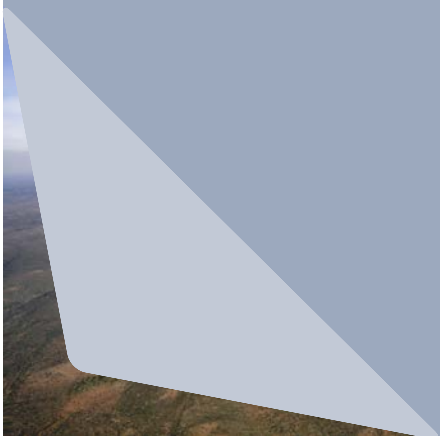
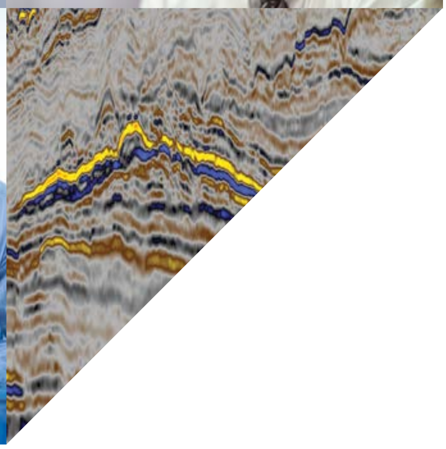
Annual Report 2013

FAR delivers a year of success





FAR Limited

Contents

FAR gains momentum in 2013/14...

2013

19 Mar
Area of Mutual Interest Agreement executed with Cairn Energy for future projects **offshore Senegal**

9 Mar
$80M
plus $10M cash
Farmout to Cairn Energy for free carry on well offshore Senegal

27 Feb
Prospective resources report released Senegal & Kenya
7 billion barrels potential

27 Mar
Increased Government grants means FAR secures additional acreage **offshore Kenya in L6 permit** and a Two year extension to drilling timetable.

31 Mar
Cash & term deposits $20.6M
Sale of US assets for $530K

16 Apr
Cajun Express rig secured for **West African drilling**
Cairn Energy contracts in early 2014

30 May
Senegal government ratifies Cairn Energy farmin

27 May
AGM

30 Jun
Cash & term deposits $18.6M

1 Aug
ConocoPhillips joins FAR to drill for oil offshore Senegal
2nd well offshore Senegal
carry testing $116M
900 mmbbls
FAR hands over operatorship of Senegal licence to Cairn Energy

30 Sep
$3M received as final payment following sale of Baibu Gulf asset, offshore China
Cash & term deposits $25.7M

6 Sep
Finalisation of JV terms on high potential Block L9 offshore Kenya permit

8 Aug
1st tranche of cash
Senegal farm-in deal
$5M received from Cairn Energy

29 Oct
Rig commences drilling program including **two wells offshore Senegal**

Cairn Energy takes delivery of **Cajun Express** for 4 well program, wells 3 and 4

1 Dec
Senegal government ratifies ConocoPhillips farmin

31 Dec
Cash & term deposits $24.2M

2014

5 Feb
Significant hydrocarbon resource potential in Guinea-Bissau
900 mmbbls Prospective Resource

4 Feb
Farm-in agreement for seismic and well program in Kenya Block L6 to Milio International of Dubai
$30M
Commence in April 2014: FAR free carried

11 Feb
2nd tranche of cash
Senegal farm-in deal
$5M received from Cairn Energy

17 Feb
Kenya Government ratifies Milio International farmin for Block L6

11 Mar
Major hydrocarbon resource assessed on FAR's offshore WA permit
Combined total Prospective Resource
447 mmbbls

Chairman's Review

Fellow Shareholders,

The board and management of FAR are proud of the progress we have made in creating shareholder value in the past year and we look forward to a very exciting period ahead. As a result of this work, in the next eighteen months we expect to participate in five exploration wells in our African projects, each of which could have a profound effect on our company.

The East and West African margins are now among the world's most sought after exploration acreage.

We pride ourselves on a strong technical approach with an outstanding team of professionals driving our decision making. This approach has allowed us to develop and present our prospects to potential partners in a way that has begun to achieve significant results.

FAR's position as a leading African oil and gas explorer continued to unfold in 2013, with efforts strongly focused on advancing towards frontier drilling in Senegal and Kenya.

In the year in review, the FAR team took our portfolio of well developed exploration projects, having identified large upside potential, to concluding three major farm-out deals for wells in Senegal and Kenya which further confirmed our view of the world class potential of these assets.

The farm-outs of the Senegal project to Cairn Energy and subsequently ConocoPhillips see the company fully funded through the drilling of two wells offshore testing three plays. If successful there are many additional nearby drilling targets offering multi-billion barrel potential. We have achieved a 'free carry' of approximately $200m whilst retaining a 15% interest in the projects giving us a very high economic interest on success.

As I write, FAR awaits notification from Cairn Energy that the Transocean owned Cajun Express rig is moving to site for the FAN-1 well which is the first offshore exploration well to be drilled in Senegal for many years.

Commissioner for Petroleum, Mr Martin Heya, Kenya Ministry of Energy & Petroleum

FAR enjoys a high level of support and cooperation from its partners and governing bodies in the areas in which it explores...

The second well, which will be drilled on completion of FAN-1 is the SNE-1 well and the two wells are estimated to take 110 days to drill and will comprise the first of our planned 5 well program.

In addition FAR is well leveraged to the success in this region beyond Senegal through our Guinea-Bissau and AGC Profond projects. In Guinea-Bissau, FAR is preparing a drilling program with partners Svenska Petroleum appraising the previously discovered Sinapa oil field. We expect this drilling will be taking place in the first half of 2015.

In East Africa FAR recently received approval from the Ministry of Energy and Petroleum in Kenya for a farm-out deal over the L6 exploration permit with Dubai based Milio E&P Limited and Milio International.

Under the terms of the farm-in FAR will be fully funded through the drilling and testing of a high impact onshore exploration well in Block L6 expected to spud in H1 2015.

FAR will also be fully funded through the acquisition, processing and interpretation of a regional onshore 1,000 kilometre 2D seismic survey. This is expected to confirm a number of prospects in onshore L6 as drill targets. This seismic program is expected to commence in April 2014. FAR retains a 24% interest in the onshore part of Block L6 and importantly retains its 60% interest in the highly prospective offshore part of Block L6 which FAR has estimated to contain substantial prospective resources.

FAR now has an outstanding asset portfolio for a company of its size, with two of our offshore African oil exploration permits alone assessed as containing approximately seven billion barrels of hydrocarbon resources on an un-risked, best-estimate basis. These of course need to be drill tested and we are now well on the way.

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 2015; L9 in partnership with operator Ophir Energy PLC and L6 with Milio and Pancontinental Oil & Gas NL.

Including a well in Guinea-Bissau, FAR plans to participate in five wells in three countries in the forthcoming two years, offering shareholders many opportunities for success through discovery.

A number of significant corporate accomplishments were achieved by FAR during the year that bolstered the company's cash position. These included receiving a $2.9 million payment in respect to the sale of our interest in the Beibu Gulf Block 22/12 Joint Venture; receiving $5.3 million as a contribution to back costs under the Cairn Energy farmin agreement for Senegal and receipt of approximately half a million dollars for the sale of our non-core North American assets. This resulted in our cash position at the end of 2013 being $24.2 million (note that a further $5.6 million was received from Cairn in early February to conclude the cash payment under the farmin agreement), we finished the previous year with cash and cash equivalents totaling $17.4 million.

During the year, FAR recorded a loss of $7.9 million. The loss was primarily due to exploration expenditure of $5.2 million which was spread across our portfolio.

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 and I look forward to the company's continued success unfolding into 2014 as we endeavor to reward the support of FAR's shareholders.

Nic Limb
Chairman

HIGHLIGHTS

SENEGAL

- FAR completed an assessment of prospective resources for its Senegal blocks. Prospective Resources were estimated at approximately 3.5 billion barrels of oil (unrisked best estimate, 100% basis), 525[*] million barrels net to FAR *(reference ASX release 27/2/2013)*.
- FAR executed a farm-in agreement with Cairn Energy PLC ('Cairn') for its permits offshore Senegal *(reference ASX release 19/3/2013)*. Under the term of the agreement, Cairn will fully fund FAR through the drilling and testing of a 'shelf play' exploration well up to an investment cap of US$80 million. FAR will also receive payments for back costs totaling approximately US$10 million. Cairn became Operator of the blocks in August following Government approval of the farm-in agreement
- FAR executed a farm-in agreement with ConocoPhillips in relation FAR's offshore permits in Senegal (*reference ASX release 1/8/2014)*. ConocoPhillips is to provide funding equivalent to a full carry through a second exploration well. The farm-in well will target the deeper water 'fan' play. ConocoPhillips will provide the funding to FAR via a combination of cash payments and well cost carry payments.
- Following both farm-in agreements FAR retains a 15% carried interest in the Senegalese permits.

KENYA

- Interpretation of processed data was completed for a 778 km^2 3D seismic survey covering a number of significant offshore prospects identified in Block L6, Kenya.
- FAR completed an assessment of prospective resources for Kenya Block L6 permits with Prospective Resources estimated at approximately 3.7 billion barrels of oil (unrisked best estimate, 100% basis), 2.2[*] billion barrels net to FAR. *(reference ASX release 27/2/2013)*.
- In March 2013, the Kenyan Government awarded a two year extension to Kenya Block L6 current permit period. The Kenyan Government also confirmed an increase to the acreage area of Block L6 which importantly included further leads and prospects in the highly prospective Miocene reef play.
- FAR finalised negotiations in relation to joint venture agreements for its 30% interest in the highly prospective Block L9.
- In February 2014, FAR signed a farm-out to Milio E&P and Milio International of Dubai in relation to the onshore part of Block L6, Kenya. Under the terms of the farm-out deal, FAR will be fully carried through the drilling of an onshore exploration well in 2015 and the acquisition, processing and interpretation of a regional 1,000 line kilometre 2D seismic survey. FAR will hold 24% in the onshore area and retains its full 60% interest in the offshore part of Block L6. FAR will remain Operator on record of the entire Block L6 under the Production Sharing Contract with the Government of Kenya.

GUINEA-BISSAU

- Joint venture budget approval was granted for the drilling of one firm exploration well in FAR's offshore blocks in Guinea-Bissau. Well planning and well preparations were initiated by the Operator Svenska Petroleum Exploration AB ('Svenska'), with the well expected to be drilled in first quarter 2015.
- In February 2014, FAR completed an assessment of the Contingent and Prospective Resources for its Guinea-Bissau permits. Prospective Resources were assessed to be 950 million barrels of oil (unrisked best estimate, 100% basis)[*], 140 million barrels net to FAR[*]. *(reference ASX release 5/2/2014)*.

WESTERN AUSTRALIA

- In March, FAR completed an assessment of the prospective resources for its Western Australian blocks WA-457-P and WA-458-P. FAR estimated the Prospective Resources were assessed to be approximately 450 million* barrels oil equivalent (unrisked best estimates, 100% and net to FAR basis). *reference ASX release 11/3/2014)*.
- FAR progressed with planning activities in relation to a 3D seismic acquisition program over its Western Australian blocks WA-457-P and WA-458-P that it intends to undertake during 2014.

CORPORATE AND OTHER

- Final payment of AU$2.9 million was received in relation to the sale of the Beibu Gulf asset, offshore China.
- At the end of the financial year FAR had a robust cash position with combined cash and long term deposits of AU$24.2 million. A further US$5 million was received in February 2014 from Cairn in relation to the Senegal farm-in agreement.

FAR's portfolio is positioned for success...

EXPLORATION ASSETS

During 2013 FAR continued to develop and mature its portfolio of exploration projects. Industry interest continues to grow in the East and West Africa exploration arenas with recent significant discoveries and an increase in drilling activity occurring during the period.

Project	Asset	FAR Paying Interest	Beneficial Interest	Operator
Senegal	Rufisque, Sangomar & Sangomar Deep	27.78%[1]	25.0%[1]	Cairn Energy
Guinea-Bissau	Block 2, 4A, 5A	21.43%	15.0%	Svenska
AGC	AGC Profond	10%	8.8%	Ophir Energy
Kenya	Block L6 (offshore)	60%	60%	FAR
	Block L6 (onshore)	24%	24%	FAR
	Block L9	30%[2]	30%[2]	Ophir Energy
Australia	WA-458-P	100%	100%	FAR
	WA-457-P	100%	100%	FAR
	EP-104	8.89%[3]	8.89%[3]	Pending[4]
	R1	8%	8%	Pending[4]
	L15	12%	12%	Pending[4]

1 This is adjusted for the Cairn Energy Plc Farm-in Agreement effective from 1 August 2013. The ConocoPhillips Farm-in Agreement was effective after the balance sheet date (from 1 January 2014 the paying interest reduced to 16.67% (from 27.78%) and the beneficial interest to 15% (from 25%).

2 The Group completed negotiations on joint venture agreements with Ophir Energy PLC ('Ophir') on the Kenya exploration permit Block L9 in September 2013. The Group is currently awaiting unconditional Government approval of the Block L9 joint venture agreements to obtain its interest.

3 Subject to a Deed of Assignment from Buru Energy Pty Ltd executed on 30 May 2013 and pending the outcome of a Renewal Application pursuant to section 42(8) of the Petroleum Act the Company's interest will increase to 15.67%.

4 During the year Buru Energy Ltd resigned as Operator and the appointment of a new Operator is pending.

WEST AFRICA

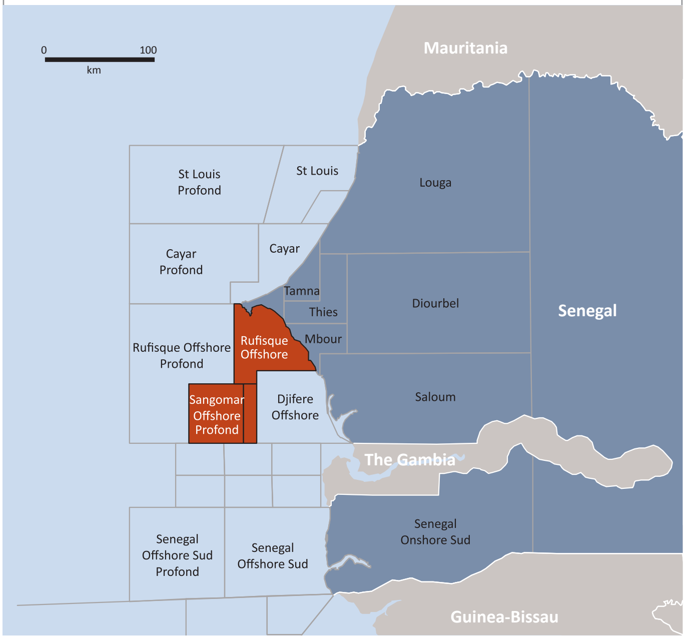
Hunting for deep water elephants offshore Senegal

In West Africa along the Central Atlantic Margin, FAR has a portfolio of exploration permits in Senegal, Guinea-Bissau and AGC Profond.

Fishing boats beached in Dakar

SENEGAL

RUFISQUE, SANGOMAR & SANGOMAR DEEP OFFSHORE
16.67% paying interest, 15% beneficial interest
Operator: Cairn Energy PLC



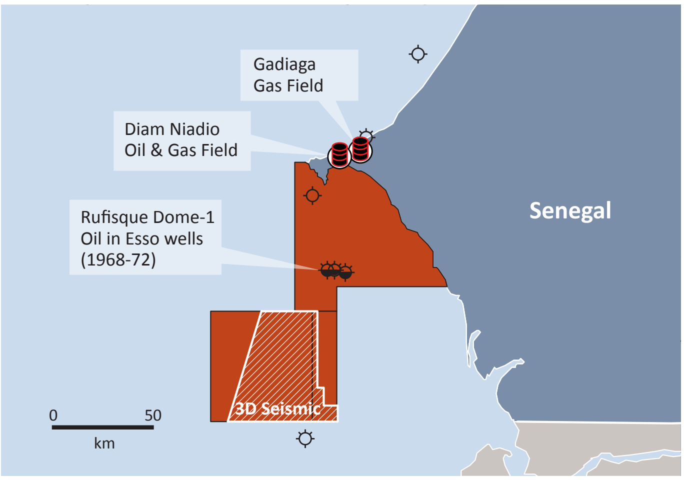


FIGURE 1&2: FAR's offshore acreage, Senegal

At the beginning of the reporting period, FAR was Operator of the three Senegal blocks and held a 90% beneficial interest, with Petrosen, the Senegal National Oil Company, holding a carried 10% interest.

During 2013 FAR announced two major farm-in agreements in relation to its offshore Senegal exploration permits with ConocoPhillips and Cairn. Both farm-in agreements have received Senegalese Ministerial approval.

As a result of these farm-in deals, FAR has secured, based on latest well cost estimates, full funding for its share of two exploration wells totalling approximately US$190 million (100% basis, FAR estimate) and net cash payments received of approximately US$10 million. FAR retains a 15% interest in the permits.

ConocoPhillips and Cairn will hold interests of 35% and 40% respectively. Petrosen, has a 10% carried interest through this exploration phase.

FAR transferred operatorship of the Senegal blocks to Cairn in August 2013 and well preparations have progressed satisfactorily. The Transocean owned drilling rig, the Cajun Express, has commenced a four well African drilling campaign, which includes FAR's two high impact Senegal exploration wells. All four wells will be operated by Cairn and at the date of this report, Cairn was concluding operations on the second well in the campaign with FAR's two Senegal wells to follow.

In Senegal, the two exploration wells will be drilled back to back, starting in April 2014 and will target approximately 1.5 billion barrels (225 million net to FAR) of unrisked best estimate Prospective Resources.*

The FAN-1 well will test approximately 900 million barrelss (135 million net to FAR) in a deep water turbidite reservoirs, whereas and the SNE-1 well on will test 600 million barrels (90 million net to FAR) in clastic and carbonate shelfal reservoirs. The location of FAR's acreage holding is shown in Figure 1&2 and location of the two wells is shown in Figure 3.

Both Senegal prospects have significant follow-up drilling potential in the event of a discovery. FAR's three contiguous Senegalese blocks – Rufisque, Sangomar and Sangomar Deep – cover 7,490km^2 of which 2,050km^2 is covered by modern 3D seismic data. FAR has mapped eleven potentially drillable prospects and numerous other leads, many supported by associated seismic amplitude responses. A number of plays have been identified, including turbidite and slope fans, shelf sands, shelfal carbonates in a variety of trapping mechanisms. FAR has assessed its Senegal blocks to have Prospective Resources of 3.585 billion barrels of oil (538 million net to FAR)*. A table showing FAR's estimate of Prospective Resources* in Senegal is shown in Table 1 *(reference ASX release 27/2/2013)*.

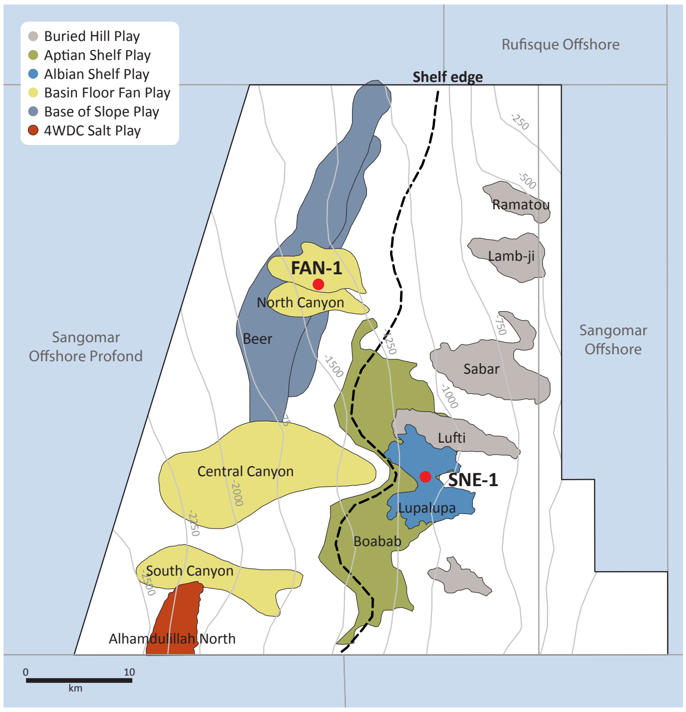


FIGURE 3: Sangomar prospects and leads, offshore Senegal

Senegal Prospects	Play	Prospective Resources* Best Estimate (mmbbls)
Lufti	*Buried Hill Play*	203
Sabar	*Buried Hill Play*	304
Lamb-Ji	*Buried Hill Play*	136
Ramatou	*Buried Hill Play*	58
Lupalupa	*Albian Shelf Play*	154
Boabab	*Aptian Shelf Play*	491
Alhamdulillah North	*Salt Anticline Play*	252
South Canyon	*Slope Fan Play*	439
Central Canyon	*Slope Fan Play*	612
North Canyon	*Slope Fan Play*	304
Beer	*Early Fan Play*	632
Total All Prospects		3,585
Total Net to FAR		538

TABLE 1: Prospective Resource* inventory for FAR's Senegalese permits

GUINEA-BISSAU

BLOCKS 2, 4A & 5A
15% interest
Operator: Svenska Petroleum

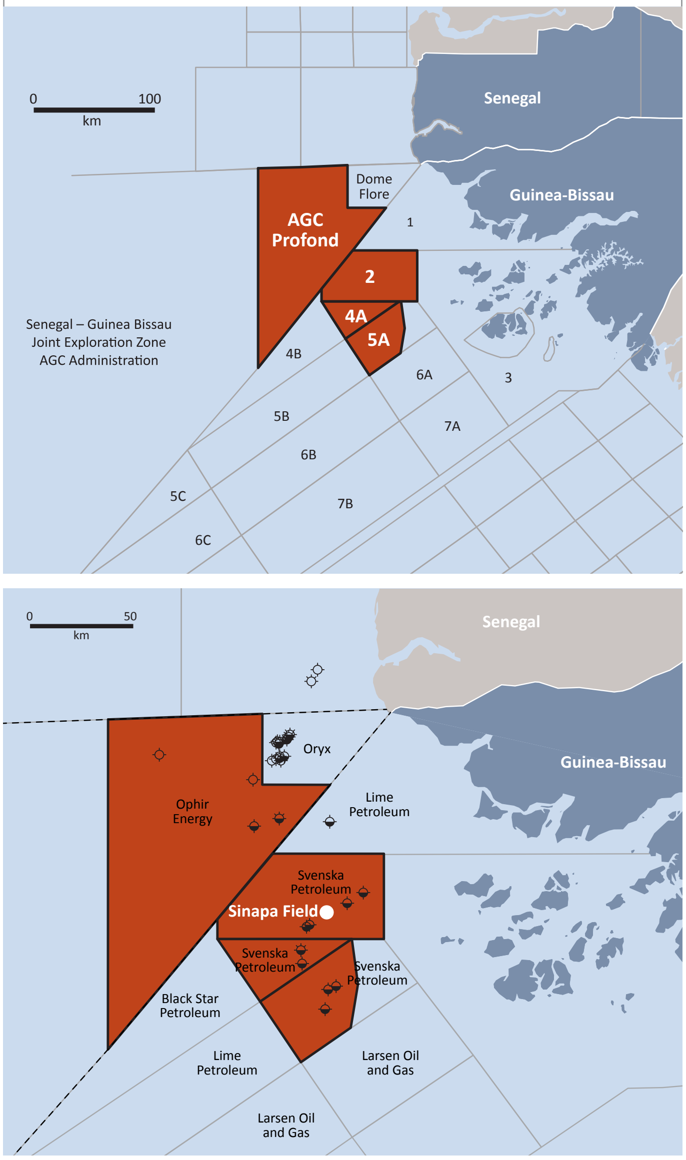


FIGURE 4&5: FAR licences offshore Guinea-Bissau and AGC Profond

During the year, FAR performed detailed geotechnical studies in order to assess the hydrocarbon resource potential in its Guinea-Bissau blocks and started well preparations for an offshore exploration well.

The Sinapa (Block 2) and Esperança (Blocks 4A and 5A) offshore licences cover an area of approximately 5,832km^2 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 substantial Dome Flore discovery. A map showing the location of FAR's acreage holdings offshore Guinea-Bissau is shown in Figure 6.

The Sinapa discovery in Block 2 was made by Premier in 2004 with the drilling of Sinapa-2 well. The well intersected a salt related structure with a gross oil column of 124 metres (measured depth), and oil was also encountered up-dip by a sidetrack well. A Competent Persons Report prepared by Synergy in 2011 made a probabilistic assessment of the recoverable hydrocarbon volume intersected by these wells and assessed Contingent Resources of 13.4 million barrels of oil (unrisked 2C, 100% basis) with 2.0 million net to FAR. Additional potential was also recognised by Synergy in deeper sands which were water bearing in the wells, but were assessed to have the potential to contain trapped oil in up dip locations against the salt dome.

The West Sinapa prospect is also in Block 2 and is a salt related feature adjacent to the Sinapa discovery. In 2010 a 1,640 km^2 3D seismic survey was acquired over a large portion of the acreage including the West Sinapa prospect. Svenska received the processed data in December 2012 and conducted a complete re-interpretation of the block which was provided to FAR in August 2013. FAR has since reviewed the interpretation and conducted our own assessment based on the new 3D data.

The modern 3D seismic and geological data indicates that the reservoir at West Sinapa and other prospects may be greatly improved over that intersected by the Sinapa-2 wells.

This prospect is expected to be drilled by the joint venture in Q1 2015 is estimated to contain Prospective Resources* of 64.7 million barrels of oil (unrisked, Best Estimate, 100% basis) with 9.7 million net to FAR. The prospect is assessed to have significant upside of 251.7 million barrels of oil (unrisked, High Estimate, 100% basis) with 37.8 million barrels net to FAR.

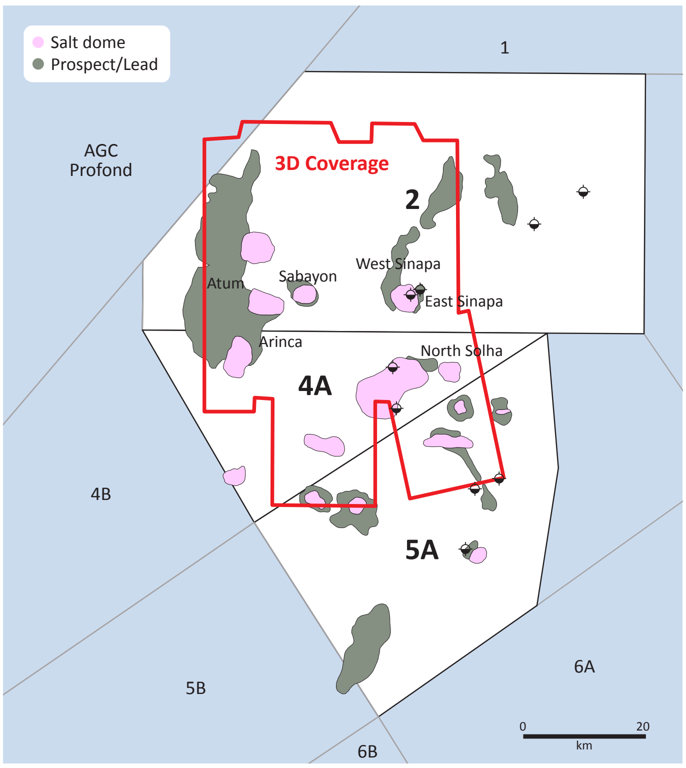


FIGURE 6: Block 2 and Blocks 4A/5A prospects, offshore Guinea-Bissau

Guinea-Bissau Prospect	Contingent & Prospective Resources* Low Estimate (mmbbls)	Best Estimate (mmbbls)	High Estimate (mmbbls)
Sinapa Discovery *2C Contingent Resources*	4.4	13.4	38.9
Total *2C Contingent Resources*	4.4	13.4	38.9
Total Net to FAR *2C Contingent Resources*	0.7	2.0	5.8
East Sinapa *Prospective Resources*	1.8	7.5	34.2
West Sinapa *Prospective Resources*	17.7	64.7	251.7
Atum *Prospective Resources*	144.0	471.7	1,569.6
North Solha *Prospective Resources*	6.0	28.4	131.6
Arinca *Prospective Resources*	10.0	59.2	393.0
Sabayon *Prospective Resources*	3.4	18.1	88.2
Other leads *Prospective Resources*	85.4	303.7	1,032.0
Total All Prospects	269.0	954.0	3,500.0
Total Net to FAR	40.0	143.0	525.0

TABLE 2: FAR's Contingent and Prospective Resources* offshore Guinea-Bissau

The Sinapa discovery and the West Sinapa prospect are sufficiently close such that, should drilling on West Sinapa result in discovery of oil, both features could conceivably be developed using a single production facility. The combined Contingent and Prospective Resource potential of the two features is estimated by FAR to be 85.6 million barrels of oil (unrisked, 2C and Best Estimate, 100% basis)* with an upside potential of 324.8 million barrels (unrisked, 3C and High Estimate, 100% basis)*.

A further 14 prospects and leads have been identified in the permits. The combined Prospective Resources for the 3 blocks is 954 million barrels of oil (unrisked, best estimates, 100% basis) with 143 million barrels net to FAR.*

In the event of success on the West Sinapa well, an immediate follow-up well into the North Solha prospect is likely to be considered. A table showing FAR's estimate of Contingent and Prospective Resources* in the Guinea-Bissau permits is shown in Table 2 (*reference ASX release 5/2/2014*).

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 in relation to this extension.

FAR and Svenska continue to 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')

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% paying interest in the AGC Profond block and an 8.8% beneficial interest. A map showing the location of FAR's two blocks offshore AGC Profond is given in Figure 4.

Approximately 1,000km^2 of 3D seismic on a non-exclusive basis was acquired across the AGC Profound permit at no cost to the Joint Venture.

▲ Dakar Port

This survey was completed in March 2013. Subsequent to this survey, the Joint Venture has focussed on processing seismic data and technical evaluation of the block's prospectivity. The current permit period ends in September 2014 and the joint venture has discussed with the regulator possible variations to the existing Production Sharing Contract terms to include an extension of this term.

EAST AFRICA

Large equity opositions in a fast emerging oil and gas margin

FAR has an interest in two Kenya permits: Block L6 and Block L9. These blocks are located in the heart of the Lamu Basin offshore and onshore Kenya, north of recent world-scale, natural gas discoveries totalling over 100 trillion cubic feet, off the coasts of Mozambique and Tanzania. Drilling results in the Lamu Basin by Apache, Anadarko and BG to date have been encouraging. A map showing the location of FAR's two blocks offshore Kenya is given in Figure 7.

KENYA: Lamu Blocks

Block L6	Block L9
Onshore – 24% Interest	30% Interest
Offshore – 60% Interest	Operator: Ophir Energy
Operator: FAR Ltd	

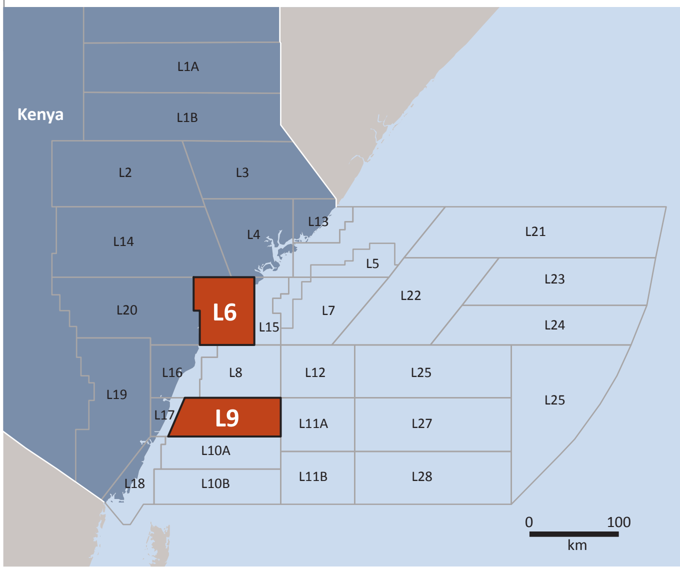


FIGURE 7: FAR's two blocks offshore Kenya

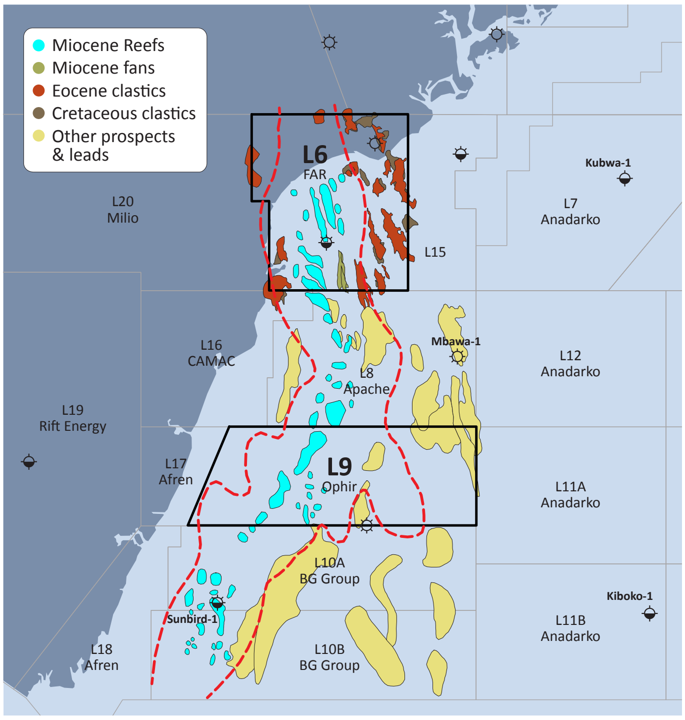


FIGURE 8: Leads and prospects mapped offshore Kenya

BLOCK L6

With a current licence area of 4,986km^2, the L6 permit has both onshore and offshore potential with water depths varying from shallow transition zones to approximately 400 metres.

FAR has identified a number of oil and gas play types and prospects and assessed that the combined unrisked Prospective Resources* for Block L6 are 3.75 billion barrels of oil or 10.23 trillion cubic feet of gas (respectively 2.25 billion barrels or 6.14 trillion cubic feet of gas net to FAR)*.

In February 2014, FAR received approval from the Kenyan Ministry of Energy and Petroleum for a farm-in over the onshore portion of L6. The farm-in agreement was executed with Milio E&P Limited and Milio International ('Milio') a Dubai based oil trading company who operate the neighbouring Block L20 onshore Kenya.

FAR is fully funded through a seismic program and the drilling and testing of a high impact onshore exploration well in Block L6 expected to spud in the first half of 2015.

The drilling of this well fulfils the work program and expenditure obligations for the current permit period of the L6 Production Sharing Contract ('PSC').

As a part of the farm-in arrangement, FAR will also be fully funded through the acquisition, processing and interpretation of a regional onshore 1,000 kilometre 2D seismic survey. This seismic program is expected to commence in April 2014. This is expected to confirm a number of prospects in the onshore part of L6 as potential drill locations for an exploration well in early 2015.

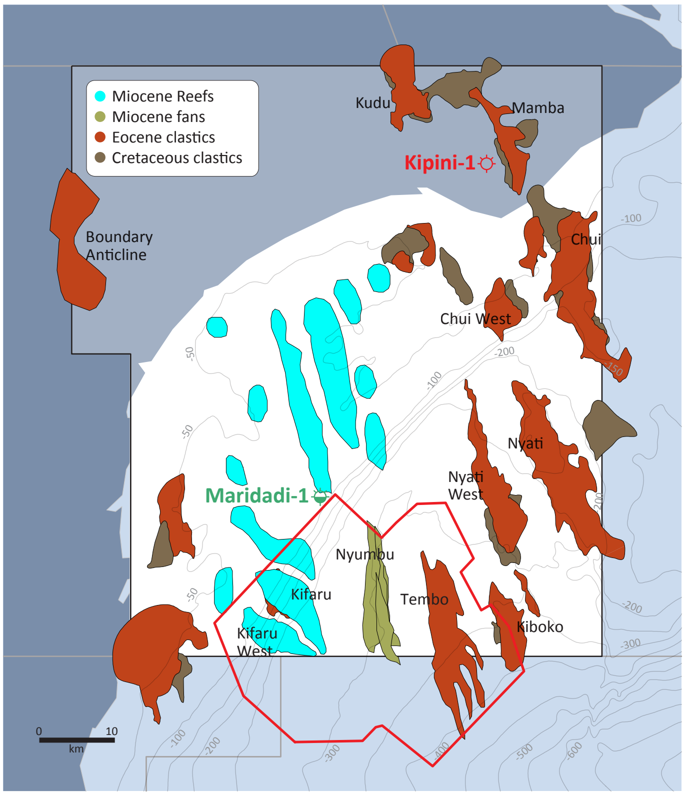


FIGURE 9: Leads and prospects mapped, Block L6, Kenya

Ministry of Energy & Petroleum, Kenya

Following the farm-in deal, FAR remains Operator on record of the entire PSC for Block L6. Pursuant to the terms of the farm-in agreement Milio only earns rights and an associated 60% beneficial interest in relation to the onshore part of Block L6, FAR retains a 24% beneficial interest in the joint venture for the onshore part of Block L6. FAR also preserves its 60% interest in the joint venture for the highly prospective offshore part of Block L6 which FAR has estimated to contain substantial prospective resources.

Block L6 is located immediately north of major east coast Kenyan population centres and infrastructure. In the event the Milio funded exploration well in 2015 is a discovery, FAR plans to fast track an onshore development in order that production could contribute to Kenya's near term growing energy requirements and supply major power generation projects planned by the Kenyan Government.

In 2007, FAR has acquired and processed an extensive airborne gravity gradiometry and magnetic survey across both the onshore and offshore areas. In the offshore portion of L6 FAR has also acquired an extensive offshore 2D seismic program. In 2012 the joint venture completed 778km^2 of 3D seismic in Block L6 where FAR was the first company to acquire 3D seismic over the highly prospective offshore Micoene reef play recently drilled by the BG Group with the Sunbird-1 well in Block L10A.

Combined with existing 2D data mapping, the FAR 3D seismic data 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.

Kenya L6 Prospects	Play	Prospective Resources* Best Estimate (mmbbls)
OFFSHORE		
Kifaru	*Miocene Reef Play*	178
Kifaru West	*Miocene Reef Play*	130
Tembo	*Eocene Clastics Play*	327
Kiboko	*Eocene Clastics Play*	110
Nyati	*Eocene Clastics Play*	149
Nyati West	*Eocene Clastics Play*	304
Chui	*Eocene Clastics Play*	188
Chui West	*Eocene Clastics Play*	77
Other Eocene Clastics Play		769
Other Miocene Reef Play		1,249
Late Cretaceous Clastics Play		95
Total Offshore Prospects		3,577
Total Net to FAR – Offshore Prospects		2,146
ONSHORE		
Mamba	*Eocene Clastics Play*	31
Kudu	*Eocene Clastics Play*	115
Other Late Cretaceous Clastics Play		31
Total Onshore Prospects		177
Total Net to FAR – Onshore Prospects		43
Total All Prospects		3,754
Total All Prospects – Net to FAR		2,189

TABLE 3: Estimate of Prospective Resources* for Block L6, Kenya

A table showing FAR's estimate of Prospective Resources* in the Kenya Block L6 is shown in Table 3 *(reference ASX release 27/2/2013)*.

BLOCK L9

In September 2013, FAR completed negotiations on joint venture agreements with Ophir Energy PLC ('Ophir') on the highly prospective offshore Kenya exploration permit Block L9.

Following unconditional Government approval of the Block L9 joint venture agreements and assignment of interest, FAR will pay for its 30% participating interest of past costs (approximately US$11 million) principally relating to the two large 3D seismic surveys acquired on the permit. FAR will seek to recoup a significant portion of the past costs through farming down its participating interest in the future.

In Block L9, a series of 2D and 3D seismic surveys have resulted in the identification of numerous oil and gas prospects and leads. FAR has assessed several leads, each with the potential to contain Prospective Resource volumes in excess of 300 million barrels of oil (unrisked best estimate, 100% basis)*.

FAR has already received a number of unsolicited expressions of interest in Block L9 and will immediately embark on a process to farm-out a portion of its 30% participating interest once unconditional approval from the Kenyan Government is received.

The highly prized Block L9 covers an area of 5,100km^2 in water depths ranging from 300 metres to 1,400 metres. Block L9 lies between the encouraging shows in Maridadi 1 and other wells to the north, the Mbawa discovery and the oil seeps on Pemba Island to the south. A range of play types have been identified and mapped with high potential, given exploration success.

The initial two year exploration period of the PSC has a work program commitment of a 500km^2 3D seismic acquisition which has been fulfilled by a 1,536km^2 3D seismic program completed by Ophir in 2013.

AUSTRALIA

Surrounded by proven petroleum systems

Hydrocarbon exploration in the Dampier Sub-basin dates back to the late 1960s when Legendre-1 encountered oil. Since then, over 200 exploration and development wells have been drilled with an exploration technical success rate of 41%. Commercial success rates are >20%. Historically, the exploration focus has been on structural traps, with wells concentrated along the basin margins and along prominent inversion trends. More recently, exploration has begun to test the stratigraphic trapping potential closer to the main depositional-centres where turbidite sands are more concentrated.

WESTERN AUSTRALIA

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

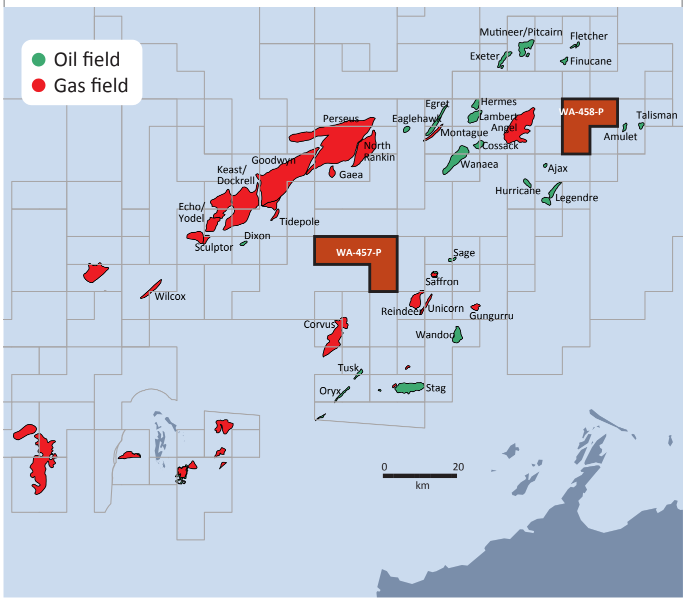


FIGURE 10: Location of Blocks WA-457-P and WA-458-P, offshore Western Australia

During the latter half of the year, a geotechnical evaluation of FAR's offshore Western Australia exploration permits WA-457-P and WA-458-P in Australia's Dampier Basin was conducted. This evaluation identified multiple prospects with total Prospective Resources* amounting to 447 million barrels of oil equivalent (BOE) (unrisked best estimate basis) net to FAR. A map showing the location of these two permits is shown in Figure 10 and a table showing FAR's estimate of Prospective Resources* in the L6 permit is shown in Table 4 *(reference ASX release 11/3/2014)*.

Both permits are covered by extensive vintage 2D and 3D seismic data which have been used to map the potential of the blocks and determine the Prospective Resources*. FAR's intention is to utilise modern acquisition and processing techniques in a new 3D seismic survey planned for 2014, which are optimised for hydrocarbon detection. The data will be used to high grade and de-risk prospects for drilling in a subsequent exploration period following a drill or drop decision in 2015.

The permits are located within an active petroleum system on the North West Shelf and are surrounded by oil and gas discoveries. Water depths are 25 to 110 metres.

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

WA-457-P

The main feature in WA-457-P, in the south west of the basin, is a very large four-way closure at the highly prospective Oxfordian Angel Formation level. This structure was drilled in 1968 by the Dampier-1 well, which encountered good oil and gas shows, and recovered oil and gas to surface, however sand development was generally poor. Regional studies have now shown that the Angel Formation is a turbidite reservoir and sands are restricted to the main channel belts. Dampier-1 was drilled on 1960s vintage 2D seismic targeting a structural high, without consideration of sand presence. FAR's work program is designed to identify the areas where sands are better developed and to locate an appraisal well.

The Dampier structure has potential to contain a total of 800 billion cubic feet of gas and 16 million barrels of associated condensate (unrisked best estimate basis)*. The volume net to FAR Ltd within WA-457-P is 459 billion cubic feet of gas and 9.2 million barrels of associated condensate (unrisked best estimate basis)*. This equates to 88 million barrels of oil equivalent.

WA-458-P

WA-458-P is in the North East of the Dampier Basin and is surrounded by discoveries. Oil is the dominant hydrocarbon phase in the nearby discoveries and charge modelling indicates that oil is the expected hydrocarbon phase in the identified features. Localised uplift has created simple roll-overs at multiple levels. FAR has mapped a variety of structural and combined structural-stratigraphic leads at proven reservoir levels. This area is considered low risk, where valid traps almost invariably contain hydrocarbons. The total Prospective Resources* mapped in WA-458-P net to FAR amount to 359 million barrels of oil (unrisked best estimate basis).

Australia Prospects	Prospective Resources* Best Estimate (mmbbls)
WA-458-P	
Top Angel Play	20.7
Lower Angel Structural Play	5.8
Lower Angel Stratigraphic Play	152.2
Oxfordian Fan Play	126.8
Legendre Structural Play	53.4
Total All Prospects	358.9
Total Net to FAR	358.9
WA-457-P	
Top Angel Play	153.8
Total Prospects	153.8
Total Net to FAR (within permit)	88.2

TABLE 4: Estimate of Prospective Resources* for Blocks WA-457-P and WA-458-P

EP 104 - CANNING BASIN
8.89% participating and beneficial interest
R1 – CANNING BASIN
8% participating and beneficial interest
Operator: Pending (During the year Buru Energy Ltd resigned as Operator and the appointment of a new Operator is pending)

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 2014.

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.

Buru Energy Ltd resigned as Operator and withdrew from the permit during the year. Regulatory approval of the resulting assignment of interest and the appointment of a new Operator is pending.

L15 - CANNING BASIN
12% participating and beneficial interest
Operator: Pending (During the year Buru Energy Ltd resigned as Operator and the appointment of a new Operator is pending)

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

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

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

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

FAR Ltd 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

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).

The conditions precedents for the third and final payment were satisfied during this reporting year and final payment was received in September 2013.

***Disclaimers**

Cautionary Statement for Prospective Resource Estimates – With respect to the Prospective Resource estimates contained within this report, it should be noted that the estimated quantities of Petroleum that may potentially be recovered by the application of a future development project relate to undiscovered accumulations. These estimates have both an associated risk of discovery and risk of development. Further exploration appraisal and evaluation is required to determine the existence of a significant quantity of potentially moveable hydrocarbons.

Hydrocarbon Resource Estimates – The Prospective Resource estimates for FAR's permits presented in this report have been prepared by the company on the various dates as set out in this report and in accordance with the definitions and guidelines set forth in the Petroleum Resources Management System, 2007 and 2011 approved by the Society of Petroleum Engineers and have been prepared using probabilistic methods. The Prospective Resource estimates are unrisked and have not been adjusted for both an associated chance of discovery and a chance of development.

Competent Person Statement Information – In this report information relating to hydrocarbon resource estimates has been compiled by Peter Nicholls, the FAR Ltd 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, the Society of Petroleum Engineers 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.

Forward looking statements – This report may include forward looking statements. Forward looking statements include, are not necessarily limited to, statements concerning FAR's planned operation program and other statements that are not historic facts. When used in this report, the words such as 'could', 'plan', 'estimate', 'expect', 'intend', 'may', 'potential', 'should' and similar expressions are forward looking statements. Although FAR 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. The entity confirms that it is not aware of any new information or data that materially affects the information included in this Report and that all material assumptions and technical parameters underpinning this Report continue to apply and have not materially changed.

***Notes to Prospective Resources Estimates**

1. The estimated quantities of Prospective Resources stated above 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.
2. The recoverable hydrocarbon volume estimates prepared by the company and stated in the tables above have been prepared in accordance with the definitions and guidelines set forth in the Petroleum Resources Management System, 2007 and 2011 approved by the Society of Petroleum Engineers.
3. The Prospective resource estimates have been estimated using deterministic methods using best estimates of all parameters.
4. The barrel of oil equivalent (BOE) is a unit of energy based on the approximate energy released by burning one barrel (42 U.S. gallons or 158.9873 litres) of crude. One BOE is roughly equivalent to 5,800 cubic feet (164 cubic meters) of typical natural gas, which is the conversion used in this analysis to calculate BOE for the gas volumes. The value is necessarily approximate as various grades of oil and gas have slightly different heating values.
5. The Best Estimates reported represent that there is a 50% probability that the actual resource volume will be in excess of the amounts reported.
6. The estimates for unrisked Prospective Resources have not been adjusted for both an associated chance of discovery and a chance of development.
7. The chance of development is the chance that once discovered, an accumulation will be commercially developed.
8. Prospective Resources means those quantities of petroleum which are estimated, as of a given date to be potentially recoverable from undiscovered accumulations by application of future development projects. Prospective resources have both an associated chance of discovery and a chance of development.
9. In the table, the abbreviation 'mmbbls' means millions of barrels of oil or condensate and 'bcf' means billions of cubic feet of gas.

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.

To meet these objectives, 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.

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 participates in a number of community and awareness initiatives in the areas in which it explores. Some of these programs include education, donation of sporting equipment and more recently, donating mosquito nets to flood ravaged areas of Senegal at high risk of the spread of malaria.

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 Ltd's ('FAR') objective is to achieve best practice in corporate governance commensurate with the FAR'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.

FAR's policies and charters can be found on our website and are listed below:

Charters
Board
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

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 major 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 company has established the functions reserved to the Board and has delegated day to day management of the business affairs to senior executives, subject to compliance with strategic and capital plans approved from time to time from the Board.

Directors receive comprehensive reports at each of the Board meetings from the Executive and have access to Company records, information and Company personnel.

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 are conducted through formal discussions with executives during the course of the year and after the end of the year.

The Remuneration Committee is briefed by the Managing Director on executive performance as part of the annual salary review process. The Remuneration Committee is comprised of Mr N J Limb (non-executive chairman), Mr A E Brindal (non-executive director) and Mr C Cavness (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 Board is collectively responsible for promoting the success of the Company through its key functions of overseeing the management of the Company, monitoring the financial performance of the Company, engaging appropriate management commensurate with the Company's structure and objectives, involvement in the development of corporate strategy and performance objectives, and reviewing, ratifying and monitoring systems of risk management and internal control, codes of conduct and legal compliance.

PRINCIPLE 2: STRUCTURE THE BOARD TO ADD VALUE

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

The majority of the board consists of independent directors. The board consist of five members, three non-executive directors and two executive 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. Mr Brindal served as Joint Company Secretary from 26 April 2000 until 4 April 2013 when he resigned from this position (but retained his directorship). In practice, Mr A E Brindal, did not perform any company secretarial duties or any other executive duties during at least the last three years of his position as Joint Company Secretary. Company secretarial duties during this period were the responsibility of Mr C J Harper until 30 September 2012 and the current Company Secretary Mr P A Thiessen. 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.

Mr Nicholas Limb is chair and is an independent director.

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

Mr Nicholas Limb held the position of Chairperson and Ms Catherine Norman held the position of Managing Director throughout the year.

Recommendation 2.4: The board should establish a nomination committee.

The board has established a Nomination Committee which consists of three independent directors; Mr A E Brindal, Mr C L Cavness and Mr N J Limb. Mr Nicholas 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 met twice during the reporting period.

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 a performance evaluation of the Board be conducted on an annual basis. During the course of the reporting period all Board members completed a self-assessment of their performance and assessments of the Board and Committees, Board structure and Board Performance. The assessments were reviewed by the Nomination Committee and reported to the Board.

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 was not impaired by his joint appointment as Company Secretary. Mr Brindal retired as Company Secretary on 4 April 2013 but retains his directorship.

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 Nomination Committee consisting of three independent directors met twice 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.

A Board Charter was adopted on 21 August 2013 and can be found on the Company's website.

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 adopted by the Board. The Code of Conduct applies to all directors and employees. The Code of Conduct is 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 FAR's integrity.

In summary, the Code of Conduct 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. All new employees are referred to the Company website and encouraged to familiarise themselves with the Company's policies and to ask any questions they may have in relation to the policies. The Company's security trading policy is required to be signed off by new employees.

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 has a Diversity policy which 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 set the following measurable objectives for achieving gender diversity on 21 August 2013:

- at least one female candidate to be considered when the board is next appointing a director
- at least one female candidate to be considered when the board is next appointing an executive
- aim to have a minimum of 20% of the Company's workforce female at all times.

Since the adoption of the above objectives no board or executive appointments have been made. The Company had 26% female full time equivalents in the workforce for the year as shown in the table below in recommendation 3.4.

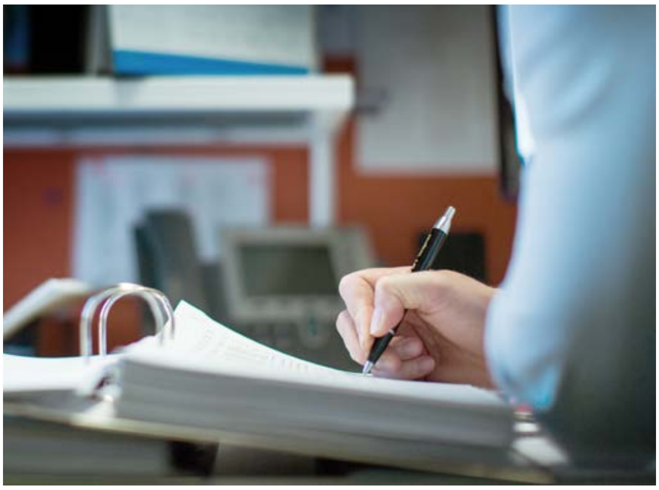
Recommendation 3.4 Companies should disclose in each annual report the proportion of women employees in the whole organisation, women in senior executive positions and women on the board.

As at 31 December 2013 FAR had the following director and employee workforce profile, including long-term consultants:

	Total FTE	Female FTE	Male FTE	Female FTE%	Male FTE%
Board					
Board of Directors	5.0	1.0	4.0	20%	80%
Whole organisation					
Executive Management (including executive directors)	4.0	1.0	3.0	25%	75%
Other	5.2	1.4	3.8	27%	73%
Total	9.2	2.4	6.8	26%	74%

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.

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 has been appointed Chairman of the Audit Committee and is not the Chairperson of the Board.

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, responsibilities and procedures. The charter covers five broad areas of responsibilities including: general; independent external audit; financial reporting; risk management; and compliance. The committee 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 the Company's website. The number of audit committee meetings held and the qualifications of those appointed and their attendance at meetings of the committee is disclosed separately in the Directors' Report.

The Audit Committee intends to conduct a review for the appointment of an auditor in 2014.

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.

The Board adopted a policy on Market Disclosure and Communications on 31 December 2012. 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, Executive Director and 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.

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.

During the year the Company introduced a process for preparing and reviewing a company risk register and associated risk mitigation plans in accordance with the Company's risk oversight and management policy. As part of this new process, the company risk register and risk mitigation plans will be updated by the Managing Director and executive management and then presented to the Board for review at every board meeting. The Company plans to develop and implement a comprehensive risk management and internal control system in 2014.

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 Managing Director 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. Formal documentation of the financial internal control environment and revised delegation of authority will be adopted in the 2014 year.

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

The Company's Risk Oversight and Management policy is available on the Company's website.

PRINCIPLE 8: REMUNERATE FAIRLY AND RESPONSIBLY

Recommendation 8.1: The board should establish a remuneration committee.

A Remuneration Committee charter has been adopted by the Board. The Board reviews the responsibilities of the Remuneration Committee on an annual basis. Two Remuneration Committee meetings were held during the year and its recommendations were approved by 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; and**
- **has at least three members.**

The Remuneration Committee consists of three independent non-executive directors, Mr A E Brindal, Mr C L Cavness and Mr N J Limb. Mr A E Brindal is the Chairman of the 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 FAR'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. Details of attendance at meetings of the committee are disclosed separately in the Directors' Report.

ASX CORPORATE GOVERNANCE COUNCIL RECOMMENDATIONS CHECKLIST

The following table sets out the Company's position with regard to adoption of the Principles & Recommendations as at the date of this statement:

Recommendations		Comply
Principle 1:	**Lay solid foundations for management and oversight**	
1.1	Companies should establish the functions reserved to the board and those delegated to senior executives and disclose those functions.	✓
1.2	Companies should disclose the process for evaluating the performance of senior executives.	✓
1.3	Companies should provide the information indicated in the Guide to reporting on Principle 1.	✓
Principle 2:	**Structure the board to add value**	
2.1	A majority of the board should be independent directors.	✓
2.2	The chair should be an independent director.	✓
2.3	The roles of chair and chief executive officer should not be exercised by the same individual.	✓
2.4	The board should establish a nomination committee.	✓
2.5	Companies should disclose the process for evaluating the performance of the board, its committees and individual directors.	✓
2.6	Companies should provide the information indicated in the Guide to reporting on Principle 2.	✓
Principle 3:	**Promote ethical and responsible decision-making**	
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; and • the responsibility and accountability of individuals for reporting and investigating reports of unethical practices.	✓
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 measureable objectives for achieving gender diversity for the board to assess annually both the objectives and progress in achieving them.	✓
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.	✓
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.	✓
3.5	Companies should provide the information indicated in the Guide to reporting on Principle 3.	✓
Principle 4:	**Safeguard integrity in financial reporting**	
4.1	The board should establish an audit committee.	✓
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.	✓
4.3	The audit committee should have a formal charter.	✓
4.4	Companies should provide the information indicated in the Guide to reporting on Principle 4.	✓

Recommendations		Comply
Principle 5:	**Make timely and balanced disclosure**	
5.1	Companies should establish written policies designed to ensure compliance with ASX Listing Rule disclosure requirements and to ensure accountability at senior executive level for that compliance and disclose those policies or a summary of those policies.	✓
5.2	Companies should provide the information indicated in the Guide to reporting on Principle 5.	✓
Principle 6:	**Respect the rights of shareholders**	
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 the policy.	✓
6.2	Companies should provide the information indicated in the guide to reporting on Principle 6.	✓
Principle 7:	**Recognise and manage risk**	
7.1	Companies should establish policies for the oversight and management of material business risks and disclose a summary of those polices.	✓
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 and internal control and that the system is operating effectively in all material respects in relation to financial reporting risks.	✗
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.	✓
7.4	Companies should provide the information indicated in the Guide to reporting on Principle 7	✓
Principle 8:	**Remunerate fairly and responsibly**	
8.1	The board should establish a remuneration committee.	✓
8.2	The remuneration committee should be structured so that it: consists of a majority of independent directors; is chaired by an independent chair; and has at least three members.	✓
8.3	Companies should clearly distinguish the structure of non-executive directors' remuneration from that of executive directors and senior executives.	✓
8.4	Companies should provide the information indicated in the Guide to reporting on Principle 8.	✓

In compliance with the 'if not, why not' reporting regime, where, after due consideration, the Company's corporate governance practices do not follow a recommendation, the Board has explained above its reasons for not following the recommendation and disclosed what, if any, alternative practices the Company has adopted of those in the recommendation.

The directors of FAR Ltd submit herewith the Annual Financial Report for the year ended 31 December 2013. In order to comply with the provisions of the Corporations Act 2001, the Directors' Report as follows:

INFORMATION ABOUT THE 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 has extensive experience as a stockbroker and merchant banker. He is currently Executive Chairman of Mineral Deposits Limited, an Australian listed company and Non-Executive Chairman of World Titanium Resources Limited. Mr Limb was appointed as a director of the Company on 28 November 2011, and appointed Chair on 19 April 2012. He is also a member of the nomination committee, remuneration committee and audit committee.

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, the Middle East and Australia. Ms Norman served as Managing Director of Flow Energy Limited from 2005 and was appointed Managing Director of FAR Ltd on 28 November 2011.

Benedict James Murray Clube – Executive Director and Commercial Manager (appointed 12 April 2013)

Mr Clube has spent the majority of his career at BHP Petroleum as Vice President of Finance and Planning in London, Houston and Perth along with various directorships of BHP companies. Following his time at BHP, Ben was Finance Director and Company Secretary of Oilex Ltd, an Australian and AIM listed petroleum company. He holds a Bachelor of Science (Honours) degree in Geology from the University of Edinburgh and is an associate of the Institute of Chartered Accountants of England and Wales, a member of the Australian Institute of Company Directors and a member of the Association of International Petroleum Negotiators.

Charles Lee Cavness – Non-Executive Director
(appointed 17 May 1995)

Mr Cavness resides in Denver, 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 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 North and Latin America, Europe and the Middle East. Mr Cavness has been a director of the Company since 1994 and is also a member of the nomination committee, remuneration committee and audit committee.

Albert Edward Brindal (resigned as Company Secretary 4 April 2013 but retains Directorship)

Mr Brindal holds a Bachelor of Commerce Degree , an MBA and is a Fellow of the Certified Practicing Accountants in Australia. Mr Brindal has been a director of the Company since 2007 and previously served as Company Secretary from 2000 until 4 April 2013. He is also a member of the nomination committee, remuneration committee and audit committee.

The above named directors held office during the whole of the financial year and since the end of the financial year except for Mr B J M Clube who was appointed director on 12 April 2013.

DIRECTORSHIPS OF OTHER LISTED COMPANIES

Directorships of other listed companies held by directors in the 3 years immediately before the end of the financial year are as follows:

Name	Company	Period of directorship
Mr N Limb	Mineral Deposits Limited World Titanium Resources Limited	Since 1994 Since 25 October 2013
Mr B J M Clube	Oilex Ltd	2009-2012

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
N J Limb	32,908,139	5,000,000
C M Norman	574,417	34,000,000
B J M Clube	5,700,000	22,000,000
C L Cavness	1,150,000	-
A E Brindal	311,061	-

COMPANY SECRETARIES

Peter Anthony Thiessen
(appointed 20 August 2012)

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

Albert Edward Brindal (resigned as Company Secretary 4 April 2013 but retains Directorship)

Mr Brindal's qualifications are shown above.

PRINCIPAL ACTIVITIES

The principal activities of the Company and of the Group during the course of the financial year were:

- Securing exploration projects;
- Conducting exploration for oil and gas deposits; and
- Monetisation of oil exploration and production interests

There were no significant changes in the nature of these activities during the year.

OPERATING RESULTS

The net loss of the Group for the year ended 31 December 2013 after income tax was $7,957,039 (2012: $14,422,029).

DIVIDENDS

The directors recommend that no dividend be paid for the year ended 31 December 2013 nor have any been paid or declared during the year.

REVIEW OF OPERATIONS

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

Results for the year

The Group's loss for the year ended 31 December 2013 was $7,957,039 (2012: $14,422,029). Included in the loss for the current year was exploration expenditure of $5,155,423 (2012: $12,867,554) recognised in accordance with a change in accounting policy for exploration costs implemented and the impact of adopting AASB 11 'Joint Arrangements' during the year. The change in accounting policy brings the Group's accounting for exploration costs to be more closely aligned with its industry peers. Further information on the impact of the accounting policy changes can be found in Note 3(b) of this financial report.

The reduction in loss for the current year was primarily due to a decrease in exploration expenditure and employee benefits. Exploration expenditure decreased by $7,712,131 during the year due to lower exploration expenditure work commitments for the Group's areas of interest. Exploration expenditure for the current year comprised:

- Senegal – $2,285,396;
- Kenya – $1,073,977;
- Guinea-Bissau – $872,144; and
- Other projects and new ventures – $923,906.

Employee benefit expenditure decreased by $1,403,351 to $1,934,860 (2012: $3,338,211) as a result of reduced employee option costs and no employee terminations during the year.

Financial position

The net assets of the company decreased during the year to $30,231,290 (2012: $37,208,016) and is primarily attributable to the loss for the year of $7,957,039, offset by an increase in reserves of $992,000 representing the amortisation of equity settled share based payments to employees and consultants made during the year. Net assets in the prior year decreased from $75,981,966 to a restated amount of $37,208,016 reflecting the change in accounting policy relating to exploration expenditure and the impact of AASB 11 'Joint Arrangements' which were adopted during the year. Further information on the impact of the accounting policy changes can be found in Note 3(b) of this financial report.

Total liabilities of $2,558,168 were similar to prior year (2012: $2,102,907).

Total assets for the year decreased by $6,521,465 to $32,789,458 (2012: $39,310,923). This was due mainly to the net decrease in oil and gas assets of $9,903,525 to $2,209,140 (2012: $12,112,665). The net decrease represents the recognition of cash reimbursements for past costs incurred from the Senegal farm-out agreement of $10,957,118 (US$9.82 million). A portion of these cash payments $5,369,277 (US$4.82 million) was received during the year whilst $5,587,841 (US$5 million) has been recognised in trade and other receivables at year end. The full amount of $5,587,841 (US$5 million) was received on 10 February 2014, refer to Note 32 for further details.

Importantly cash and cash equivalents increased by $6,768,643 to $24,203,117 (2012: $17,434,474). Net cash outflows used by operating activities were $7,014,753 and were primarily related to the payment of exploration expenditure and other operating costs. Net cash inflows provided by investing activities were $13,715,978 and comprised cash proceeds of $5,369,277 (US$ 4.82 million) in relation to the Senegal farm-out agreement as mentioned above, proceeds of $2,957,340 being the final payment from the sale of the Group's 5% interest in the Beibu Gulf Block 22/12 and the release of a Senegal performance bond of $5,400,000 as a result of the Senegal farm-out agreement with Cairn Energy PLC.

As at 31 December 2013 the Group had no borrowings or undrawn financing facilities. The Company continues to actively develop funding options in order that it can meet its expenditure commitments (see Note 22) and its planned future discretionary expenditure.

Cash Management is reviewed on a regular basis by the Group's Chief Financial Officer and reported to the Board on a regular basis to ensure that the Group is able to meet its financial obligations as and when they fall due. Until sufficient operating cash flows are generated from its operations, the Group remains reliant on equity or debt funding, as well as asset divestiture or farm-outs to fund its exploration commitments.

Business Strategy and prospects

The Company is currently focused on oil and gas exploration in Africa and Australia. The Company continues to progress its current portfolio of projects and assess new oil and gas exploration opportunities both in Africa, Australia and globally to grow its pipeline of projects. The Company's strategy is to identify and secure high potential exploration licences and permits at an early stage in the exploration cycle and add value and mitigate technical, operational and financial risks through prioritising and diversifying its exploration, appraisal and development activities and entering commercial arrangements including farm-outs and sale and purchase transactions. During the year the Company continued to explore and evaluate its current portfolio of projects as well as assess new oil and gas exploration opportunities within Africa, Australia and elsewhere to grow its portfolio of projects.

Material business risks

The international scope of the Group's operations, the nature of the oil and gas industry and external economic factors mean that a range of factors may impact results. Material macro-economic risks that could impact the Company's results and performance include oil and gas commodity prices, exchange rates and global factors effecting capital markets and the availability of financing. Material business risks that could impact the Company's performance are described below.

Technical and Operational risks

Exploration

Oil and Gas exploration is speculative by nature and therefore carries a degree of risk associated with the discovery of hydrocarbons in commercial quantities. Exploration activity may be adversely influenced by a number of different factors including, amongst other things, new subsurface geological and geophysical data, drilling results including the presence, prevalence and composition of hydrocarbons, force majeure circumstances, drilling cost overruns for unforeseen subsurface operating conditions or unplanned events or equipment difficulties, changes to resource estimates, lack of availability of drill rigs, seismic vessels and other integral exploration equipment and services.

Other operational risks

In addition to the risks listed above the Group's operations are potentially subject to other industry operating risks including fire, explosions, blow outs, pipe failures, abnormally pressured formations and environmental hazards such as accidental spills or leakage of petroleum liquids, gas leaks, ruptures, or discharge of toxic gases. The occurrence of any of these risks could result in substantial losses to the Group due to injury or loss of life; damage to or destruction of property, natural resources, or equipment; pollution or other environmental damage; clean-up responsibilities; regulatory investigation and penalties or suspension of operations. Damages occurring to third parties as a result of such risks may also give rise to claims against the Group.

The Group manages operational risk through a variety of means including selecting suitably experienced qualified Joint Venture partners and operators, regular monitoring the performance of operators in accordance with the Group's policies; recruitment and retention of appropriately qualified employees and contractors, establishment and use of Group-wide risk management system. In addition, the Group has insurance programs in place and specific policies in relation to drilling operations that are consistent with good industry practice.

Joint venture risk

The use of joint ventures are common in the oil and gas industry and usually exist through all stages of the oil and gas life cycle. Joint venture arrangements, amongst other things, mainly serve to mitigate the risk associated with exploration success and capital intensive development phases. However, failure to establish alignment between joint venture participants, poor performance of third party joint venture operators or the failure of joint venture partners to meet their commitments and share of costs and liabilities could have a material impact on the Group's business.

The Group manages joint venture risk through careful joint venture partner selection (when applicable) stakeholder engagement and relationship management. Commercial and legal agreements are also in place across all joint associations and define the responsibilities and obligations of the joint venture parties and rights of the Group.

Government and Regulator risk

The Group's rights, obligations and commercial arrangements through all stages of the oil and gas lifecycle (exploration, development, production) in international oil and gas permits are commonly defined in agreements entered into with the relevant country's Government as well as in the Country's petroleum and tax related legislation and other laws. These agreements and laws are at risk of amendment by future Governments which accordingly could materially impact on the Group's rights and commercial arrangements adversely. Further, due to the evolving nature of exploration work programs (as new technical data) becomes available and due to the fluctuating availability of petroleum equipment and services, the Group may seek to negotiate variations to permit agreements in particular in relation to the duration of the exploration phase in the permit and the work program commitments.

The Group manages Government and Regulator risk through careful Government and regulator relationship management. Failure to maintain mutually acceptable arrangements between the Group and Government and regulator could have a material impact on the Group's business including forfeit or relinquishment of permits or commercially less advantageous terms being imposed on permits.

Sovereign risk

The Group strategy is focused on exploration in Africa. Some countries within which the Group operates are developing countries that have political and regulatory structures which are maturing and have potential for further change. Uncertainty exists as to the stability of the regulatory and political environment and there is potential for events to have a material impact on the investment and security environment within the country. The Group manages sovereign risk through closely monitoring political developments and events in country.
The Group manages and amends its investment profile within a country by taking into consideration developments in the security and business environment.

Environmental risks

Oil and gas operations have inherent risks and liabilities associated with ensuring operations are carried out in a manner that is responsible to the environment. Although the Group operates within the prevailing environmental laws and regulations, such laws and regulations are continually changing and as such, the Group could be subject to changing obligations or unanticipated environmental incidents that, as a result, could impact costs, provisions and other facets of the Group's operations.

The Group complies with all environmental laws and regulations and, where laws and regulations do not exist, it aims to operate at the highest industry standard for environmental compliance. The Group identifies risks, threats, hazards and other environmental considerations and implements control measures to mitigate such risks. ; Any accidents, incidents or near misses are reported to the Board. Careful selection and engagement of contractors is undertaken to ensure adherence to the Group's policies and appropriate contingency arrangements are put in place which include but are not limited to having insurances in place that are consistent with good industry practice; and, selection and retention of appropriately qualified personnel

CHANGES IN STATE OF AFFAIRS

Senegal

The Company executed two farm-in agreements during the year in respect of its permits offshore Senegal. The first agreement was with Cairn Energy PLC ('Cairn') and the second with ConocoPhillips ('Conoco'). Cairn will fund the Company through the drilling and testing of a 'shelf play' exploration well up to an investment cap of US$80 million and pay back costs totalling approximately US$10 million. At the date of this report all back cost payments have been received. Cairn became Operator of the blocks in August 2013 following Government approval of the farm-in agreement. Pursuant to the terms of the Conoco farm in agreement Conoco is to provide funding which, based on current well cost estimates, is equivalent to a full carry through a second exploration well. The farm-in well will target the deeper water 'fan' play. Conoco will provide the funding to the Company via a combination of cash payments and well cost carry payments. Following both farm-in agreements the Company retains a 15% carried interest in the Senegalese permits.

Kenya L9

The Group completed negotiations on joint venture agreements with Ophir Energy PLC ('Ophir') on the Kenya exploration permit Block L9 in September 2013. As at the report date the relevant agreements are awaiting final Government approvals. Following the anticipated receipt of the unconditional Government approval of the Block L9 joint venture agreements, pursuant to the agreements with Ophir, the Group will be required to pay amounts relating to its participating interest share of past costs (principally relating to the two large 3D seismic surveys) and other costs. Total payments in relation to the agreements are estimated to be approximately AU$12,860,858 (US$11.5 million) as at 31 December 2013. Refer to Note 23 for further details.

Kenya L6

In March 2013, the Kenyan Government awarded a two year extension to Kenya Block L6 current permit period. The Kenyan Government also confirmed an increase to the acreage area of Block L6 which importantly included further leads and prospects in the highly prospective Miocene reef play.

After year end, in February 2014, the Group signed a farm-out to Milio E&P Limited and Milio International Limited of Dubai in relation to the onshore part of Block L6, Kenya. Under the terms of the farm-out deal, the Group will be fully carried through the drilling of an onshore exploration well in 2015 and the acquisition, processing and interpretation of a regional 1,000 line kilometre 2D seismic survey. The Group will hold 24% in the onshore area and retains its full 60% interest in the offshore part of Block L6. The Group will remain Operator on record of the entire Block L6 under the Production Sharing Agreement with the Government of Kenya.

Guinea-Bissau

Joint venture budget approval was granted for the drilling of one firm exploration well in the Company's offshore blocks in Guinea-Bissau. Well planning and well preparations were initiated by the Operator Svenska Petroleum Exploration AB ('Svenska'), with the well expected to be drilled in first quarter 2015. In February 2014, the Company completed an assessment of the Contingent and Prospective Resources for its Guinea-Bissau permits. Prospective Resources were assessed to be 950 million barrels of oil (unrisked best estimate, 100% basis)*, 140 million barrels net to the Company*. *(reference ASX release 5/2/2014)*.

Western Australia

In March 2014, the Group completed an assessment of the prospective resources for its Western Australian blocks WA-457-P and WA-458-P. The Group estimated the Prospective Resources were assessed to be approximately 450 million* barrels oil equivalent (unrisked best estimates, 100% and net to the Group basis) *(reference ASX release 11/3/2014)*.

The Group progressed with planning activities in relation to a 3D seismic acquisition program over its Western Australian blocks WA-457-P and WA-458-P that it intends to undertake during 2014.

There was no other significant change in the state of affairs of the Group that occurred during the financial year not otherwise disclosed in this report or the financial statements.

SUBSEQUENT EVENTS

On 1 January 2014, all conditions precedent in relation to the ConocoPhillips farm-in agreement had been satisfied. On 28 January 2014, pursuant to the farm-in agreement, the Company received $1,718,436 (US$1.51 million).

On 4 February 2014, the Company announced the signing of a farm-out agreement in relation to the onshore part of Block L6 with Milio E&P Limited and Milio International Limited. Pursuant to the terms of the farm-in agreement, the Group and its Block L6 joint venture partner Pancontinental Oil & Gas NL, will be free carried through a $33,783,783 (US$30 million, Group estimate as at 4 February 2014) exploration program including a regional onshore 1,000km 2D seismic survey and onshore exploration well in Block L6. The Group will retain a 24% participating interest in the onshore part of Block L6 and a 60% participating interest in the offshore part of Block L6. The Group will remain Operator of the block under the Production Sharing Contract with the Government of Kenya. The Company announced on 17 February 2014 that it had received approval from the Ministry of Energy and Petroleum, Kenya for the farm-out agreement.

On 11 February 2014, the Company announced it had received $5,587,841 (US$5 million) cash proceeds from Cairn Energy PLC in relation to its Senegal farm-out deal. The $5,587,841 (US$5 million) payment represents the second of two tranches to be received from Cairn Energy PLC in relation to the Senegal farm-out agreement.

Other than the above, the directors are not aware of any other matters or circumstances at the date of this report that have significantly affected or may significantly affect the operations, the results of the operations or the state of affairs of the Group in subsequent financial years.

LIKELY DEVELOPMENTS

Additional comments on expected results on operations of the Group are included in the Annual Report under the Operations Review.

The Group intends to continue its present range of activities during the forthcoming year. In accordance with its strategy, the Group may participate in exploration and appraisal wells and new projects, and may grow its exploration portfolio by farming into or acquiring new exploration licences. 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, these would be speculative and it may not be in the best interests of the Group.

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.

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		Audit Committee	
	Held	Attended	Held	Attended	Held	Attended
N J Limb	4	4	2	2	2	2
C M Norman	4	4	-	-	-	-
B J M Clube	4	4	-	-	-	-
C L Cavness	4	4	2	2	2	2
A E Brindal	4	4	2	2	2	2

ENVIRONMENTAL REGULATIONS

The Group's oil and gas operations are subject to environmental regulation under the legislation of the respective states and countries within which it operates. 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 Group participates. The Group 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 Group or operator. The Group applies the extensive oil and gas experience of its personnel to develop strategies to identify and mitigate environmental risks. Compliance by operators with environmental regulations is governed by the terms of respective joint operating agreements and is otherwise conducted using oil industry best practices. The Board actively monitors compliance with state and joint venture regulations and as at the date of this report is not aware of any material breaches in respect of these regulations.

PROCEEDINGS ON BEHALF OF THE COMPANY

At the date of this report, the directors are not aware of any proceedings brought on behalf of the Company or Group, nor has any application been made in respect of the Company under section 237 of the Corporations Act 2001.

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 2013 are set out in Note 29 to the financial statements and form part of this report.

NON-AUDIT SERVICES

The Company may decide to employ the Auditor on assignments additional to their statutory audit duties where the Auditor's expertise and experience with the Group is important.

Details of amounts paid or payable to the auditor for non-audit services provided during the year by the auditor are outlined in Note 33 to the financial statements.

The Board has considered its position and, in accordance with the advice received from the Audit Committee, is satisfied that the provision of non-audit services, during the year, 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.

The directors are of the opinion that the services as disclosed in Note 33 to the financial statements do not compromise the external auditors independence, based on advice received from the Audit Committee, for the following reasons:

- all non-audit services have been reviewed and approved to ensure that they do not impact the integrity of the auditor: and
- none of the services undermine the general principals relating to auditor independence as set out in APES 110 'Code of Ethics for Professional Accountants' issued by the Accounting Professional & Ethical Standards Board, including reviewing or auditing the auditors own work, acting in management or decision making capacity for the company, acting as advocate for the company or jointly sharing economic risks and rewards.

AUDITOR'S INDEPENDENCE DECLARATION

The auditor's independence declaration is included on page 34 of the Annual Report.

REMUNERATION REPORT – AUDITED

This Remuneration Report, which forms part of the Directors' Report, explains the remuneration arrangements for director and senior executives of FAR Ltd who have authority and responsibility for planning, directing and controlling the activities of the Group ('Key Management Personnel').

The directors of the Company during the year ended 31 December 2013 were:

- Nicholas James Limb – Non-Executive Director, Chairman
- Catherine Margaret Norman – Managing Director
- Benedict James Murray Clube – Executive Director and Commercial Manager (appointed 12 April 2013)
- Charles Lee Cavness – Non-Executive Director
- Albert Edward Brindal – Non-Executive Director / Company Secretary (retired as Company Secretary 4 April 2013 but retains directorship)

The senior executives considered to be Key Management Personnel during the year ended 31 December 2013 were:

- Peter Nicholls - Exploration Manager
- Peter Anthony Thiessen – Chief Financial Officer / Company Secretary

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

Remuneration Principles

The Company's approach to remuneration is for remuneration levels to be set competitively with those terms offered by other entities of similar size within the petroleum industry. This allows the Company to attract, retain and motivate appropriately qualified and experienced directors and senior executives.

The Remuneration Committee provides recommendations to the Board on appropriate remuneration packages.

Remuneration packages for executives are not linked to profit performance as the Company is an exploration and appraisal company that is not generating profits or net operating cash flows and as such does not pay any dividends. It is the performance of the overall exploration and appraisal program and commercial transactions and ultimately the share price that largely determines the Company's performance. The Remuneration Committee therefore considered that fixed compensation combined with long and short term incentives components is the best remuneration structure for achieving the Company's objectives to the benefit of shareholders.

The present remuneration approach is to reward successful performance in recognition of adding shareholder value via incentive options that are priced at a premium to the market 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 Group has established a Remuneration Committee for the purpose of recommending Executive Director, Non-Executive Director and senior executive remuneration to the Board. Remuneration of other personnel is set by the Managing Director.

Compensation for Non-Executive Directors is set based on comparison with reference to fees paid to non-executive directors of comparable companies. Non-Executive Director fees cover all main Board activities and membership of committees.

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 Group's earnings and movements in shareholder wealth for the five years to 31 December 2013:

	31 Dec 2013 $	31 Dec 2012 (restated) $	31 Dec 2011 (restated) $	31 Dec 2010 (restated) $	31 Dec 2009 (restated) $
Revenue	583,210	1,192,665	1,637,279	452,036	203,045
Loss from continuing operations	(7,955,349)	(14,474,951)	(39,690,375)	(2,700,470)	(3,498,109)
Loss from continuing & discontinued operations	(7,957,039)	(14,422,029)	(40,205,580)	(6,547,264)	(3,809,236)

	31 Dec 2013 cents	31 Dec 2012 cents	31 Dec 2011 cents	31 Dec 2010 $ cents	31 Dec 2009 cents
Share price at start of year	3.4	2.8	8.2	6.2	2.8
Share price at end of year	4.0	3.4	2.8	8.2	6.2
Dividend	-	-	-		
Basic loss per share	0.32	0.60	2.97	0.90	0.60
Diluted loss per share	0.32	0.60	2.97	0.90	0.60

All prior year amounts have been restated to reflect the change in accounting policy in respect of the treatment of exploration expenditure adopted by the Board during the current year. For further information refer to Note 3(b)

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 other benefits.
- Post-employment benefits – superannuation.
- Share based payments – share options granted as disclosed in Note 29 to the financial statements.
- Other long term benefits.

The Group's Key Management Personnel received the following amounts as compensation for their services as directors and executives of the Company and Group during the year:

2013	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									
N J Limb	112,500	-	-	-	-	80,000	-	192,500	42%
C M Norman	396,233	-	-	13,058	22,787	224,000	13,323	669,401	33%
B J M Clube (iv)	332,701	-	-	6,418	25,000	192,000	1,543	557,662	34%
C L Cavness	50,000	-	-	-	-	-	-	50,000	-
A E Brindal	50,000	-	-	-	-	-	-	50,000	-
Executives									
P Nicholls (vi)	358,150	-	-	-	-	160,000	-	518,150	31%
P A Thiessen	201,740	-	-	13,064	23,100	96,000	977	334,881	29%
Total	**1,501,324**			**32,540**	**70,887**	**752,000**	**15,843**	**2,372,594**	

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 (vi)	369,200	-	-	-	-	210,000	-	579,200	36%
B J M 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**	

(i) Resigned effective 19 April 2012

(ii) Resigned effective from 30 September 2012

(iii) Appointed effective from 1 August 2012

(iv) Appointed Commercial Manager effective from 8 October 2012. Appointed Director effective 12 April 2013.

(v) Other long-term benefits represent the movements in provisions for long service leave and termination benefits. In the prior 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.

(vi) Mr Nicholls is a consultant and not an employee of the Company. For further details see Mr Nicholls under Employment and Consultant Contracts below in the Directors report.

OPTIONS GRANTED TO DIRECTORS AND EXECUTIVES

Whilst the Company 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 FAR Ltd on exercise. No amounts are paid or 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
(4) Issued 11 Mar 2010	11-Mar-10	31-Mar-13	3.0 cents	10.0 cents
(6) Issued 21 Apr 2011	21-Apr-11	30-Apr-14	6.0 cents	18.0 cents
(7) Issued 31 May 2012	31-May-12	30-Jun-15	2.1 cents	6.0 cents
(8) Issued 23 Jul 2012	23-Jul-12	23-Jul-15	2.9 cents	6.0 cents
(9) Issued 21 Aug 2012	21-Aug-12	30-Jun-15	2.5 cents	6.0 cents
(10) Issued 27 May 2013	27-May-13	27-May-16	1.6 cents	4.4 cents

All options listed above vest on the date of grant.

There are no further service or performance criteria that need to be met in relation to the options granted under series (4) – (10) before the beneficial interest vests in the recipient.

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	(10) issued 27 May 2013	14,000,000	14,000,000	100%	-	-
N J Limb	(10) issued 27 May 2013	5,000,000	5,000,000	100%	-	-
B J M Clube	(10) issued 27 May 2013	12,000,000	12,000,000	100%	-	-
P Nicholls	(10) issued 27 May 2013	10,000,000	10,000,000	100%	-	-
P A Thiessen	(10) issued 27 May 2013	6,000,000	6,000,000	100%		

During the year no Key Management Personnel exercised any options granted to them as part of their compensation.

The following table summarises the value of options to key management personnel granted, exercised or lapsed during the year.

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	224,000	-	-
N J Limb	80,000	-	-
B J M Clube	192,000	-	-
P Nicholls	160,000	-	-
P A Thiessen	96,000	-	-

(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 2013.

Employment and Consultant Contracts

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

- 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.
- The remuneration details for Ms Norman for the year ended 31 December 2013 are set out in the table above.

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

- 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.
- The remuneration details for Mr Thiessen for the year ended 31 December 2013 are set out in the table above.

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

- 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.
- The remuneration details for Mr Clube for the year ended 31 December 2013 are set out in the table above.

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

- 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.
- The remuneration details for Mr Nicholls for the year ended 31 December 2013 are set out in the table above.

The Directors' Report is signed in accordance with a resolution of the directors made pursuant to Section 298(2) of the Corporations Act 2001.

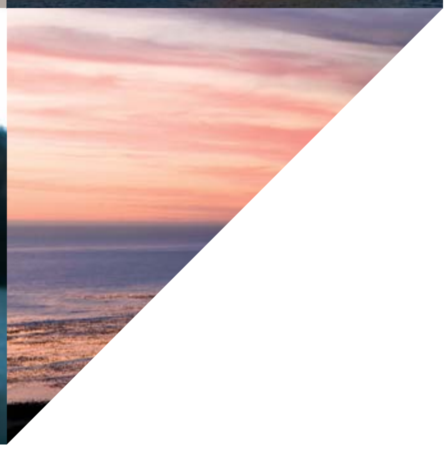
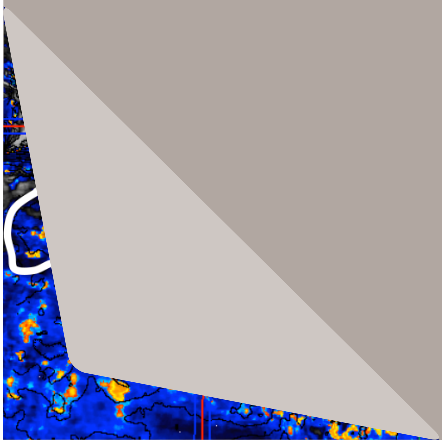
Nicholas J Limb
Chairman
Melbourne, 28 March 2014

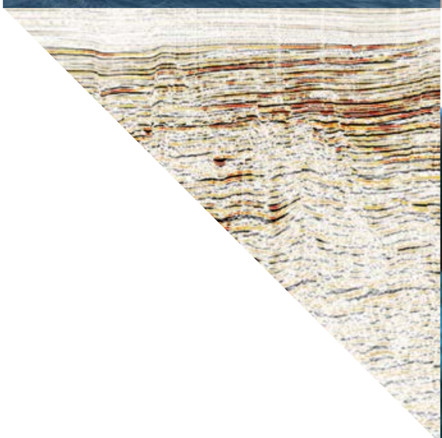
Financial Report 2013

FAR delivers multiple opportunities for shareholder wealth








Deloitte Touche Tohmatsu
ABN 74 490 121 060

550 Bourke Street
Melbourne VIC 3000
GPO Box 78
Melbourne VIC 3001 Australia

Tel: +61 3 9671 7000
Fax: +61 3 9671 7001
www.deloitte.com.au

28 March 2014

The Board of Directors
FAR LTD
Level 17, 530 Collins Street
MELBOURNE VIC 3000

Dear Board Members

FAR LTD

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 LTD.

As lead audit partner for the audit of the financial statements of FAR LTD for the financial year ended 31 December 2013, I declare that to the best of my knowledge and belief, there have been no contraventions of:

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

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

Yours sincerely

Deloitte Touche Tohmatsu

DELOITTE TOUCHE TOHMATSU

Ian Sanders

Ian Sanders
Partner
Chartered Accountants

Deloitte Touche Tohmatsu
ABN 74 490 121 060

550 Bourke Street
Melbourne VIC 3000
GPO Box 78
Melbourne VIC 3001 Australia

Tel: +61 3 9671 7000
Fax: +61 3 9671 7001
www.deloitte.com.au

Independent Auditor's Report
to the members of FAR LTD

Report on the Financial Report

We have audited the accompanying financial report of FAR LTD, which comprises the consolidated statement of financial position as at 31 December 2013, the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of cash flows 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 37 to 78.

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 LTD, 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 LTD 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 2013 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 29 to 32 of the directors' report for the year ended 31 December 2013. 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 LTD for the year ended 31 December 2013, complies with section 300A of the *Corporations Act 2001*.

Deloitte Touche Tohmatsu

DELOITTE TOUCHE TOHMATSU

Ian Sanders

Ian Sanders
Partner
Chartered Accountants
Melbourne, 28 March 2014

Directors' Declaration

The directors declare that:

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

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

(c) in the directors' opinion, the attached financial statements and notes thereto are in accordance with the Corporations Act 2001, including compliance with accounting standards and giving a true and fair view of the financial position and performance of the Group; 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 26 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

Nicholas J Limb
Chairman
Melbourne, 28 March 2014

Consolidated Statement of Profit or Loss and Other Comprehensive Income

For the financial year ended 31 December 2013

	Note	Year ended 31 Dec 2013 AU$	Year ended 31 Dec 2012 (restated) AU$
Revenue	7	583,210	1,192,665
Other income	8	155,540	2,904,441
Depreciation and amortisation expense	9	(70,458)	(52,239)
Exploration expense	9	(5,155,423)	(12,867,554)
Finance costs	10	-	(39,203)
Administration expenses		(662,711)	(1,002,025)
Employee benefits expense	9	(1,934,860)	(3,338,211)
Consulting expense	9	(759,638)	(691,523)
Foreign exchange gain/(loss)		560,938	(354,768)
Other expenses		(671,947)	(226,534)
Loss before income tax		(7,955,349)	(14,474,951)
Income tax expense	11(a)	-	-
Loss for the year from continuing operations		(7,955,349)	(14,474,951)
Discontinued operations			
Profit/(loss) from discontinued operations	6	(1,690)	52,922
LOSS FOR THE YEAR		(7,957,039)	(14,422,029)
Other comprehensive income, net of income tax *Items that may be reclassified subsequently to profit or loss*			
Exchange differences arising on translation of foreign operations	20(ii)	(11,687)	263,681
Other comprehensive income for the year, net of the income tax		(11,687)	263,681
TOTAL COMPREHENSIVE INCOME FOR THE YEAR		(7,968,726)	(14,158,348)
Earnings per share: **From continuing and discontinued operations**			
Basic (loss)/earnings (cents per share)	21	(0.32)	(0.60)
Diluted (loss)/earnings (cents per share)	21	(0.32)	(0.60)
From continuing operations			
Basic (loss)/earnings (cents per share)	21	(0.32)	(0.60)
Diluted (loss)/earnings (cents per share)	21	(0.32)	(0.60)

Notes to the financial statements are included on pages 42 to 78.

Consolidated Statement of Financial Position

As at 31 December 2013

	Note	31 Dec 2013 AU$	31 Dec 2012 (restated) AU$	1 Jan 2012 (restated) AU$
CURRENT ASSETS				
Cash and cash equivalents	27	24,203,117	17,434,474	24,246,507
Trade and other receivables	12	5,966,201	356,857	3,348,641
Inventories		81,236	70,002	124,982
Other financial assets	13	87,683	442,567	305,780
Other	14	93,839	65,224	120,874
Assets held for sale	6	-	347,599	-
Total Current Assets		30,432,076	18,716,723	28,146,784
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	148,242	192,475	205,804
Oil and gas properties	16	2,209,140	12,112,665	11,826,683
Total Non-Current Assets		2,357,382	20,594,200	12,104,411
TOTAL ASSETS		32,789,458	39,310,923	40,251,195
CURRENT LIABILITIES				
Trade and other payables	17	2,219,807	1,619,149	1,267,657
Borrowings		-	-	2,927,885
Provisions	18	292,427	207,040	519,026
Other financial liabilities		-	26,529	-
Liabilities associated with assets held for sale	6	-	55,794	-
Total Current Liabilities		2,512,234	1,908,512	4,714,568
NON-CURRENT LIABILITIES				
Trade and other payables	17	-	173,343	-
Provisions	18	45,934	21,052	68,907
Other financial liabilities		-	-	26,529
Total Non-Current Liabilities		45,934	194,395	95,436
TOTAL LIABILITIES		2,558,168	2,102,907	4,810,004
NET ASSETS		30,231,290	37,208,016	35,441,191
EQUITY				
Issued Capital	19	143,384,588	143,384,588	129,137,015
Reserves	20	4,861,657	3,881,344	1,940,063
Accumulated losses		(118,014,955)	(110,057,916)	(95,635,887)
TOTAL EQUITY		30,231,290	37,208,016	35,441,191

Notes to the financial statements are included on pages 42 to 78.

Consolidated Statement of Changes in Equity

For the financial year ended 31 December 2013

		Reserves					
	Share capital AU$	Option reserve AU$	Equity component on convertible notes AU$	Foreign currency translation reserve AU$	Total AU$	Accumulated losses AU$	Total attributable to equity holders of the parent AU$
Balance at 1 January 2012 (as previously reported)	129,137,015	2,174,955	671,496	(906,388)	1,940,063	(62,236,877)	68,840,201
Impact of adoption of AASB 11	-	-	-	-	-	364,195	364,195
Adjustments (see Note 3(b))	-	-	-	-	-	(33,763,205)	(33,763,205)
Balance at 1 January 2012 (restated)	129,137,015	2,174,955	671,496	(906,388)	1,940,063	(95,635,887)	35,441,191
Loss for the year	-	-	-	-	-	(14,422,029)	(14,422,029)
Other comprehensive income for the year, net of income tax	-	-	-	263,681	263,681	-	263,681
Total comprehensive income for the previous year	-	-	-	263,681	263,681	(14,422,029)	(14,158,348)
Recognition of share-based payments	-	1,677,600	-	-	1,677,600	-	1,677,600
Issue of ordinary shares	15,039,947	-	-	-	-	-	15,039,947
Share issue costs	(792,374)	-	-	-	-	-	(792,374)
Balance at 31 December 2012 (restated)	143,384,588	3,852,555	671,496	(642,707)	3,881,344	(110,057,916)	37,208,016
Loss for the year	-	-	-	-	-	(7,957,039)	(7,957,039)
Other comprehensive income for the year, net of income tax	-	-	-	(11,687)	(11,687)	-	(11,687)
Total comprehensive income for the year	-	-	-	(11,687)	(11,687)	(7,957,039)	(7,968,726)
Recognition of share-based payments	-	992,000	-	-	992,000	-	992,000
Issue of ordinary shares	-	-	-	-	-	-	-
Share issue costs	-	-	-	-	-	-	-
Balance at 31 December 2013	143,384,588	4,844,555	671,496	(654,394)	4,861,657	(118,014,955)	30,231,290

Notes to the financial statements are included on pages 42 to 78.

Consolidated Statement of Cash Flows

For the financial year ended 31 December 2013

	Note	Year ended 31 Dec 2013 AU$	Year ended 31 Dec 2012 (restated) AU$
CASH FLOWS FROM OPERATING ACTIVITIES			
Receipts from customers		169,713	731,432
Payments to suppliers and employees		(3,003,682)	(4,556,007)
Payment for oil and gas properties expensed		(4,180,615)	(12,607,594)
Interest and other costs of finance paid		(169)	(38,812)
Net cash used in operating activities	27(e)	(7,014,753)	(16,470,981)
CASH FLOWS FROM INVESTING ACTIVITIES			
Interest received		608,796	1,117,617
Payments for oil and gas properties capitalised		(1,367,796)	(156,130)
Proceeds from oil and gas properties		8,800,005	3,009,425
Payments for property, plant and equipment		(10,294)	(243,042)
Proceeds from property, plant and equipment		-	79,640
Proceeds from security deposits		43,653	20,000
Advance to Joint Venture		(9,412)	-
Payment of performance bond		-	(5,484,900)
Proceeds from performance bond		5,664,196	-
Net cash outflow on acquisition of a business		(13,170)	-
Net cash (used in)/provided by investing activities		13,715,978	(1,657,390)
CASH FLOWS FROM FINANCING ACTIVITIES			
Repayment of borrowings		-	(2,927,889)
Proceeds from issue of shares		-	15,039,947
Payment for share issue costs		-	(792,375)
Net cash provided by financing activities		-	11,319,683
NET (DECREASE)/INCREASE IN CASH AND CASH EQUIVALENTS		6,701,225	(6,808,688)
Cash and cash equivalents at the beginning of the year		17,434,474	24,246,507
Effects of exchange rate changes on cash and cash equivalents		67,418	(3,345)
Cash and cash equivalents at the end of the financial year	27(a)	24,203,117	17,434,474

Notes to the financial statements are included on pages 42 to 78.

1. GENERAL INFORMATION

FAR Ltd (the Company) is an Australian listed public company, incorporated in Australia and operating in Africa, Australia and North America. The principal activities of the Company and its subsidiaries (the 'Group') are disclosed in the Directors Report.

FAR Ltd'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 Group 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 2013.

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

- AASB 10 'Consolidated Financial Statements';
- AASB 11 'Joint Arrangements';
- AASB 12 'Disclosure of Interests in Other Entities';
- AASB 13 'Fair Value Measurement'.
- AASB 19 'Employee Benefits';
- AASB 127 'Separate Financial Statements';
- AASB 128 'Investments in Associates and Joint Ventures'; and
- AASB 2012-2 'Amendments to Australian Accounting Standards – Disclosures – Offsetting Financial Assets and Financial Liabilities (Amendments to AASB 7)'

Other than the impact of AASB 11 as outlined in Note 3(b) below, the adoption of these standards and interpretations did not have any effect on the financial position or performance of the Group.

AASB 2011-9 'Presentation of Items of Other Comprehensive Income'

The Company has applied the Amendments to Australian Accounting Standards AASB 2011-9 'Presentation of Items of Other Comprehensive Income' for the first time in the current year. The amendments introduce new mandatory terminology for the statement of comprehensive income and income statement. Under the amendments to AASB 2011-9, the 'statement of comprehensive income' is renamed as the 'statement of profit or loss and other comprehensive income'. The amendments to AASB 2011-9 retain the option to present profit or loss and other comprehensive income in either a single statement or in two separate but consecutive statements. However the amendments to AASB 2011-9 require items of other comprehensive income to be grouped into two categories in the other comprehensive income section: (a) items that will not be reclassified subsequently to profit or loss and (b) items that may be reclassified subsequently to profit or loss when specific conditions are met. Income tax on items of other comprehensive income is required to be allocated on the same basis – the amendments do not change the option to present items of other comprehensive income either before tax or net of tax. The amendments have been applied retrospectively, and hence the presentation of items of other comprehensive income has been modified to reflect the changes. Other than the abovementioned presentation changes, the application of AASB 2011-9 does not result in any impact on profit or loss, other comprehensive income and total comprehensive income.

The Group 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 2011-4 'Amendments to Australian Accounting Standards to Remove Individual Key Management Personnel Disclosure Requirements'	1 July 2013	31 December 2014
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
Interpretation 21 - Levies	1 January 2014	31 December 2014

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 Group that relates to the annual reporting period beginning on or after the effective date of each pronouncement.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

(a) 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 Group. For the purposes of preparing the consolidated financial statements, the Company is a for profit entity.

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

The financial statements were authorised for issue by the directors on 28 March 2014.

(b) Basis of preparation

The consolidated financial statements have been prepared on the basis of historical cost, except for the revaluation of certain financial instruments that are measured at revalued amount or fair values, as explained in the accounting policies below. Cost is based on the fair values of the consideration given in exchange for assets.

During the year the following accounting policies and methods of computation were adopted:

Change in functional currency

Effective from 1 January 2013, the component of the financial statements relating to the Kenya L6 joint venture changed its functional currency from Australian dollars to United States dollars. The change in functional currency reflects that the majority of funding and payments made to the Kenyan government, service providers and in-country representatives are made in United States dollars. Further, a clause in the Production Sharing Contract ('PSC') requires that the accounts and records of the joint venture are kept in United States dollars.

The results of the joint venture are translated into Australian dollars for financial reporting purposes. Exchange differences arising from the translation from functional currency to presentation currency are recognised in the foreign currency translation reserve.

Change in accounting policy

During the period, the Company changed its accounting policy in relation to the capitalisation of exploration expenditure.

In prior periods, the Company capitalised all expenditure in relation to exploration and evaluation activities.

During the current year, the Company has re-evaluated these policies and has changed these policies so that its accounting treatment of exploration expenditure will be more closely aligned to its perceived peers and more consistent with the petroleum industry's 'successful efforts' approach to accounting. As a consequence the Company will now expense exploration and evaluation expenditures except in relation to drilling costs, delineation seismic and other costs directly attributable to defining specific geological targets which will be capitalised pending a determination of commerciality of the geological target under evaluation. Impairment tests will be conducted on the statement of financial position to assess the carrying value of capitalised costs. The impact of the change in the accounting procedures on comparative period financial reports is outlined in the table below. Any expenditure that is capitalised in accordance with the above policy will remain subject to impairment testing at each reporting date in accordance with AASB 6 'Exploration for and Evaluation of Mineral Reserves'.

Impact of adoption of AASB 11 Joint Arrangements

The Group is party to several arrangements in relation to areas of interest in Kenya, Senegal, Guinea-Bissau and AGC. These arrangements confer certain rights and obligations on the Group in terms of expenditure commitments and financing of exploration and development of these areas of interest.

The Group has analysed its arrangements in accordance with AASB 11 and has established that the Group does not have joint control of the arrangements in Senegal, Guinea-Bissau and AGC. The Group has accounted for the rights and obligations arising for the arrangements in a manner consistent with AABS 11. Further analysis of these arrangements showed that the Group's interest were similar in nature to joint operations.

Consistent with AASB 11, the Group accounts for these arrangements such that it recognises:

- Its assets, including its share of any assets jointly held;
- Its liabilities, including its share of any liabilities incurred jointly;
- Its revenue from the sale of its share of the output arising from the joint operation;
- Its share of the revenue from the sale of the output by the joint operation; and
- Its expenses, including its share of any expenses incurred jointly.

In light of the guidance for joint operations, the Group has changed their accounting policies and these changes are applied retrospectively.

The impact of the above changes in accounting policy is described as an impact of adopting AASB 11 and is shown below:

	Year ended 31 Dec 2012 AU$	
Impact on statement of profit or loss and other comprehensive income		
Loss for the year as previously reported	(9,054,434)	
Increase in exploration expenditure as a result of change in accounting policy	(5,162,793)	
Increase in exploration expenditure as a result of adoption of AASB 11	(249,897)	
Increase in profit from discontinued operations	45,095	
Restated loss for the year	(14,422,029)	
	As at 31 Dec 2012	**As at 31 Dec 2011**
Impact on statement of financial position		
Net assets as previously reported	75,981,966	68,840,201
Impact of adoption of AASB 11		
Increase in cash and cash equivalents	83,796	442,587
Increase in inventories	70,002	124,982
Increase in trade and other receivables	69,284	23,713
Increase in trade and other payables	(116,129)	(227,087)
Total impact of adoption of AASB 11	106,953	364,195
Impact of change in accounting policy in relation to exploration expenditure		
Decrease in oil and gas properties	(43,068,480)	(37,950,782)
Decrease in deferred tax liability	4,187,577	4,187,577
Total impact of change in accounting policy	(38,880,903)	(33,763,205)
Restated net assets	37,208,016	35,441,191
	Year ended 31 Dec 2012	**Year ended 31 Dec 2011**
Impact on foreign currency translation reserve		
Foreign currency translation reserve previously reported	(635,362)	(906,388)
Impact of adoption of AASB 11	(7,345)	-
Restated foreign currency translation reserve	(642,707)	(906,388)
Impact on accumulated losses		
Accumulated losses as previously reported	(71,291,311)	(62,236,877)
Impact of adoption of AASB 11	114,298	364,195
Impact of change in accounting policy in relation to exploration expenditure	(38,880,903)	(33,763,205)
Restated accumulated losses	(110,057,916)	(95,635,887)
	Year ended 31 Dec 2012	
Impact on basic and diluted earnings per share		
Reported basic earnings per share from continuing and discontinued operations	(0.38)	
Reported diluted earnings per share from continuing and discontinued operations	(0.38)	
Restated basic earnings per share from continuing and discontinued operations	(0.60)	
Restated diluted earnings per share from continuing and discontinued operations	(0.60)	

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

(c) Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Company and entities (including special purpose entities) controlled by the Company and its subsidiaries (referred to as 'the Group' in these financial statements). Control is achieved when the Company:

- has power over the investee;
- is exposed, or has rights, to variable returns from its involvement with the investee; and
- has the ability to use its power to affect the returns.

The company reassess whether or not it controls an investee if facts and circumstances indicate that there are change to one or more of the three elements of control listed above.

When the Company has less than a majority of the voting rights of an investee, it has power over the investee when the voting rights are sufficient to give it the practical ability to direct the relevant activities of the investee unilaterally. The Company considers all relevant facts and circumstances in assessing whether or not the Company's voting rights in an investee are sufficient to give it power, including:

- the size of the Company's holding of voting rights relative to the size and dispersion of holdings of the other vote holders;
- potential voting rights held by the Company, other vote holders or other parties;
- rights arising from other contractual arrangements; and
- any additional facts and circumstances that indicate that the Company has, or does not have, the current ability to direct the relevant activities at the time that decisions need to be made, including voting patterns at previous shareholders' meeting.

Consolidation of a subsidiary begins when the Company obtains control over the subsidiary and ceases when the Company loses control of the subsidiary. Specifically, income and expenses of a subsidiary acquired or disposed of during the year are included in the consolidated statement of profit or loss and other comprehensive income from the date the Company gains control until the date when the Company ceases to control the subsidiary.

Profit or loss and each component of other comprehensive income are attributed to the owners of the Company and to the non-controlling interest. Total comprehensive income of subsidiaries is attributed to the owners of the Company and to the non-controlling interests even if this results in the non-controlling interests having a deficit balance.

When 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 Group.

All intra-group assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

(d) Going concern

The Directors believe that it is appropriate to prepare the consolidated financial statements on a going concern basis. As at 31 December 2013, the Group's current assets exceeded current liabilities by $27,919,842 and the Group has cash and cash equivalents of $24,203,117. The Group will continue to manage its evaluation and operating activities to ensure that it has sufficient cash reserves for the next twelve months. The Group will likely require funding within the next twelve months to fund a number of activities including: its entry into and activities in Kenya Block L9, seismic on the Australian blocks WA-457-P and WA-458-P, drilling in Guinea-Bissau and any new venture opportunities the Company may acquire. For further details of future commitments refer to Note 22. In the opinion of the Directors, the Group will be in a position to continue to meet its minimum expenditure for at least twelve months from the date of this report, and that the Company has adequate plans in place in order that funding requirements in the foreseeable future can be met. This basis has been determined after consideration of the following factors:

- The ability to issue share capital under the Corporations Act 2001, if required, by a share purchase plan, share placement or rights issue;
- The option of farming out all or part of the Group's assets;
- The option of selling interests in assets; and
- The option of relinquishing or disposing of rights and interests in certain assets.

The Directors are satisfied that the Company will be able to realise its assets and discharge its liabilities in the normal course of business. Uncertainty exists as to the result of the Group's exploration activities, access to funds and the realisation of the current value of its assets. Consequently the Directors regularly assess the Company's and the Group's status as a going concern and its changing risk profile as circumstances change.

(e) 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 Group has an unconditional right to defer settlement of the liability for at least 12 months after the reporting date.

(f) 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.

(g) 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 Group's activities.

(h) Fair value estimation

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date, regardless of whether the price is observable or estimated using another valuation technique. In estimating fair value of an asset or liability, the group takes into account the characteristics of the asset or liability if market participants would take those characteristics into account when pricing the asset or liability at the measurement date. Fair value for measurement and/or disclosure purposes in these consolidated financial statements is determined on such a basis, except for share-based payment transactions that are within the scope of AASB 2, leasing transactions that are within the scope of AASB 17, and measurements that have some similarities to fair value but are not fair value, such as net realisable value in AASB 2 or value in use in AASB 136.

In addition, for financial reporting purposes, fair value measurements are categorised into level 1, 2 or 3 based on the degree to which the inputs to the fair value measurements are observable and the significance of the inputs to the fair value measurement in its entirety, which are described as follows:

- Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date;
- Level 2 inputs are inputs, other than quoted prices included in Level 1, that are observable for the asset or liability, either directly or indirectly; and
- Level 3 inputs are unobservable inputs for the asset or liability.

(i) 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 Group 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.

(j) 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 Group'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 Group 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 are assessed for indicators of impairment at each Statement of Financial Position 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 available for sale assets, including listed or unlisted shares, objective evidence of impairment includes information about significant changes with an adverse effect that have taken place in the technological, market, economic or legal environment in which the issuer operates, and indicates that the cost of the investment in the equity instrument may not be recovered. A significant or prolonged decline in the fair value of the security below its cost is considered to be objective evidence of impairment for unlisted shares classified as available for sale.

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.

(k) 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.

(l) 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 Group 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(t).

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 3(h).

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.

(m) Provisions

Provisions are recognised when the Group 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 Group 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.

(n) 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.

(o) 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 Ltd'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.

(p) Payables

Trade payables and other accounts payable are recognised when the Group 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.

(q) 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 Group 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 Group 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/Group 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 Ltd 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).

(r) Interest in joint operations

A joint operation is a joint arrangement whereby the parties that have joint control of the arrangement have rights to the assets, and obligations for the liabilities, relating to the arrangement. Joint control is the contractually agreed sharing of control of an arrangement, which exists only when decision about the relevant activities require the unanimous consent of the parties sharing control.

Under certain agreements, more than one combination of participants can make decisions about the relevant activities and therefore joint control does not exist. Where the arrangement has the same legal form as a joint operation but is not subject to joint control, group accounts for its interest in accordance with the contractual agreement by recognising its share of jointly held assets, liabilities, revenues and expenses of the arrangement.

When a Group entity undertakes its activities under joint operations, the Group as a joint operator recognises in relation to its interest in a joint operation:

- Its assets, including its share of any assets jointly held;
- Its liabilities, including its share of any liabilities incurred jointly;
- Its revenue from the sale of its share of the output arising from the joint operation;
- Its share of the revenue from the sale of the output by the joint operation; and
- Its expenses, including its share of any expenses incurred jointly.

The Group accounts for its assets, liabilities, revenues and expenses relating to its interest in a joint operation in accordance with the AASBs applicable to the particular assets, liabilities, revenues and expenses.

When a Group entity transacts with a joint operation in which a Group entity is a joint operator (such as a sale or contribution of assets), the Group is considered to be conducting the transaction with the other parties to the joint operation, and gains and losses resulting from the transactions are recognised in the Group's consolidated financial statements only to the extent of other parties' interests in the joint operation.

When a Group entity transacts with a joint operation in which a Group entity is a joint operator (such as a purchase of assets), the Group does not recognise its share of the gains and losses until it resells those assets to a third party.

(s) 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 Group's general policy on borrowing costs. Refer to Note 3(f).

Finance leased assets are amortised on a diminishing value basis over the term of the lease or, where it is likely the Group 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.

(t) 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 Group 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.

(u) Exploration and evaluation costs

During the current year, the Group re-evaluated the exploration and evaluation costs policy and changed the policy so that its accounting treatment of exploration expenditure will be more closely aligned to its perceived peers and more consistent with the petroleum industry's 'successful efforts' approach to accounting.

The Group now expenses exploration and evaluation expenditures except in relation to drilling costs, delineation seismic and other costs directly attributable to defining specific geological targets which will be capitalised pending a determination of commerciality of the geological target under evaluation. See Note 3(b) for further details.

In accordance with the above policy and AASB 6 'Exploration for and Evaluation of Mineral Resources,' capitalised exploration and evaluation costs in respect of each 'area of interest' or geographical segment are disclosed as a separate class of assets. Costs are 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.

Employee benefit costs directly attributable to exploration and evaluation projects are recharged from the employee benefit expense to either exploration costs or oil and gas properties.

(v) Property, plant and equipment

Plant and equipment and equipment under finance lease 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 Group 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 finance lease assets which are amortised over the term of the relevant lease or, where it is likely the Group 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	20-40%
• Plant and well equipment	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.

(w) Impairment of assets

At each reporting date the group reviews the carrying amounts of its assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). Where the asset does not generate cash flows that are independent from other assets, the group estimates the recoverable amount of the cash-generating unit to which the asset belongs. Where a reasonable and consistent basis of allocation can be identified, corporate assets are also allocated to individual cash-generating units or otherwise they are allocated to the smallest group of cash-generating units for which a reasonable and consistent allocation basis can be identified.

Intangible assets with indefinite useful lives and intangible assets not yet available for use are tested for impairment annually and whenever there is an indication that the asset may be impaired. Recoverable amount is the higher of 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 which the estimates of future cash flows have not been adjusted.

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 immediately in profit or loss.

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 immediately in profit or loss.

(x) 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 29.

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.

(y) 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) The Group 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 Group 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 Group embark on a more substantial development project.

(ii) The Group 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.

(iii) The Group 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.

(iv) The Group measures the cost of equity settled share-based payments at fair value at the grant date using an appropriate valuation model taking into account the terms and conditions upon which the instruments were granted and expected vesting period as disclosed in Note 29.

5. SEGMENT INFORMATION

AASB 8 'Operating Segments' 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 Group undertook during the year exploration for oil and gas in Australia and Africa.

The Group held working interests in numerous oil and gas leases in North America in the prior year which were sold during the year. 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 Group's assets and liabilities by reportable operating segment:

	Assets			Liabilities		
	31 Dec 2013 AU$	31 Dec 2012 (restated) AU$	1 Jan 2012 (restated) AU$	31 Dec 2013 AU$	31 Dec 2012 (restated) AU$	1 Jan 2012 (restated) AU$
AGC	121,290	208,451	532,196	49,603	92,159	518,185
Guinea-Bissau	1,163,169	14,631	59,086	342,642	23,970	3,911
Kenya	955,570	578,180	285,780	245,747	-	-
Senegal	1,054,360	17,382,168	11,607,564	1,153,396	-	-
USA	115,875	88,925	-	3,002	201,434	-
Corporate	29,379,194	20,690,969	27,547,450	763,778	1,729,551	4,027,406
Total assets and liabilities	32,789,458	38,963,324	40,032,076	2,558,168	2,047,114	4,549,502
Assets and liabilities relating to North American discontinued operations	-	347,599	219,119	-	55,794	260,502
Total assets and liabilities	32,789,458	39,310,923	40,251,195	2,558,168	2,102,907	4,810,004

Segment Revenue and Results

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

	Segment Revenue		Segment Loss	
	Year ended 31 Dec 2013 AU$	Year ended 31 Dec 2012 (restated) AU$	Year ended 31 Dec 2013 AU$	Year ended 31 Dec 2012 (restated) AU$
AGC	-	-	(163,067)	(589,638)
Australia	-	-	(593,953)	(1,650,160)
Canada	-	-	155,540	-
Guinea-Bissau	-	-	(872,144)	(725,459)
Jamaica	-	-	-	(83,123)
Kenya	-	-	(1,073,977)	(9,052,964)
Senegal	-	-	(2,285,396)	(761,813)
Other	-	-	(497,743)	(4,397)
Corporate	583,210	1,192,665	(2,624,609)	(1,607,397)
Total for continuing operations	583,210	1,192,665	(7,955,349)	(14,474,951)
Income tax expense			-	-
Loss before tax (continuing operations)			(7,955,349)	(14,474,951)

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

Other Segment Information

	Depreciation and Amortisation			Additions to Non-Current Assets		
	Year ended 31 Dec 2013 AU$	Year ended 31 Dec 2012 (restated) AU$	Year ended 1 Jan 2012 (restated) AU$	Year ended 31 Dec 2013 AU$	Year ended 31 Dec 2012 (restated) AU$	Year ended 1 Jan 2012 (restated) AU$
Guinea-Bissau	-	-	-	793,756	-	-
Kenya	-	-	-	166,442	130,496	-
Senegal	-	-	-	10,593	374,605	-
Corporate	70,458	52,239	40,858	10,294	177,515	102,159
Continuing Operations	70,458	52,239	40,858	981,085	682,616	102,159
Discontinued operations	-	90,098	614,262	-	70,712	141,827
Total	70,458	142,337	655,120	981,085	753,328	243,986

6. DISCONTINUED OPERATIONS

On 20 February 2013, the Group entered into a Purchase and Sale agreement for the sale of numerous oil and gas leases in North America, with an effective date of 1 November 2012. The sale was completed on 29 July 2013.

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

	Year ended 31 Dec 2013 AU$	Year ended 31 Dec 2012 AU$
Revenue	382	508,057
Other income	146,434	161,512
Direct operating costs	-	(273,363)
Depreciation and amortisation expense	-	(90,098)
Exploration expense	-	45,095
Abandonment expense	-	(69,229)
Administration expense	(79,075)	(70,020)
Employee benefits expense	-	(209,168)
Consulting expense	(42,028)	(43,550)
Other expenses	(27,403)	93,686
Profit/(loss) before income tax	(1,690)	52,922
Income tax expense	-	-
Profit/(loss) attributable to members of FAR Ltd from continuing operations	(1,690)	52,922

	Year ended 31 Dec 2013 AU$	Year ended 31 Dec 2012 (restated) AU$
Cash flows from discontinued operations		
Net cash outflows from operating activities	(335,664)	(12,689)
Net cash inflows/(outflows) from investing activities	437,776	(61,517)
Net cash inflows/(outflows)	**102,112**	**(74,206)**

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

	31 Dec 2013 AU$	31 Dec 2012 (restated) AU$
Oil and gas properties	-	192,729
Property, plant and equipment	-	55,642
Trade and other receivables	-	99,228
Total assets classified as held for sale	-	347,599
Trade and other payables	-	(55,794)
Liabilities associated with assets classified as held for sale	-	(55,794)
Net assets classified as held for sale	-	291,805

7. REVENUE

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

	Year ended 31 Dec 2013 AU$	Year ended 31 Dec 2012 (restated) AU$
Interest received	583,210	1,090,983
Other Revenue	-	101,682
	583,210	1,192,665

8. OTHER INCOME

	Year ended 31 Dec 2013 AU$	Year ended 31 Dec 2012 (restated) AU$
Miscellaneous other income	155,540	501
Gain on sale of oil and gas properties	-	2,903,940
	155,540	2,904,441

9. LOSS FOR THE YEAR

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

	Year ended 31 Dec 2013 AU$	Year ended 31 Dec 2012 (restated) AU$
Depreciation and amortisation:		
- Property, plant & equipment	(53,109)	(52,239)
- Amortisation of goodwill on acquisition of subsidiary	(17,349)	-
	(70,458)	(52,239)
Exploration Expense:		
- AGC	(163,067)	(585,638)
- Australia	(593,953)	(1,650,160)
- Guinea-Bissau	(872,144)	(725,459)
- Senegal	(2,285,396)	(761,813)
- Kenya	(1,073,977)	(9,052,964)
- Other	(166,886)	(91,520)
	(5,155,423)	(12,867,554)
Administration expense:		
- Rental expense on operating lease	(114,058)	(311,969)
Consulting expenses:		
- Share based payments to consultants – equity settled	(176,000)	(388,500)
- Corporate and other consulting costs	(583,638)	(303,023)
	(759,638)	(691,523)
Employee benefit expense:		
- Short-term employee benefits – salaries and fees	(1,651,808)	(1,570,791)
- Recharge of salaries and fees to exploration expenditure	752,536	406,643
- Short-term employee benefits – terminations	-	(1,115,051)
Post employment benefits:		
- Defined contribution plans	(109,319)	(129,753)
- Share based payments-equity settled	(816,000)	(1,289,100)
- Decrease / (increase) in employee benefits provisions [(i)]	(110,269)	359,841
	(1,934,860)	(3,338,211)

(i) During the prior 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

	Year ended 31 Dec 2013 AU$	Year ended 31 Dec 2012 (restated) AU$
Interest on convertible notes	-	(37,301)
Total interest expense	-	(37,301)
Accretion expense – convertible note	-	-
Other finance costs	-	(1,902)
	-	(39,203)

11. INCOME TAXES

(a) Income tax recognised in profit or loss

	Year ended 31 Dec 2013 AU$	Year ended 31 Dec 2012 (restated) AU$
Tax expense / (income) comprises:		
Current tax expense / (income)	(1,043,599)	(3,655,703)
Tax losses not brought to account	1,043,599	3,655,703
Deferred tax expense / (income) relating to the origination and reversal of temporary differences	(12,828)	(35,213)
Benefit arising from previously recognised tax losses of prior periods used to reduce deferred tax expense	12,828	35,213
Prior year unders/overs	(120,955)	(12,743,136)
De-recognition of previously unrecognised tax losses	120,955	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:

	Year ended 31 Dec 2013 AU$	Year ended 31 Dec 2012 AU$
Profit / (loss) from operations	(7,957,039)	(14,422,029)
Income tax expense / (income) calculated at 30%	(2,387,112)	(4,326,609)
Non-deductible expenses	1,343,513	1,600,694
Non-assessable gains	-	(929,788)
Unused tax losses and tax offsets not recognised as deferred tax assets	1,043,599	3,655,703
	-	-

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 Group.

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

Taxable and deductible temporary differences arise from the following:

2013	Opening balance AU$	Recognised in income AU$	Recognised in equity AU$	Arising from business combinations AU$	Closing balance AU$
Property, plant and equipment	(3,016)	1,595	-	-	(1,420)
Receivables	211,902	(47,504)	-	-	164,398
Provisions	68,428	33,081	-	-	101,508
Total	277,314	(12,828)	-	-	264,486

2012	Opening balance AU$	Recognised in income AU$	Recognised in equity AU$	Arising from business combinations AU$	Closing balance AU$
Property, plant and equipment	(7,030)	4,014	-	-	(3,016)
Receivables	148,574	63,328	-	-	211,902
Provisions	170,983	(102,555)	-	-	68,428
Total	312,527	(35,213)	-	-	277,314

Refer to Note 27 for details of temporary difference arising from business combinations.

	2013 AU$	2012 AU$
Unrecognised deferred tax balances The following deferred tax assets have not been brought to account as assets:		
Deferred tax assets on temporary differences (net)	264,486	277,314
Tax losses in the United States (net)	3,553,000	3,554,033
Tax losses in Australia (net)	11,355,171	10,297,711
Capital losses in Australia	99,257	-
	15,271,914	14,129,058

Tax consolidation

Relevance of tax consolidation to the Group

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 Ltd. The members of the tax consolidated group are identified at Note 26.

12. TRADE AND OTHER RECEIVABLES

	31 Dec 2013 AU$	31 Dec 2012 (restated) AU$
Current		
Interest receivable	35,555	63,340
Amount receivable for recoupment of costs – Senegal(i)	5,587,841	-
Other receivables(ii)	622,197	624,939
Less allowance for doubtful debts	(279,392)	(331,422)
	5,966,201	356,857
Non-current		
Amount receivable for sale of Beibu Gulf Block 22/12(iii)	-	2,889,060

(i) Amount receivable for recoupment of costs – Senegal represents the Second Farm-in fee of $5,587,841 (US$5 million) receivable from Capricorn Senegal Limited, a subsidiary of Cairn Energy PLC in accordance with an agreement entered into on 18 March 2013. This amount was received by the Company on 10 February 2014

(ii) Other receivables include amounts of $279,392 (2012: $331,422) which were past due at balance date. These amounts have been provided for in full.

(iii) During the year the non-current receivables due in respect of a prior year sale of the Group's interest in the Beibu Gulf Block 22/12 Joint Venture (through the disposal of a wholly owned subsidiary) was received. This amount represented the final instalment of proceeds receivable from the sale of Beibu Gulf.

13. OTHER FINANCIAL ASSETS

Current

	31 Dec 2013 AU$	31 Dec 2012 (restated) AU$
Security deposit	2,783	71,887
Performance bonds	84,900	370,680
	87,683	442,567

The weighted average interest rate on the performance bonds is 3.56% (2012: 4.45%).

Non-current

	31 Dec 2013 AU$	31 Dec 2012 (restated) AU$
Security deposit	-	5,400,000

The non-current security deposit related to the Group's interests in the Republic of Senegal. As a result of the farm-in agreement with Cairn Energy PLC entered into during the year, this amount was released to the Company during the year with the full amount transferred to cash and cash equivalents.

14. OTHER CURRENT ASSETS

	31 Dec 2013 AU$	31 Dec 2012 (restated) AU$
Prepayments	93,839	65,224

15. PROPERTY, PLANT AND EQUIPMENT

	Furniture, Fittings & Equipment AU$	Vehicles AU$	Plant & Well Equipment AU$	Total AU$
Cost				
Balance at 1 January 2012	332,940	84,348	1,557,434	1,974,722
Additions	177,514	-	14,025	191,539
Assets classified as held for sale	-	-	(1,448,675)	(1,448,675)
Disposals	(58,942)	(84,348)	(88,774)	(232,064)
Net foreign currency exchange differences	(1,009)	-	(34,010)	(35,019)
Balance at 31 December 2012	450,503	-	-	450,503
Additions	10,294	-	-	10,294
Disposals	(2,810)	-	-	(2,810)
Balance at 31 December 2013	457,987	-	-	457,987
Accumulated depreciation and impairment				
Balance at 1 January 2012	241,477	26,343	1,501,098	1,768,918
Depreciation expense	48,040	4,381	13,480	65,901
Assets classified as held for sale	-	-	(1,393,033)	(1,393,033)
Disposals	(30,483)	(30,724)	(88,774)	(149,981)
Net foreign currency exchange differences	(1,006)	-	(32,771)	(33,777)
Balance at 31 December 2012	258,028	-	-	258,028
Depreciation expense	53,108	-	-	53,108
Disposals	(1,391)	-	-	(1,391)
Balance at 31 December 2012	309,745	-	-	309,745
Net Book Value				
1 January 2012	91,463	58,005	56,336	205,804
31 December 2012	192,475	-	-	192,475
31 December 2013	148,242	-	-	148,242

16. OIL AND GAS PROPERTIES

	31 Dec 2013 AU$	31 Dec 2012 (restated) AU$
Producing properties		
Capitalised development costs:		
Balance at 1 January	-	9,271,122
Additions	-	56,687
Disposals	-	(527,841)
Assets classified as held for sale	-	(8,597,583)
Net foreign currency exchange differences	-	(202,385)
Balance at 31 December	-	-
Less: accumulated amortisation		
Balance at 1 January	-	9,052,003
Amortisation expense	-	76,434
Disposals	-	(525,955)
Assets classified as held for sale	-	(8,404,854)
Net foreign currency exchange differences	-	(197,628)
Balance at 31 December	-	-
Non-producing properties		
Exploration and evaluation expenditure:		
Balance at 1 January	12,112,665	11,607,564
Additions	970,791	505,101
Recovery of back costs	(10,957,118)	-
Net foreign currency exchange differences	82,802	-
Balance at 31 December	2,209,140	12,112,665
Total oil and gas properties	2,209,140	12,112,665
Net book value		
1 January 2012		11,826,683
31 December 2012		12,112,665
31 December 2013		2,209,140

During the current year, the Company re-evaluated its accounting policy in relation to capitalisation of exploration expenditure so that its accounting treatment will be more closely aligned to its perceived peers and more consistent with the petroleum industry's 'successful efforts' approach to accounting. As a consequence the Company will now expense exploration and evaluation expenditures except in relation to drilling costs, delineation seismic and other costs directly attributable to defining specific geological targets which will be capitalised pending a determination of commerciality of the geological target under evaluation. Any expenditure that is capitalised in accordance with the above policy will remain subject to impairment testing at each reporting date when impairment indicators are identified in accordance with AASB 6 'Exploration for and Evaluation of Mineral Reserves'.

During the year, FAR announced two major farm-in agreements in relation to its offshore Senegal exploration permits with ConocoPhillips and Cairn Energy (a UK listed oil and gas company). Both farm-in agreements have received Senegalese Ministerial approval.

As a result of the two farm-in deals with ConocoPhillips and Cairn, FAR has secured full funding for its share of two exploration wells totalling approximately US$190 million (100% basis, FAR estimate) and net cash payments of US$9.82 million (of which $5,369,277 (US$4.82 million), has been received by FAR to date and the remaining $5,587,841 (US$5 million) as at 31 December 2013, has been received following the year end). FAR retains a 15% working interest in the permits. ConocoPhillips and Cairn will hold 35% and 40% respectively. Petrosen, the Senegal National Oil Company, has a 10% carried interest through this exploration phase.

We estimate FAR's net free carry for work program expenses for Senegal as at 31 December 2013 is $ 34,756,370 (US $31.1 million)

17. TRADE AND OTHER PAYABLES

	31 Dec 2013 AU$	31 Dec 2012 (restated) AU$
Current		
Trade payables [(i)]	107,377	1,256,473
Other [(ii)]	2,112,430	362,676
	2,219,807	1,619,149
Non-Current		
Other	-	173,343

(i) 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.

(ii) Groups share of joint venture payables and other payables.

18. PROVISIONS

	31 Dec 2013 AU$	31 Dec 2012 (restated) AU$
Current		
Employee benefits [(i)]	292,427	207,040
Non-Current		
Employee benefits [(i)]	45,934	21,052

(i) The provision for employee benefits represents annual leave and long service leave entitlements accrued by employees.

19. ISSUED CAPITAL

	31 Dec 2013 Number	31 Dec 2013 AU$	31 Dec 2012 Number	31 Dec 2012 AU$
Paid up capital: Ordinary fully paid shares at beginning of year	2,499,846,742	143,384,588	2,150,080,157	129,137,015
Shares allotted during the year	-	-	349,766,585	15,039,947
Share issue costs	-	-	-	(792,374)
Ordinary fully paid shares at end of year	2,499,846,742	143,384,588	2,499,846,742	143,384,588

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 carry a right to dividends.

No shares were allotted during the year.

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 AU$	Fair value at grant date AU$
(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	21-Aug-12	30-Jun-15	0.060	0.025
(10) Granted 27 May 2013	62,000,000	27-May-13	27-May-16	0.044	0.016
	132,000,000				

Further details on share options outstanding are included at Note 29 of this annual report.

20. RESERVES

	31 Dec 2013 AU$	31 Dec 2012 AU$
Option reserve (i)	4,844,555	3,852,555
Foreign currency translation reserve (ii)	(654,394)	(642,707)
Equity component on convertible notes (iii)	671,496	671,496
	4,861,657	3,881,344

(i) Option reserve		
- opening balance	3,852,555	2,174,955
- options allotted	992,000	1,677,600
- balance at end of year	4,844,555	3,852,555

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 29.

(ii) Foreign currency translation reserve		
- balance at beginning of year	(642,707)	(906,388)
- translation of foreign operations	(11,687)	263,681
- balance at end of year	(654,394)	(642,707)

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	671,496
- 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. In February 2009, 6,638,033 15% convertible notes were issued 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. On 31 January 2012, 6,506,419 notes matured at 45 cents and were repaid in full.

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

21. EARNINGS PER SHARE

	31 Dec 2013 Cents per share	31 Dec 2012 Cents per share (restated)
Basic (loss)/earnings per share		
From continuing operations	(0.32)	(0.60)
From discontinued operations	-	-
Total basic (loss)/earning per share	(0.32)	(0.60)
Diluted (loss)/earnings per share		
From continuing operations	(0.32)	(0.60)
From discontinued operations	-	-
Total diluted (loss)/earning per share	(0.32)	(0.60)

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:

	Year ended 31 Dec 2013 AU$	Year ended 31 Dec 2012 (restated) AU$
Earnings/(loss): Loss for the year attributable to members of FAR Ltd	(7,957,039)	(14,422,029)
(Profit) / loss for the year from discontinued operations used in the calculation of basic and diluted earnings per share from discontinued operations	1,690	(52,922)
Loss for the year used in calculation of basic and diluted earnings per share from continuing operations	(7,955,349)	(14,474,951)
	Number	**Number**
Weighted average number of ordinary shares for the purposes of basic and diluted earnings per share	2,499,846,742	2,404,482,924

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:

	31 Dec 2013 Number	31 Dec 2012 Number
$0.10 March 2013 unlisted options	-	4,750,000
$0.18 April 2014 unlisted options	1,500,000	1,500,000
$0.06 June 2015 unlisted options	58,500,000	58,500,000
$0.06 July 2015 unlisted options	10,000,000	10,000,000
$0.044 May 2016 unlisted options	62,000,000	-
	132,000,000	74,750,000

22. 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. In some instances a financial penalty may result if the minimum work program is not completed. The approved expenditure on exploration permits may be in excess of the minimum exploration expenditure. Where the Group is committed to approved joint venture exploration expenditure greater than the minimum permit exploration work program commitments those amounts are included.

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

	31 Dec 2013 AU$	31 Dec 2012 AU$
Oil and Gas Properties		
Not longer than 1 year	32,495,983	11,240,000
Longer than 1 year and not longer than 5 years	-	55,370,000
	32,495,983	66,610,000

The amounts included in the above table do not include the Groups share of work program commitments that are free carried under the Kenya L6 and Senegal farm-out agreements. We estimate the Group's share of free carry for work program commitments for Kenya L6 and Senegal as at 31 December 2013 total $40,567,724 (US$ 36.3 million).

No work program commitment amounts have been included for Kenya L9 because at the reporting date the Group is awaiting unconditional Government approval for the assignment of the Group's interest in the L9 permit. In the event unconditional approval is received the Group will be responsible for its share of PSC commitments. The Group will also be liable for payment of past costs related to a 3D seismic survey undertaken by the Operator of the permit. These past costs will be paid on a ground floor basis. See Note 23 for further details.

Non-cancellable operating lease commitments are disclosed in Note 24 to the financial statements.

23. CONTINGENT LIABILITIES

	31 Dec 2013 AU$	31 Dec 2012 AU$
Contingent liabilities		
Guinea-Bissau – contingent payment from future production (i)	14,528,386	12,519,260
Guinea-Bissau – contingent withholding tax liability (ii)	627,952	508,000
Kenya L6 – performance Bond (iii)	84,900	370,680
Kenya L9 – past costs (iv)	12,860,858	-
Senegal – performance bond (v)	-	5,400,000
	28,102,096	18,797,940

(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 $14,528,386 (US$13 million) 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. The Operator and the Company have approved a work program and budget to drill one firm appraisal well and one contingent exploration well in late Q1 2015 which is subject to rig availability.

(ii) During the year ended 31 December 2009, the Group 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 Group's share of the estimated contingent liability as at 31 December 2013 is $627,952.

(iii) Flow Energy Pty Ltd ('Flow') a wholly owned subsidiary of the Company is a party to the Kenya Offshore Block L6 Production Sharing Contract. Flow is the Contractor for the project and, in accordance with the terms of the Contract, the Contractor must provide security guaranteeing the Contractor's minimum work and expenditure obligations on or before the commencement of an Exploration Period. 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 $84,900 is disclosed in current, other financial assets, see Note 13.

(iv) Petrole Investments Group Pty Ltd ('Petrole'), a wholly owned subsidiary of the Company, completed negotiations on joint venture agreements with Ophir Energy PLC ('Ophir') in relation to Kenya exploration Block L9 in September 2013. Following unconditional Government approval of the Block L9 joint venture agreements (which was outstanding at year end), Petrole will become liable to pay amounts relating to its participating interest share of L9 past costs principally comprising of two large 3D seismic surveys and other costs totalling approximately $12,860,858 (US$11.5 million). Not included in the contingent liability amount disclosed in the above table are any amounts in relation to any future joint venture approved work program or Production Sharing Contract work commitments for Block L9. On unconditional Government approval of the above mentioned joint venture agreements, Petrole will also be required to provide a performance bank bond and a parent company guarantee to the Government of Kenya of combined value of $6 million. These guarantees relate to the minimum expenditure obligation for the First Additional Exploration Period of the L9 Production Sharing Contract which has a work commitment of one exploration well. Petrole may also be required to fund its share of any other future joint venture approved work program expenditures on Block L9.

(v) As a result of the farm-in agreement with Cairn Energy PLC entered into during the year, the performance bond was released to the Company during the year with the full amount transferred to cash and cash equivalents. See Note 13 for further details.

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

24. LEASES

Operating leases – Leasing arrangements

The Group was not a party to any operating leases at 31 December 2013.

	31 Dec 2013 AU$	31 Dec 2012 AU$
Non-cancellable operating lease payments:		
Not longer than 1 year	-	51,274
	-	51,274

25. INTERESTS IN JOINT VENTURE OPERATIONS

The Group has an interest in the following material joint venture operations whose principal activities are oil and gas exploration:

Name	**Equity Interest**	
	31 Dec 2013 %	31 Dec 2012 %
AGC		
AGC Profond	8.80	8.80
Australia		
WA-47-R (formerly WA-254-P) (i)	-	11.25
EP104 (ii)	8.90	8.90
R1	8.90	8.90
L15	12.00	12.00
Guinea-Bissau		
Sinapa / Esperança	15.00	15.00
Kenya		
L6 (iii)	60.00	60.00
L9 (iv)	30.00	30.00
Senegal		
Rufisque Offshore / Sangomar Offshore / Sangomar Deep Offshore (v)	25.00	90.00

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

(ii) Subject to a Deed of Assignment from Buru Energy Pty Ltd executed on 30 May 2013 and pending the outcome of a Renewal Application pursuant to section 42(8) of the Petroleum Act the Company's interest will increase to 15.67%.

(iii) On 4 February 2014, the Group announced the signing of a farm-out agreement for Kenya L6 with Milio International Limited. The Group is to be free carried through a $33,783,784 (US$30 million (Group estimate as at 4 February 2014)) exploration program including a regional onshore 1,000km 2D seismic survey and onshore exploration well in Block L6. The Group will retain a 24% participating interest in the onshore part of the Block and a 60% participating interest in the offshore part of the Block. The Company announced the Government approval of the farm-out agreement on 17 February 2014.

(iv) The Group completed negotiations on joint venture agreements with Ophir Energy PLC ('Ophir') on the Kenya exploration permit Block L9 in September 2013. The Group is currently awaiting unconditional Government approval of the Block L9 joint venture agreements to obtain its interest. It is not unusual in Kenya for the Government of Kenya consents to take time to be issued, and there is no reason to think that the consent will not be granted. See Note 23 (iv) for further details.

(v) This is adjusted for the Cairn Energy PLC Farm-in Agreement effective from 1 August 2013. The ConocoPhillips Farm-in Agreement was effective after the balance sheet date (from 1 January 2014 the beneficial interest reduced to 15% (from 25%).

The Group'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.

	31 Dec 2013 AU$	31 Dec 2012 (restated) AU$
Current Assets		
Cash and cash equivalents	888,417	160,799
Trade and other receivables	28,720	60,990
Inventories	81,236	70,002
Other financial assets	85,705	370,680
Other assets	1,172	4,158
Non-Current Assets		
Other financial assets	-	5,400,000
Oil and gas properties	2,209,140	12,112,665
Current Liabilities		
Trade and other payables	1,791,388	1,086,054

Contingent liabilities and capital commitments

The capital commitments arising from the Group's interests in joint ventures are disclosed in Note 22.

The contingent liabilities in respect of the Group's interest in joint ventures are disclosed in Note 23.

26. SUBSIDIARIES

		Ownership interest	
Name of Entity	**Country of incorporation**	**2013 %**	**2012 %**
Parent Entity			
FAR Ltd (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 Pty Ltd (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 Group Pty Ltd (iii)	Mauritius	100	100
Arawak Oil & Gas Limited (iii)	British Virgin Islands	100	100
Meridian Minerals Limited (v)	Mauritius	100	100

(i) FAR Ltd 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.

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

(v) Acquired on 21 January 2013 as a holding company for future investments in Africa. The Company was acquired from Mr Nic Limb, the Chairman of the Company for $15,000 and was approved by the Board independently of Mr Limb on 7 Dec 2012.

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	Year ended 31 Dec 2013 AU$	Year ended 31 Dec 2012 AU$
Revenues	583,207	1,192,212
Other income	155,540	2,902,018
Depreciation and amortisation expense	(53,109)	(51,052)
Exploration expense	(3,550,075)	(2,380,864)
Impairment of loans	(353,658)	-
Diminution of investment	(1,005,444)	-
Finance costs	-	(38,688)
Administration expense	(597,403)	(859,159)
Employee benefits expense	(1,934,860)	(3,308,090)
Consulting expense	(759,638)	(691,523)
Foreign exchange gain/(loss)	540,398	(99,557)
Other expenses	(708,846)	(786,505)
Loss before income tax	(7,683,888)	(4,421,209)
Income tax expense	-	-
Loss for the year	(7,683,888)	(4,421,209)
Other comprehensive income	-	-
Total comprehensive income	(7,683,888)	(4,421,209)

Statement of Financial Position	31 Dec 2013 AU$	31 Dec 2012 (restated) AU$
CURRENT ASSETS		
Cash and cash equivalents	23,447,253	17,242,572
Receivables	5,711,558	360,487
Inventories	81,236	70,002
Other financial assets	-	70,181
Other	91,046	59,990
Total Current Assets	29,361,093	17,803,232
NON CURRENT ASSETS		
Trade and other receivables	14,099,897	15,355,206
Other financial assets	24,513,697	30,919,141
Property, plant and equipment	148,242	192,475
Oil and gas properties	1,874,640	11,982,168
Total Non-Current Assets	40,636,476	58,448,990
TOTAL ASSETS	69,997,569	76,252,222
CURRENT LIABILITIES		
Trade and other payables	1,953,392	1,438,363
Provisions	292,428	207,040
Other current liabilities	-	26,529
Total Current Liabilities	2,245,820	1,671,932
NON-CURRENT LIABILITIES		
Trade and other payables	-	173,344
Provisions	45,934	21,053
Total Non-Current Liabilities	45,934	194,397
TOTAL LIABILITIES	2,291,754	1,866,329
NET ASSETS	67,705,815	74,385,893
EQUITY		
Issued capital	143,384,588	143,384,588
Reserves	5,520,515	4,516,705
Accumulated losses	(81,199,288)	(73,515,400)
TOTAL EQUITY	67,705,815	74,385,893

Accumulated Losses	31 Dec 2013 AU$	31 Dec 2012 AU$
Balance at beginning of financial year	(73,515,400)	(69,394,191)
Net loss	(7,683,888)	(4,121,209)
Balance at end of financial year	(81,199,288)	(73,515,400)

27. 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 consolidated cash flows can be reconciled to the related items in the statement of financial position as follows:

	31 Dec 2013 AU$	31 Dec 2012 AU$
Cash and cash equivalents	23,314,700	17,262,759
Cash and cash equivalents held in joint ventures	888,417	171,715
	24,203,117	17,434,474

(b) Non-cash financing and investing activities

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

(c) Financing facilities

The Group had no external borrowings at 31 December 2013. Further, the Group has not arranged any financing facilities for use in the future.

(d) Cash balances not available for use

Cash and cash equivalents held in joint ventures are not available for use by the Group. There are no other restrictions on cash balances at 31 December 2013.

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

	31 Dec 2013 AU$	31 Dec 2012 AU$
Loss for the year	(7,957,039)	(14,422,029)
Depreciation and amortisation of non-current assets	70,458	142,337
Foreign exchange (gain) / loss	(508,790)	386,629
Equity settled share-based payments	992,000	1,677,600
Interest income received	(583,592)	(1,091,256)
Gain on sale of oil and gas properties	185,426	(3,065,451)
Loss on sale of property plant and equipment	1,418	2,421
(Increase) / decrease in assets:		
Trade and other receivables	37,583	129,495
Inventories	(11,235)	54,980
Other financial assets	6,723	(5,644)
Other current assets	(31,055)	26,953
Increase / (decrease) in liabilities:		
Trade and other payables	673,080	52,476
Provisions	110,270	(359,492)
Net cash used in operating activities	(7,014,753)	(16,470,981)

28. FINANCIAL INSTRUMENTS

(a) Capital risk management

The Group 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 Group consists of cash and cash equivalents and equity attributable to equity holders of the parent comprising issued capital, reserves and accumulated losses.

(b) Financial risk management objectives

The Group'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 Group.

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

The Group'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 Group 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

	31 Dec 2013 AU$	31 Dec 2012 AU$
Financial assets		
Cash and cash equivalents	24,203,117	17,434,474
Trade and other receivables – current and non-current	5,966,201	3,305,759
Other financial assets – current and non-current	87,683	5,842,567
Total Financial assets	30,257,001	26,582,800
Financial liabilities		
Trade and other payables	2,219,807	1,792,492

(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 Group's net profit after tax would decrease/increase by $694,618.

(f) Commodity price risk management

The Group's oil and gas production ceased in November 2012 with the disposal of the North American producing assets and therefore has no exposure to commodity price fluctuations.

(g) Liquidity risk management

The Group 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 Group'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 Group.

	Weighted average effective interest rate %	Less than 1 month AU$	Maturity 1-3 months AU$	3 month to 1 year AU$	1-5 years AU$	5+ years AU$	Total AU$
2013							
Financial assets:							
Non-interest bearing	-	15,096,011	-	-	-	-	15,096,011
Variable interest rate	1.80	390,310	-	-	-	-	390,310
Fixed interest rate	3.08	9,000,000	5,770,680	-	-	-	14,770,680
		24,486,321	5,770,680	-	-	-	30,257,001
Financial liabilities:							
Non-interest bearing	-	128,089	2,091,718	-	-	-	2,219,807
		128,089	2,031,718	-	-	-	2,219,807
2012							
Financial assets:							
Non-interest bearing	-	1,751,076	24,382	1,705	2,889,060	-	4,666,223
Variable interest rate	3.00	7,100,097	-	-	-	-	7,100,097
Fixed interest rate	4.44	4,000,000	10,685,780	130,700	-	-	14,816,480
		12,851,173	10,710,162	132,405	2,889,060	-	26,582,800
Financial liabilities:							
Non-interest bearing		1,592,620	26,529	-	173,343	-	1,792,492
		1,592,620	26,529	-	173,343	-	1,792,492

(h) Interest rate risk management

The Group is exposed to interest rate risk as it earns interest at floating rates from a portion of its cash and cash equivalents. The Group 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 Group's net profit after tax would increase/decrease by $109,126.

(i) Credit risk management

Trade accounts receivable consisted 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 Group 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 Group'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 (2012: net fair value).

Any financial assets or liabilities recognised within the financial statements at fair value are measured using Level 1 inputs and quoted prices in active markets for identical assets or liabilities that the entity can access at the measurement date.

29. SHARE-BASED PAYMENTS

(a) Employee share option plan

Whilst the Group 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 AU$	Fair value at grant date AU$
(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	21-Aug-12	30-Jun-15	0.060	0.025
(10) Granted 27 May 2013	62,000,000	27-May-13	27-May-16	0.044	0.016

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

Input into model	Series 10
Grant date share price	3.0 cents
Exercise price	4.4 cents
Expected volatility	97%
Option life	1,096 days
Risk free interest rate	2.57%
Fair value	$992,000

(c) Movement in share options during the year

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

	31 Dec 2013		31 Dec 2012	
	Number of options	Weighted average exercise price	Number of options	Weighted average exercise price
Balance at beginning of the financial year	74,750,000	6.5 cents	24,800,000	7.0 cents
Granted during the financial year	62,000,000	4.4 cents	75,000,000	6.0 cents
Forfeited during the year	-	-	(6,500,000)	6.0 cents
Expired during the financial year	(4,750,000)	10.0 cents	(18,550,000)	12.3 cents
Balance at the end of the financial year	132,000,000	5.4 cents	74,750,000	6.5 cents
Exercisable at end of year	132,000,000	5.4 cents	74,750,000	6.5 cents

(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 5.4 cents (2012: 6.5 cents) and a weighted average remaining contractual life of 699 days (2012: 853 days)

30. KEY MANAGEMENT PERSONNEL COMPENSATION

(a) Details of key management personnel

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

- N J Limb – Non-Executive Director, Chairman
- C M Norman – Managing Director
- B J M Clube – Executive Director and Commercial Manager (appointed Director 12 April 2013)
- A E Brindal – Non-Executive Director / Company Secretary (resigned as Company Secretary 4 April 2013 but retains directorship)
- P J Nicholls – Exploration Manager
- P A Thiessen – Chief Financial Officer / Company Secretary

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 Group and the Company is set out below:

	31 Dec 2013 AU$	31 Dec 2012 AU$
Short-term employee benefits	1,533,864	2,204,020
Post-employment benefits	70,887	76,480
Share-based payment	752,000	1,194,600
Other long-term benefits	15,843	(175,619)
Total	2,372,594	3,299,481

31. 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 26 to the financial statements.

Equity interests in associates and joint ventures

Details of interests in joint ventures are discussed in Note 25.

(b) Key management personnel compensation

Details of key management personnel compensation are disclosed in Note 30 to the financial statements.

(c) Key management personnel equity holdings

Fully Paid Ordinary Shares

For the year ended 31 Dec 2013	Balance 1 Jan 13	Received on Exercise of Options	Net Other Change [i]	Balance 31 Dec 13
Directors				
N J Limb	32,908,139	-	-	32,908,139
C M Norman	574,417	-	-	574,417
B J M Clube	-	-	5,700,000	5,700,000
C L Cavness	1,150,000	-	-	1,150,000
A E Brindal	311,061	-	-	311,061
Executives				
P J Nicholls	4,543,291	-	-	4,543,291
P A Thiessen	-	-	-	-
	39,486,908	-	5,700,000	45,186,908

For the year ended 31 Dec 2012	Balance 1 Jan 12	Received on Exercise of Options	Net Other Change [i]	Balance 31 Dec 12
Directors				
M J Evans [ii]	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	-	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	-	-	-	-
	47,315,706	-	(7,828,798)	39,486,908

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

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

Share Options

For the year ended 31 Dec 2013	Balance 1 Jan 13	Options Granted as Compensation	Options Exercised	Net Other Change	Balance 31 Dec 13
Directors					
N J Limb	-	5,000,000	-	-	5,000,000
C M Norman	20,000,000	14,000,000	-	-	34,000,000
B J M Clube	10,000,000	12,000,000	-	-	22,000,000
C L Cavness	-	-	-	-	-
A E Brindal	-	-	-	-	-
Executives					
P J Nicholls	10,000,000	10,000,000	-	-	20,000,000
P A Thiessen	6,000,000	6,000,000	-	-	12,000,000
	46,000,000	47,000,000	-	-	93,000,000

For the year ended 31 Dec 2012	Balance 1 Jan 12	Options Granted as Compensation	Options Exercised	Net Other Change	Balance 31 Dec 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
	7,800,000	52,000,000	-	(13,800,000)	46,000,000

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

(ii) Mr C J Harper ceased to be a member of key management personnel upon his resignation effective from 30 September 2012.

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 29 to the financial statements

Convertible Notes

No convertible notes were held by key management personnel during the year. The convertible notes were repaid in full on 31 January 2012.

2012	Balance 1 Jan 12	Net Other Change	Balance 31 Dec 12
Executives			
C J Harper	4,500	(4,500) (i)	-

(i) Mr C J Harper ceased to be a member of key management personnel upon his resignation effective from 30 September 2012.

The convertible notes had a face value of 45 cents each. Each note carried a coupon rate of 15 percent 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. The convertible notes were 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 Group

During the year, administrative support, office accommodation and IT facilities were provided at commercial rates by Mineral Deposits Limited, of which Mr N J Limb is a director. Mineral Deposits Limited charged $95,582 (2012: $98,448) in relation to the provision of these services.

During the year, joint venture accounting services were provided to the Company by E Loader, the spouse of Mr B Clube. Ms Loader charged $14,895 in relation to the provision of these services.

(e) Controlling entity

The Parent Entity in the Group is FAR Ltd. Both the ultimate Parent Entity and the ultimate Australian Entity in the wholly owned group is FAR Ltd.

32. SUBSEQUENT EVENTS

On 1 January 2014, all conditions precedent in relation to the ConocoPhillips farm-in agreement had been satisfied. On 28 January 2014, pursuant to the farm-in agreement, the Company received $1,718,436 (US$1.51 million).

On 4 February 2014, the Company announced the signing of a farm-out agreement for Kenya L6 with Milio International Limited. The Group is to be free carried through a $33,783,784 (US$30 million, Group estimate as at 4 February 2014) exploration program including a regional onshore 1,000km 2D seismic survey and onshore exploration well in Block L6. The Group will retain a 24% participating interest in the onshore part of the Block and a 60% participating interest in the offshore part of the Block. The Company announced on 17 February 2014 Government approval of the farm-out agreement.

On 11 February 2014, the Company announced it had received $5,587,841 (US$5 million) cash from Cairn Energy in relation to its Senegal farm-out deal. The $5,587,841 (US$5 million) represented the second of two tranches to be received from Cairn Energy in relation to the Senegal farm-out agreement.

Other than the above, the directors are not aware of any other matters or circumstances at the date of this report that have significantly affected or may significantly affect the operations, the results of the operations or the state of affairs of the Group in subsequent financial years.

33. REMUNERATION OF AUDITORS

	31 Dec 2013 AU$	31 Dec 2012 (restated) AU$
Auditor of the Parent Entity:		
Audit or review of the financial report	65,685	53,294
Other services	17,400	-
	83,085	53,294

The auditor of the Group is Deloitte Touche Tohmatsu.

34. PARENT ENTITY DISCLOSURES

(a) Financial position

	31 Dec 2013 AU$	31 Dec 2012 (restated) AU$
Assets		
Current assets	29,361,093	17,803,230
Non-current assets	40,636,479	58,448,993
Total Assets	69,997,572	76,252,223
Liabilities		
Current liabilities	2,245,820	1,645,403
Non-current liabilities	45,934	220,924
Total Liabilities	2,291,754	1,866,327
Equity		
Issued Capital	143,384,588	143,384,588
Reserves		
Option reserve and equity component on convertible notes	5,516,051	4,524,051
Foreign currency translation reserve	4,464	(7,346)
Accumulated losses	(81,199,285)	(73,515,397)
Total Equity	67,705,818	74,385,896

(b) Financial performance

	Year ended 31 Dec 2013 AU$	Year ended 31 Dec 2012 AU$
Loss for the year	(7,683,888)	(4,121,210)
Other comprehensive income	-	-
Total comprehensive income	(7,683,888)	(4,121,210)

(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 26, at reporting date there are no guarantees entered into by the Parent Entity in relation to the debts of its subsidiaries (2012: nil).

(d) Contingent liabilities of the parent entity

	31 Dec 2013 AU$	31 Dec 2012 AU$
Contingent liabilities		
Guinea-Bissau – contingent payment from future production	14,528,386	12,519,260
Guinea-Bissau – contingent withholding tax liability	627,952	508,000
Senegal – performance bond	-	5,400,000
	15,156,338	18,427,260

Refer to Note 23 for further details.

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

	31 Dec 2013 AU$	31 Dec 2012 AU$
Oil and Gas Properties		
Not longer than 1 year	26,107,094	440,000
Longer than 1 year and not longer than 5 years	-	440,000
	26,107,094	880,000

Refer to Note 22 for further details.

Pursuant to the Listing requirements of the Australian Securities Exchange

Number of holders of equity securities

Ordinary Shares

At 24 March 2014, the issued capital comprised of 2,499,846,742 ordinary shares held by 9,739 holders.

Unlisted Options

At 24 March 2014, there were 132,000,000 unlisted options, of various exercise prices and expiry dates, held by 13 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 24 March 2014 – Ordinary Shares

			Number of Holders	Number of Units	% of Total Issued Capital
1	-	1,000	473	240,426	0.010
1,001	-	5,000	469	1,433,068	0.057
5,001	-	10,000	642	5,631,521	0.225
10,001	-	100,000	5,329	238,890,207	9.556
100,001 and over			2,826	2,253,651,520	90.152
Total			9,739	2,499,846,742	100.000
Holding less than a marketable parcel			1,231		

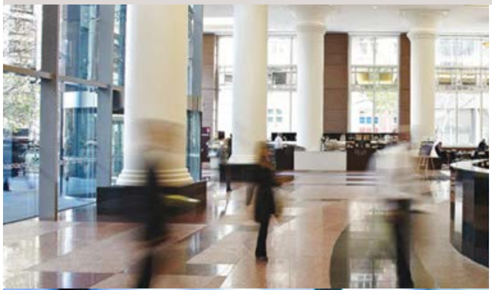
Substantial Shareholders

There were no substantial shareholders as at 24 March 2014.

Top Twenty Shareholders as at 24 March 2014

	Number of shares	Percentage
JP Morgan Nominees Australia Limited	179,983,938	7.200
Citicorp Nominees Pty Limited	162,385,589	6.496
HSBC Custody Nominees (Australia) Limited	127,875,942	5.115
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	30,000,000	1.200
Berne No 132 Nominees Pty Ltd	29,200,805	1.168
YF Finance Limited	29,066,242	1.163
ABN Amro Clearing Sydney Nominees Pty Ltd	15,062,485	0.603
Comsec Nominees Pty Limited	14,369,365	0.575
Mr Philip Alan Kenneth Naylor	14,101,200	0.564
Allor Australia Investments Pty Ltd	12,522,610	0.501
Mr John Daniel Powell	11,829,480	0.473
A Di Bella Pty Ltd	10,623,348	0.425
Mr Robert Simeon Lord	10,000,000	0.400
Mr John William Greenhalgh	9,939,780	0.398
BCI Holdings Pty Ltd	8,258,838	0.330
National Nominees Limited	8,109,356	0.324
Mr Dominik Ashe	8,100,000	0.324
	836,214,504	33.451

Corporate Directory



DIRECTORS

Nicholas Limb
(Chairman)

Catherine Norman
(Managing Director)

Benedict Clube
(Executive Director)

Albert Brindal
(Non-Executive Director)

Charles Cavness
(Non-Executive Director)

COMPANY SECRETARIES

Peter Thiessen

Albert Brindal (resigned 4 April 2013)

REGISTERED OFFICE & PRINCIPAL PLACE OF BUSINESS

Level 17, 530 Collins Street
Melbourne Victoria 3000
Australia

Telephone: +61 (0) 3 9618 2550
Facsimile: +61 (0) 3 9620 5200

Website: www.far.com.au
Email: info@far.com.au

SHARE REGISTRY

Advanced Share Registry Limited
Level 6, 225 Clarence Street
Sydney New South Wales 2000,
Australia

Telephone: +61 (0) 2 8096 3502
Facsimile : +61 (0) 8 9389 7871

Website: www.advancedshare.com.au

STOCK EXCHANGE LISTINGS

Australian Securities Exchange
ASX Code: FAR

ADR DEPOSITARY

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

BANKERS

Westpac Banking Corporation
360 Collins Street
Melbourne Victoria 3000
Australia

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

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

SOLICITORS

Baker & McKenzie
Level 19, 181 William Street
Melbourne Victoria 3000
Australia

AUDITORS

Deloitte Touche Tohmatsu
550 Bourke Street
Melbourne Victoria 3000
Australia

FAR's 2013 Annual Report is printed digitally using ecoStar paper. ecoStar is an environmentally responsible paper, made carbon neutral and manufactured from 100% post-consumer recycled waste in a chlorine free cleaning process under the ISO 14001 management system. All pulp used is certified by the Forest Stewardship Council.

Design: Pauline Mosley
Digital Printing: PressPrint
MV Geo Coral seismic vessel images courtesy of CGG/Ronan Donovan

FAR Ltd
Level 17, 530 Collins Street Melbourne Victoria 3000
T: +61 (0) 3 9618 2550 F: +61 (0) 3 9620 5200 W: www.far.com.au