

(i) As outlined in note 18, all outstanding convertibles notes matured on 31 January 2012 and were repaid in full. The number of shares disclosed above in the prior period represented the maximum number of shares that would have been issued on full conversion of all convertible notes prior to their maturity.

24. COMMITMENTS FOR EXPENDITURE

In order to maintain rights to tenure of exploration permits, the Group is required to perform minimum exploration work programs specified by various state and national governments. These obligations are subject to renegotiation when application for an extension permit is made and at other times. The minimum exploration work program commitments may be reduced by entering into sale or farm out agreements or by relinquishing permit interests. Should the minimum exploration work program not be completed in full or in part in respect of a permit then the Group's interest in that exploration permit could be either reduced or forfeited. These expenditure commitments are not financial obligations.

The current estimated expenditures for these minimum exploration work program commitments are as follows:

	2012 $	2011 $
Oil and Gas Properties		
Not longer than 1 year	11,240,000	7,770,058
Longer than 1 year and not longer than 5 years	55,370,000	5,225,536
Longer than 5 years		-
	66,610,000	12,995,594

Non-cancellable operating lease commitments are disclosed in note 26 to the financial statements.

25. CONTINGENT LIABILITIES AND CONTINGENT ASSETS

	2012 $	2011 $
Contingent liabilities		
Guinea-Bissau – contingent payment from future production (i)	12,519,260	12,800,315
Guinea-Bissau – contingent withholding tax liability (ii)	508,000	407,675
Kenya L6 – performance Bond (iii)	370,680	-
Senegal – performance bond (iv)	5,400,000	-
	18,797,940	13,207,990
Contingent assets		
China sale – conditional payment (v)	-	2,953,919
	-	2,953,919

(i) In 2009, the Company entered into an Agreement to acquire a 15% interest in three blocks offshore of 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 2012 is $508,000.

(iii) A subsidiary of the Company is a party to the Kenya Offshore Block L6 Production Sharing Contract. The subsidiary of the Company is the Contractor for the project. In accordance with the terms of the Contract, on or before the commencement of an Exploration Period the Contractor must provide security guaranteeing the Contractor's minimum work and expenditure obligations. This amount represents the Groups share of the guarantee. The guarantee is payable on written demand where the Contractor is in default under the contract. Where the Contractor meets the minimum work and expenditure obligations of the Exploration Period the security is released. Security deposits equal to the contingent liability of $370,680 is disclosed in current, other financial assets, see note 13.

(iv) The Company is a party to the Senegal, Rufisque Offshore, Sangomar Offshore, Sangomar Deep Offshore Contract for Exploration and Hydrocarbon Production Sharing. The Company is the Contractor for the project. In accordance with the terms of the Contract the Contractor is to provide an irreevocable bank bond or Letter of Credit covering the minimum work obligations for the relevant Exploration Period. This amount represents the Groups share of the guarantee. If at the end of any exploration period, or in the event of total withdrawal or cancellation of the Contract, the exploration operations have not fulfilled the minimum commitments agreed to, the Minister shall have the right to call up the bond or Letter of Credit as compensation for the non-performance of the work commitments that the Contractor had accepted. A security deposit equal to the contingent liability amounting to $5,400,000 is disclosed in non-current, other financial assets, see note 13(i).

(v) In 2009, the Consolidated Entity sold its interest in the Beibu Gulf Block 22/12 Joint Venture, now known as WZ6-12 and WZ12-8 West Oil Field Development Areas (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 indicate that production of oil from the project is expected and therefore this amount has been recognised within non-current receivables at 31 December 2012.

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

26. 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.

	2012 $	2011 $
Non-cancellable operating lease payments:		
Not longer than 1 year	51,274	211,411
Longer than 1 year and not longer than 5 years	-	497,893
Longer than 5 years	-	-
	51,274	709,304

27. 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 exploration:

Name	Equity Interest 2012 %	Equity Interest 2011 %
AGC		
AGC Profond (i)	8.80	8.80
Australia		
WA-254-P / WA-47-R (iii)	11.25	11.25
EP104/R1	8.90	8.90
L15	12.00	12.00
Guinea-Bissau		
Sinapa / Esperança	15.00	15.00
Jamaica		
Blocks 6, 7, 10, 11 and 12 (iv)	-	50.00
Kenya		
L6	60.00	60.00
L9 (ii)	30.00	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. Regulatory approval of the acquisition was received in March 2011.

(ii) 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.

(iii) A Sale and Purchase Agreement was executed on 5 October 2012 for the disposal of the Company's 11.25% interest in the project. At 1 March 2013, all conditions precedent were satisfied to complete the sale.

(iv) The Jamaican Blocks 6, 7, 10, 11 and 12 were relinquished on 29 September 2012 and the associated Production Sharing Agreements terminated.

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.

	2012 $	2011 $
Current Assets		
Other financial assets	370,680	285,780
Other assets	72,867	-
Non-Current Assets		
Other financial assets	5,400,000	-
Property, plant and equipment	-	56,336
Oil and gas properties	55,181,145	49,777,765
Current Liabilities		
Trade and other payables	969,925	533,922

In addition to the interests set out in the above tables, the Consolidated Entity holds working interests in numerous oil and gas leases in North America which are subject to a Purchase and Sale Agreement executed 20 February 2013 subject to satisfactory fulfilment of conditions precedent. The assets and liabilities related to these oil and gas leases have been recognised as a discontinued operation in note 6.

Contingent liabilities and capital commitments

The capital commitments arising from the Consolidated Entity's interests in joint ventures are disclosed in note 24.

The contingent liabilities in respect of the Consolidated Entity's interest in joint ventures are disclosed in note 25.

28. SUBSIDIARIES

Name of Entity	Country of incorporation	Ownership interest 2012 %	Ownership interest 2011 %
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	100
Neptune Exploration Pty Ltd (ii) (iii)	Australia	100	100
Lightmark Enterprises Pty Ltd (ii) (iii)	Australia	100	100
Petrole Investments Pty Ltd (iii)	Mauritius	100	100
Arawak Oil & Gas Limited (iii)	British Virgin Islands	100	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 29 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 profit or loss and other comprehensive income and statement of financial position of entities which are party to the deed of cross guarantee are:

Statement of profit or loss and other comprehensive income	2012 $	2011 $
Revenues	1,192,212	1,637,181
Other income	2,902,018	12,120
Depreciation and amortisation expense	(51,052)	(40,097)
Exploration expense	(405,405)	(8,795,497)
Finance costs	(38,688)	(609,315)
Admin expense	(823,159)	(526,011)
Employee benefits expense	(3,308,090)	(554,524)
Acquisition costs – Flow Energy Limited	-	(1,319,507)
Consulting expense	(691,523)	(604,827)
Foreign exchange loss	(99,557)	(447,793)
Other expenses	(786,505)	(297,875)
Loss before income tax	(2,109,749)	(11,546,145)
Income tax expense	-	-
Loss for the year	(2,109,749)	(11,546,145)
Other comprehensive income	-	-
Total comprehensive income	(2,109,749)	(11,546,145)

Statement of Financial Position	2012 $	2011 $
CURRENT ASSETS		
Cash and cash equivalents	17,158,776	23,610,510
Receivables	295,361	3,138,170
Other financial assets	70,181	-
Other	55,832	82,785
Total Current Assets	17,580,150	26,831,465
NON CURRENT ASSETS		
Trade and other receivables	15,355,206	2,129,551
Other financial assets	30,919,141	25,589,322
Property, plant and equipment	192,475	125,693
Oil and gas properties	22,239,346	20,139,178
Total Non-Current Assets	68,706,168	47,983,744
TOTAL ASSETS	86,286,318	74,815,209
CURRENT LIABILITIES		
Trade and other payables	1,286,234	692,085
Borrowings	-	2,927,885
Provisions	207,040	405,727
Other current liabilities	26,529	-
Total Current Liabilities	1,519,803	4,025,697
NON-CURRENT LIABILITIES		
Trade and other payables	173,344	-
Provisions	21,053	6,289
Other financial liabilities	-	26,529
Total Non-Current Liabilities	194,397	32,818
TOTAL LIABILITIES	1,714,200	4,058,515
NET ASSETS	84,572,118	70,756,694
EQUITY		
Issued Capital	143,384,588	129,137,015
Reserves	4,524,051	2,846,451
Accumulated losses	(63,336,521)	(61,226,772)
TOTAL EQUITY	84,572,118	70,756,694

Accumulated Losses	2012 $	2011 $
Balance at beginning of financial year	(61,226,772)	(49,680,627)
Net Loss	(2,109,749)	(11,546,145)
Balance at end of financial year	(63,336,521)	(61,226,772)

29. 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.

	2012 $	2011 $
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

	2012 $	2011 $
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 prior 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.

30. 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:

	2012 $	2011 $
Cash and cash equivalents	17,350,678	23,803,920
	17,350,678	23,803,920

(b) Non-cash financing and investing activities

During the financial year, there were no 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.

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

	2012 $	2011 $
Loss for the year	(9,054,434)	(12,154,417)
Depreciation and amortisation of non-current assets	142,337	655,120
Foreign exchange (gain) / loss	386,629	444,583
Equity settled share-based payments	1,677,600	178,000
Exploration expensed	7,454,864	8,848,376
Interest income received	(1,091,256)	(1,572,002)
Gain on sale of oil and gas properties	(3,065,451)	-
Accretion on convertible note	-	153,049
Loss on sale of property plant and equipment	2,421	-
Acquisition costs – Flow Energy Limited	-	1,319,507
(Increase) / decrease in assets:		
Trade and other receivables	170,909	22,613
Other financial assets	(1,486)	-
Other current assets	26,953	(28,803)
Increase / (decrease) in liabilities:		
Trade and other payables	(152,981)	(538,783)
Provisions	(359,492)	(680,940)
Net cash from operating activities	(3,863,387)	(3,353,697)

31. 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

	2012 $	2011 $
Financial assets		
Cash and cash equivalents	17,350,678	23,803,920
Loans and receivables	9,083,200	3,702,632
Financial liabilities		
Amortised cost	1,702,892	3,994,984

(e) Foreign currency risk management

Foreign currency risk sensitivity

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 $279,690.

(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 $50,778.

(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 %	Less than 1 month $'000	Maturity 1-3 months $'000	3 months to 1 year $'000	1-5 years $'000	5+ years $'000	Total $'000
2012							
Financial assets:							
Non-interest bearing	-	1,602,154	24,381	1,705	2,889,060	-	4,517,300
Variable interest rate	3.00	7,100,097	-	-	-	-	7,100,097
Fixed interest rate	4.44	4,045,370	10,800,469	130,700	-	-	14,976,539
		12,747,621	10,824,850	132,405	2,889,060	-	26,593,936
Financial liabilities:							
Non-interest bearing		1,503,020	26,529	-	173,343	-	1,702,892
Fixed interest rate		-	-	-	-	-	-
		1,503,020	26,529	-	173,343	-	1,702,892
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	-	1,040,570	-	-	26,529	-	1,067,099
Fixed interest rate	15.00	2,927,885	-	-	-	-	2,927,885
		3,968,455	-	-	26,529	-	3,994,984

(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

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 $109,126.

(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 (2011: net fair value).

32. SHARE-BASED PAYMENTS

(a) 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. All options vest on grant date.

The following table is a list of the share options that were in existence during the financial year:

Option series	Number	Grant date	Expiry date	Exercise price $	Fair value at grant date $
(1) Granted 10 February 2009	2,000,000	10-Feb-09	30-Jun-12	0.050	0.021
(2) Granted 12 June 2009	7,800,000	12-Jun-09	30-Jun-12	0.070	0.051
(3) Granted 11 March 2010	4,750,000	11-Mar-10	31-Mar-12	0.075	0.027
(4) Granted 11 March 2010	4,750,000	11-Mar-10	31-Mar-13	0.100	0.030
(5) Granted 21 April 2011	4,000,000	21-Apr-11	09-Mar-12	0.200	0.022
(6) Granted 21 April 2011	1,500,000	21-Apr-11	30-Apr-14	0.180	0.060
(7) Granted 31 May 2012	59,000,000	31-May-12	30-Jun-15	0.060	0.021
(8) Granted 23 July 2012	10,000,000	23-Jul-12	23-Jul-15	0.060	0.029
(9) Granted 21 August 2012	6,000,000	22-Aug-12	30-Jun-15	0.060	0.025

(b) Fair value of share options granted in the year

Input into model	Series 7	Series 8	Series 9
Grant date share price	3.8 cents	4.9 cents	4.4 cents
Exercise price	6.0 cents	6.0 cents	6.0 cents
Expected volatility	100%	100%	100%
Option life	1,125 days	1,095 days	1,042 days
Risk free interest rate	3.75%	3.50%	3.50%
Fair value	1,239,000	291,000	147,600

(c) Movement in share options during the year

The following reconciles the share options outstanding at the beginning and end of the financial year:

	2012 Number of options	2012 Weighted average exercise price	2011 Number of options	2011 Weighted average exercise price
Balance at beginning of the financial year	24,800,000	0.070	25,300,000	0.075
Granted during the financial year	75,000,000	0.060	5,500,000	0.195
Forfeited during the year	(6,500,000)	0.060	-	-
Exercised during the year	-	-	-	-
Expired during the financial year	(18,550,000)	0.123	(6,000,000)	0.070
Balance at the end of the financial year	74,750,000	0.065	24,800,000	0.070
Exercisable at end of year	74,750,000	0.065	24,800,000	0.070

(d) Share options exercised during the year

No share options were exercised during the year.

(e) Share options outstanding at the end of the year

The share options outstanding at the end of the year had a weighted average exercise price of 6.5 cents (2011: 7 cents) and a weighted average remaining contractual life of 853 days (2011: 239).

33. 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 (retired 19 April 2012)
- C M Norman - Managing Director
- C L Cavness - Non-Executive Director
- A E Brindal - Non-Executive Director / Company Secretary
- N J Limb - Non-Executive Director, Chairman (appointed Chairman 19 April 2012)
- C J Harper - Chief Financial Officer / Company Secretary (ceased 30 September 2012)
- P J Nicholls - Exploration Manager
- P A Thiessen – Chief Financial Officer (appointed 1 August 2012) / Company Secretary (appointed 20 August 2012)
- B J M Clube – Commercial Manager (appointed 8 October 2012)

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:

	2012 $	2011 $
Short-term employee benefits	2,204,020	1,361,368
Post-employment benefits	76,480	77,341
Share-based payment	1,194,600	45,000
Other long-term benefits	(175,619)	(669,368)
Total	3,299,481	814,341

34. 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 28 to the financial statements.

Equity interests in associates and joint ventures

Details of interests in joint ventures are discussed in note 27.

(b) Key management personnel compensation

Details of key management personnel compensation are disclosed in note 33 to the financial statements.

(c) Key management personnel equity holdings

Fully Paid Ordinary Shares

2012	Balance 1/1/12	Received on Exercise of Options	Net Other Change [i]	Balance 31/12/12
Directors				
M J Evans	6,371,250	-	(6,371,250)[ii]	-
C M Norman	574,417	-	-	574,417
C L Cavness	1,150,000	-	-	1,150,000
A E Brindal	126,200	-	184,861	311,061
N J Limb	32,908,139	-	-	32,908,139
Executives				
C J Harper	-	-	-	-
P J Nicholls	6,185,700	-	(1,642,409)	4,543,291
P A Thiessen	-	-	-	-
B J M Clube	-	-	-	-

(i) Net other change represents purchase or sales of shares in the Company throughout the period.

(ii) Mr M J Evans ceased to be a member of key management personnel upon his resignation effective 19 April 2012.

2011	Balance 1/1/11	Received on Exercise of Options	Net Other Change [iii]	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 J Nicholls	-	-	6,185,700	6,185,700
J A Atling	-	-	-	-
R Adessa	2,601	-	(2 601)	-

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

Share Options

2012	Balance 1/1/12	Options Granted as Compensation	Options Exercised	Net Other Change	Balance 31/12/12
Directors					
M J Evans	6,000,000	-	-	(6,000,000) (i)	-
C M Norman	-	20,000,000	-	-	20,000,000
C L Cavness	-	-	-	-	-
A E Brindal	-	-	-	-	-
N J Limb	-	-	-	-	-
Executives					
C J Harper	1,800,000	6,000,000	-	(7,800,000) (ii)	-
P J Nicholls	-	10,000,000	-	-	10,000,000
P A Thiessen	-	6,000,000	-	-	6,000,000
B J M Clube	-	10,000,000	-	-	10,000,000

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 J Nicholls	-	-	-	-	-
J A Atling	-	-	-	-	-
R Adessa	-	750,000	-	(750,000) (ii)	-

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

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

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 32 to the financial statements.

Convertible Notes

2012	Balance 1/1/12	Net Other Change	Balance 31/12/11
Directors			
M J Evans	-	-	-
C L Cavness	-	-	-
A E Brindal	-	-	-
Executives			
C J Harper	4,500	(4,500)	-
P J Nicholls	-	-	-
P A Thiessen	-	-	-
B J M Clube	-	-	-

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 J 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

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 $98,448 (2011: $8,800) in relation to the provision of these services.

(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.

35. SUBSEQUENT EVENTS

On 20 February 2013, the Consolidated Entity entered into a Purchase and Sale Agreement for the disposal of numerous oil and gas leases in North America subject to satisfactory fulfilment of conditions precedent. The assets and liabilities related to these oil and gas leases have been recognised as a discontinued operation in note 6.

On 19 March 2013, the Company announced a farm in agreement for its three blocks offshore Senegal in West Africa to Cairn Energy Plc ('Cairn'), a major UK listed oil and gas company. Pursuant to the farm in agreement, which is subject to Senegalese Government approval, Cairn will operate and carry FAR through an exploration well expected to be drilled in early 2014. Cairn will acquire a 65% working interest and operatorship by fully funding 100% of the costs of an exploration well and testing to an investment cap of US$80 million and will pay the Company US$9.8 million for past costs incurred on the three blocks. FAR will retain a 25% working interest.

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.

36. REMUNERATION OF AUDITORS

	2012 $	2011 $
Auditor of the Parent Entity:		
Audit or review of the financial report	53,294	52,500

The auditor of the Consolidated Entity is Deloitte Touche Tohmatsu.

37. PARENT ENTITY DISCLOSURES

(a) Financial position

	2012 $	2011 $
Assets		
Current assets	17,580,149	26,831,465
Non-current assets	68,706,171	47,983,747
Total Assets	86,286,320	74,815,212
Liabilities		
Current liabilities	1,529,274	4,738,197
Non-current liabilities	220,925	32,818
Total Liabilities	1,750,199	4,771,015
Equity		
Issued Capital	143,384,588	129,137,015
Reserves	4,524,051	2,846,451
Accumulated losses	(63,372,518)	(61,939,269)
Total Equity	84,536,121	70,044,197

(b) Financial performance

	2012 $	2011 $
Loss for the year	(2,145,749)	(12,258,645)
Other comprehensive income	-	-
Total comprehensive income	(2,145,749)	(12,258,645)

(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 28, at reporting date there are no guarantees entered into by the Parent Entity in relation to the debts of its subsidiaries (2011: nil).

(d) Contingent liabilities of the parent entity

	2012 $	2011 $
Contingent liabilities		
Guinea-Bissau – contingent payment from future production	12,519,260	12,800,315
Guinea-Bissau – contingent withholding tax liability	508,000	407,675
	13,027,260	13,207,990

Refer to note 25 for further details.

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

	2012 $	2011 $
Oil and Gas Properties		
Not longer than 1 year	440,000	3,703,626
Longer than 1 year and not longer than 5 years	440,000	5,225,536
Longer than 5 years	-	-
	880,000	8,929,162

Refer to note 24 for further details.

Pursuant to the Listing requirements of the Australian Securities Exchange

Number of holders of equity securities

Ordinary Shares

At 22 March 2013, the issued capital comprised of 2,499,846,742 ordinary shares held by 9,106 holders.

Unlisted Options

At 22 March 2013, there were 74,750,000 unlisted options, of various exercise prices and expiry dates, held by 12 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 22 March 2013 – Ordinary Shares

			Number of Holders
1	-	1,000	445
1,001	-	5,000	458
5,001	-	10,000	549
10,001	-	100,000	4,913
100,001 and over			2,741
Total			9,106
Holding less than a marketable parcel			1,596

Substantial Shareholders

	Number of shares	Percentage
HSBC Custody Nominees (Australia) Limited	234,812,189	9.393
JP Morgan Nominees Australia Limited	217,252,005	8.691
	452,064,194	18.084

Top Twenty Shareholders as at 22 March 2013

	Number of shares	Percentage
HSBC Custody Nominees (Australia) Limited	234,812,189	9.393
JP Morgan Nominees Australia Limited	217,252,005	8.691
Citicorp Nominees Pty Limited	105,649,533	4.226
National Nominees Limited	92,013,573	3.681
Mr Oliver Lennox-King	75,647,869	3.026
Toad Facilities Pty Ltd	46,937,291	1.878
Fountain Oaks Pty Ltd	32,200,366	1.288
Floteck Consultants Limited	26,000,000	1.040
Flow Energy Limited (Takeover Trust Account)	15,903,613	0.636
ABN Amro Clearing Sydney Nominees Pty Ltd	15,818,823	0.633
Berne No 132 Nominees Pty Ltd	15,394,168	0.616
Allor Australia Investments Pty Ltd	14,122,854	0.565
Mr Philip Alan Kenneth Naylor	13,651,200	0.546
Mr John Daniel Powell	11,829,480	0.473
Mr Robert Lord	10,000,000	0.400
John William Greenhalgh	9,939,780	0.398
Liath Pty Ltd	8,000,000	0.320
Grajan Enterprises Pty Ltd	7,811,500	0.312
Mr Dominik Ashe	7,000,000	0.280
Mr Bradley John Chapman	6,989,289	0.280
	966,973,533	38.682

DIRECTORS

Nicholas Limb (Chairman)
Catherine Norman (Managing Director)
Albert Brindal (Non-Executive Director)
Charles Cavness (Non-Executive Director)

COMPANY SECRETARIES

Peter Thiessen
Albert Brindal

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STOCK EXCHANGE LISTINGS

Australian Securities Exchange
ASX Code: FAR
BSE Frankfurt

ADR DEPOSITARY

BNY Mellon
101 Barclay Street
New York New York 10286
United States of America

BANKERS

Westpac Bank
109 St Georges Terrace
Perth Western Australia 6000

Bank of the West
600 17th Street, Suite 1500
Denver Colorado 80202

CfC Stanbic Bank Limited
Level 5, CfC Stanbic Building,
Kenyatta Avenue
Nairobi Kenya

SOLICITORS

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Melbourne Victoria 3000

AUDITORS

Deloitte Touche Tohmatsu
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Melbourne Victoria 3000

CORPORATE ADVISORS

Hartleys Limited
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Perth Western Australia 6000



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