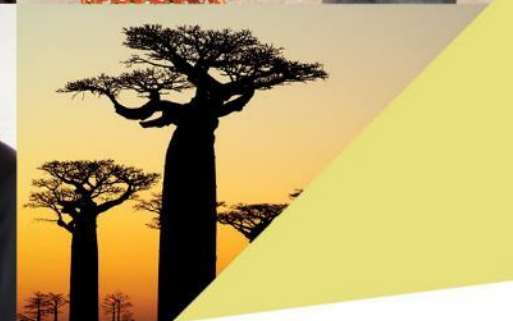


# Chairman's Address

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Annual General Meeting of Shareholders  
13 May 2016



# The FAR corporate evolution

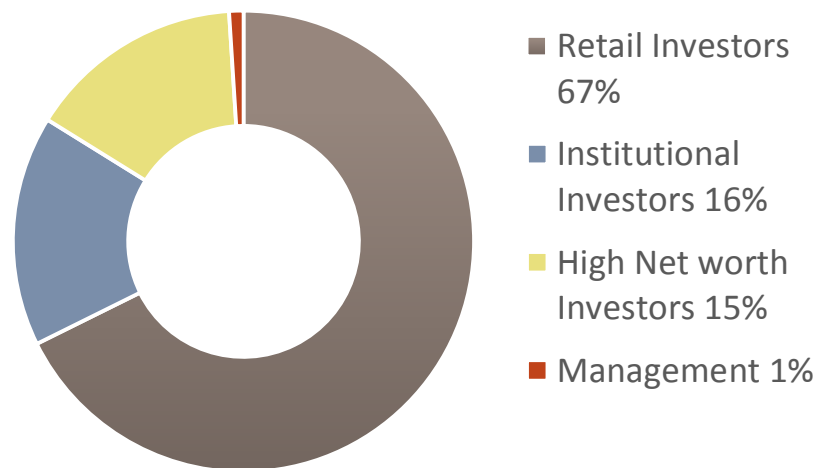
## Transitioning from a junior explorer to a leading energy company

- entry in to ASX Top 300 - March 2015
- ASX top 5 oil & gas company, behind Woodside Petroleum, Oil Search, Santos, Beach
  - ahead of AWE, Karoon Gas, LNG, Senex and Sino Energy

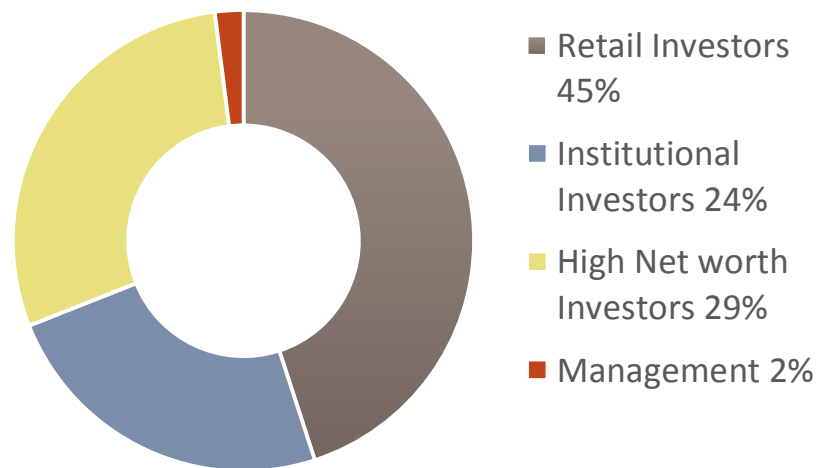
## Share register rotation from retail to institutional investors is underway

- partly organically (as the project is de-risked)
- partly through equity raisings

2013 share register <sup>(2)</sup>



Current 2016 share register <sup>(1)</sup>



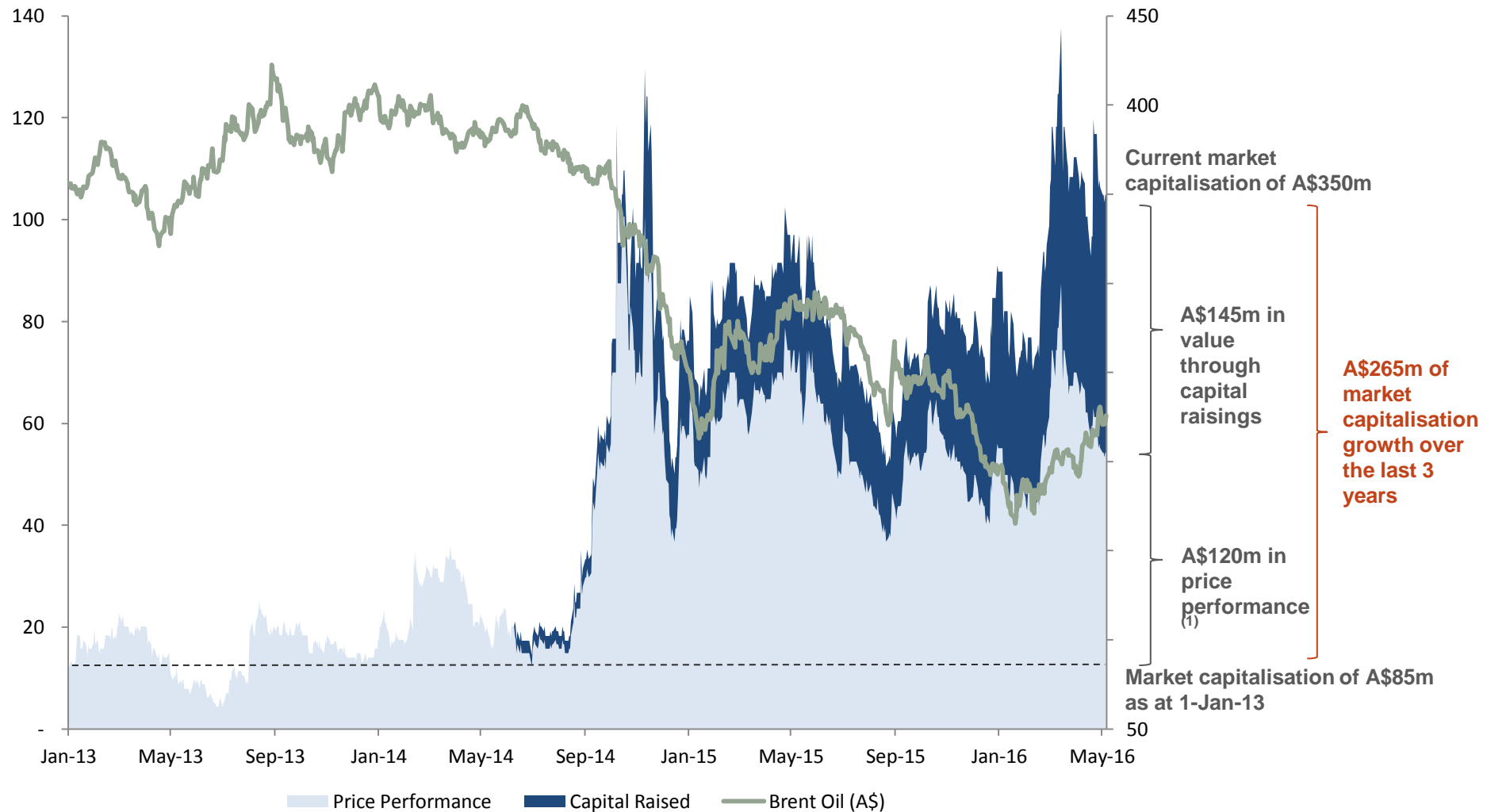
Source: FAR Management and per Market Eye

Notes: (1) Current shareholder register as at 6-May-16 and including the first tranche (A\$47m) of the A\$60m Apr-16 capital issuance; (2) Shareholder register as at 20-May-13

# The FAR share price evolution



# FAR's market capitalization increased by 300% in 3 yrs

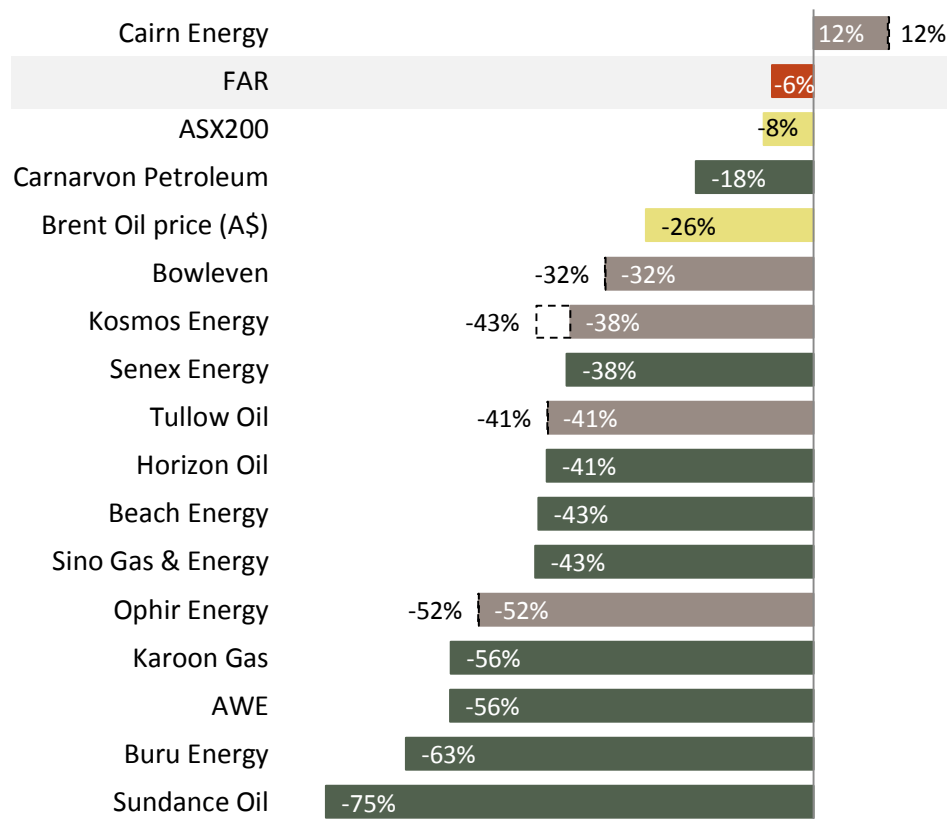


Source: IRESS market data from 1-Jan-13 to 6-May-16

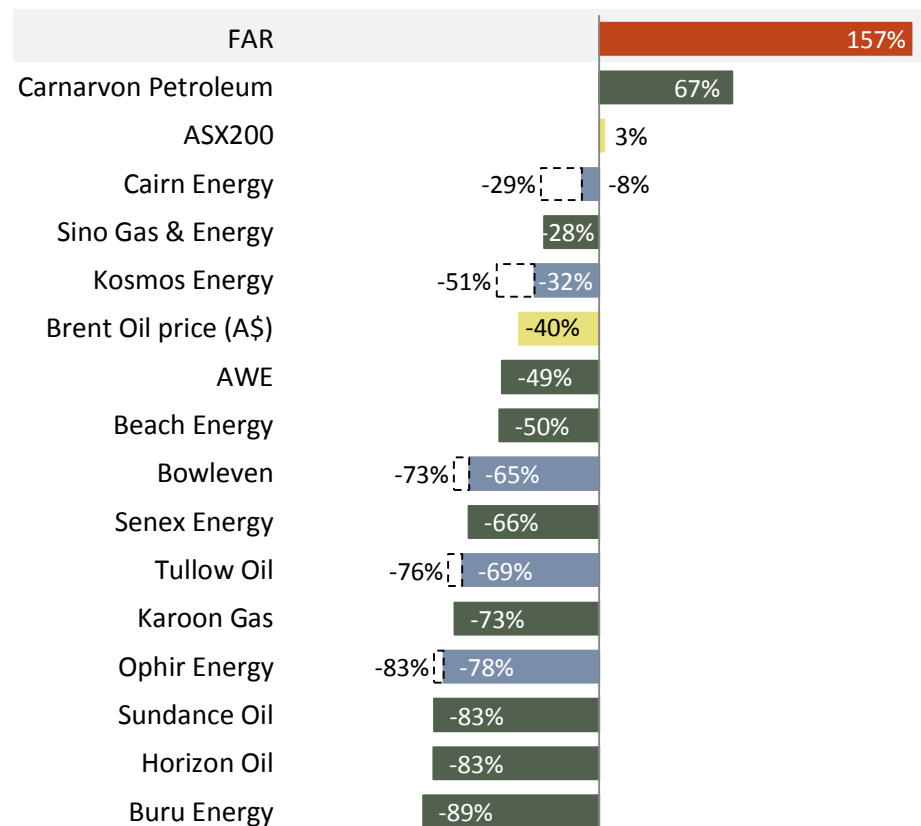
Notes: (1) Based on total shares outstanding of 2,500m as at 1-Jan-13

# FAR have outperformed since last AGM

Last twelve months (% change)<sup>(1)</sup>



Last three years (% change)<sup>(2)</sup>



■ Share price change in A\$    □ Share price change in local currency

■ Australian Peers    ■ Macro    ■ UK/US Peers

# Funding FAR

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# What it takes to get Institutional Funding

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- To present ourselves as highly professional
- To deal with expectations on Governance and Remuneration practices
  - a one size fits all mentality is often not ideal for FAR
- To recognise the 'Proxy Advisor' industry is inescapable
  - need to engage with them pro-actively
- We compete globally for funds and relentless marketing to institutions is a necessity



# We have upgraded our Governance Framework

---

- Corporate Governance Statement
- Committees & Charters
  - Board Charter
  - Audit Committee
  - Nomination Committee
  - Remuneration Committee
  - Risk Committee
  - Disclosure Committee
- Code of Conduct
- Processes
  - Board assessment
  - Committee assessments
  - Performance reviews
- Policies
  - Anti-Bribery and Corruption
  - Diversity
  - Environment & Sustainability
  - Human Rights & Child Protection
  - Market Disclosure & Communications
  - Risk Oversight & Management
  - Securities Trading



# Remuneration frameworks

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# Global Listed Company Remuneration Frameworks

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- Post GFC listed companies globally have moved to satisfy political and institutional demand that management's interests are more clearly and transparently aligned with shareholders' interests
- This has led to remuneration structures composed of:

**base salary + a substantial 'at risk' component**

- The 'at risk' component typically consists of:
  - **short term incentives (STI)** – generally annual cash bonuses
    - determined by achievement of well defined Key Performance Indicators (KPIs)and
  - **long term incentives (LTI)** generally **performance rights**
    - determined by reference to measures of shareholder returns

# Frameworks

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- Institutions rely on Proxy advisors to determine their voting
  - engaging and meeting the requirements of the proxy advisors is essential
  - but various advisors have different views making even this part difficult
- retail investors generally are opposed to these remuneration concepts
  - they appear complex
  - partly because they know that instead of restricting bad behaviour they have created opportunities to 'game' the system – and some do!

***A well constructed scheme can act as a powerful motivator to staff from which shareholders should benefit***

***There is nothing inherently wrong with the system but  
the devil is in the detail***

# What are Performance Rights ?

---

- They are not a share or an option
- The requirements are **measured in 3 years time** (the vesting date) – until then the employee gets nothing – *that's why they call them long term incentives*
- If the grant requirements are satisfied then:
  - either a newly created share is issued to the employee for each right; or
  - FAR buys a share in the market for each right and delivers to the employee
- The Board has discretion to amend these rights and claw back any granted shares at any stage if warranted – e.g. 'bad leaver provisions'

# Cath and Ben

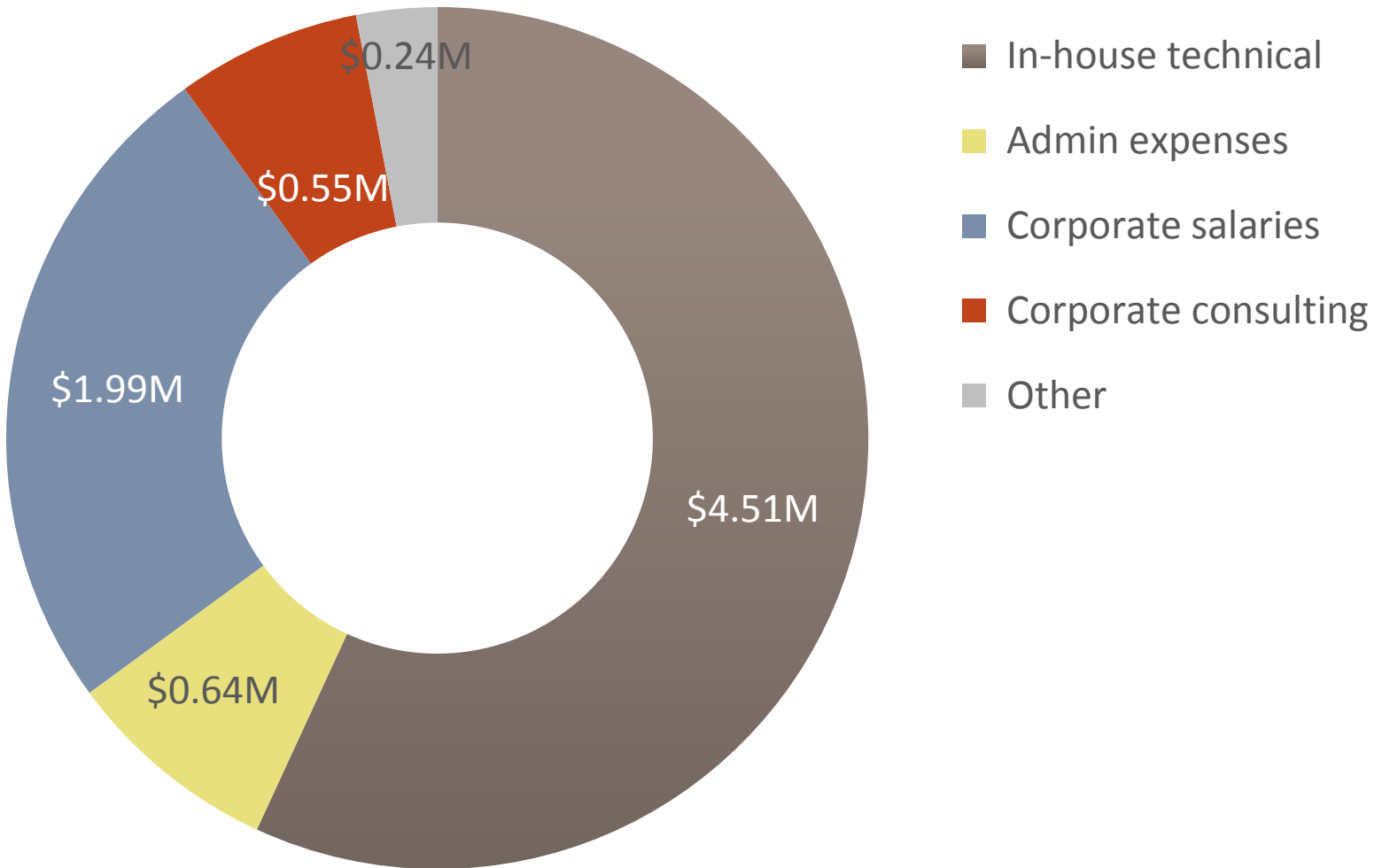
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# FAR's overheads are very low

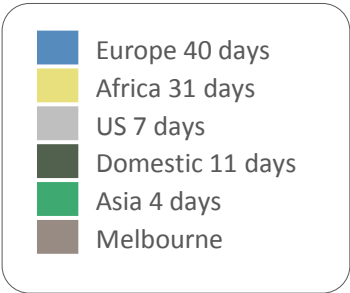
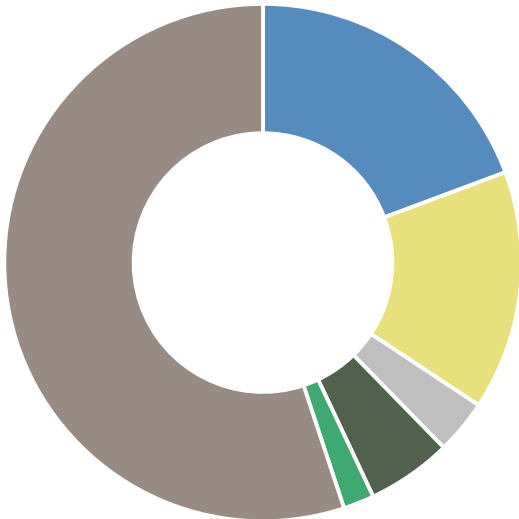
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**2015**



# Travel stats 2015

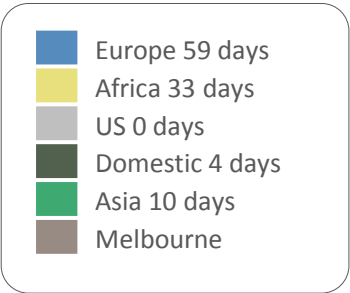
Cath Norman



Percentage of 2015  
spent travelling\*

42%

Ben Clube



Percentage of 2015  
spent travelling\*

48%

\* Based on 220 potential working days per year



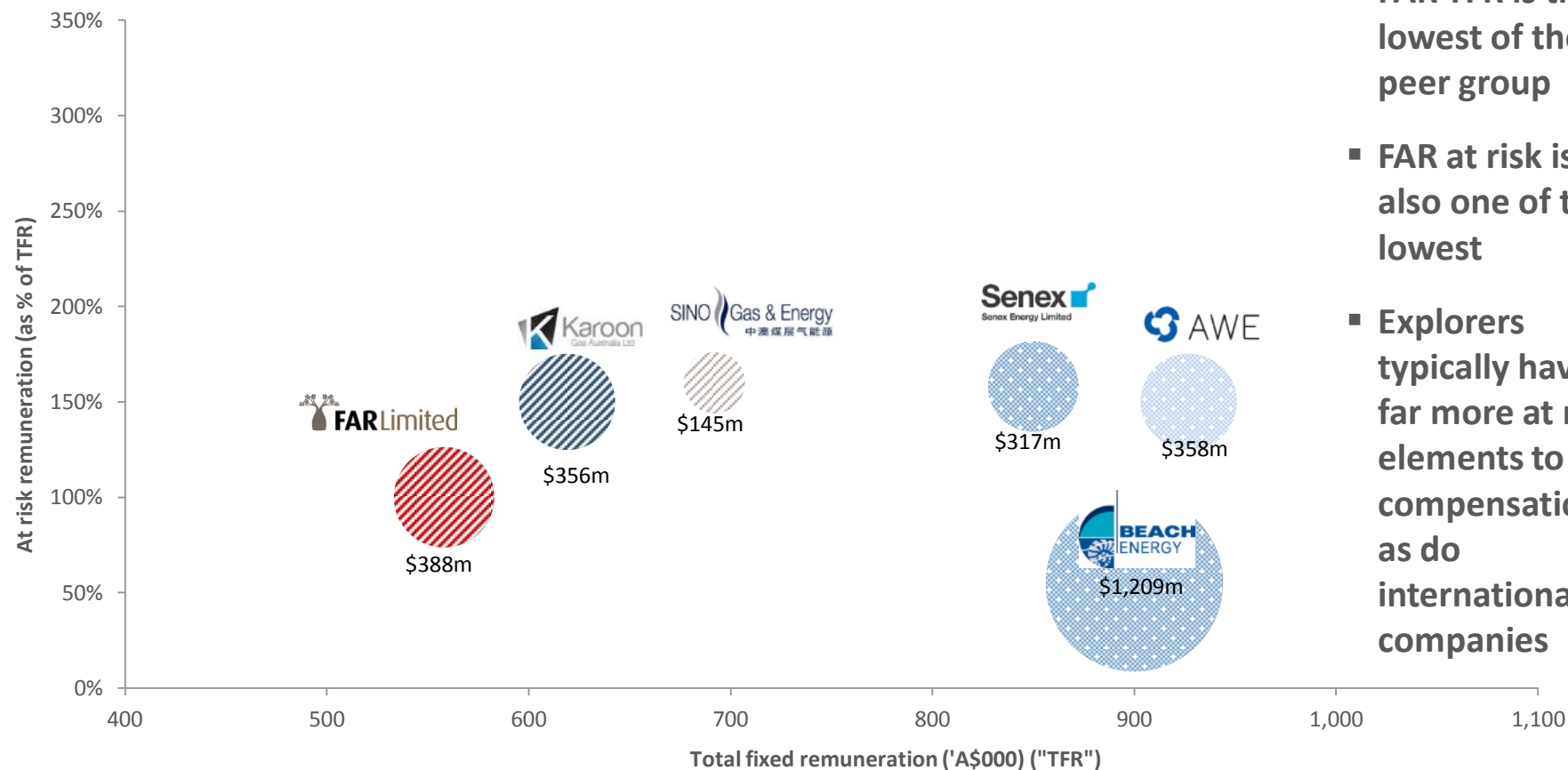
# The FAR Remuneration Framework

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- Total Possible Remuneration = base Salary (50%) + theoretical max 'at risk' component (50%)
- base salary = cash **\$558,000** ← **FAR MD example**
  - subject to annual performance review
- 'at risk' = 1/2 STI + 1/2 LTI
  - STI (cash payment) **Max \$279,000** ← **On our MD's recommendation FAR board has determined this will be zero in 2015 & 2016 due to industry conditions**
    - a formula which calculates the % of the maximum possible determined by KPI's based around operational metrics
- LTI (performance rights) **Max \$279,000/\$.078 = 3,578,000 rights**
  - number of rights calculated by dividing the max \$ amount into the VWAP share price for 20 days preceding 1st February each year (date chosen to work in conjunction with the preparation of the annual account)

# MD compensation benchmarking – LTM

## Australian peer group comparison of Total Fixed Remuneration (“TFR”) and “At Risk” compensation



- FAR TFR is the lowest of the peer group
- FAR at risk is also one of the lowest
- Explorers typically have far more at risk elements to compensation, as do international companies

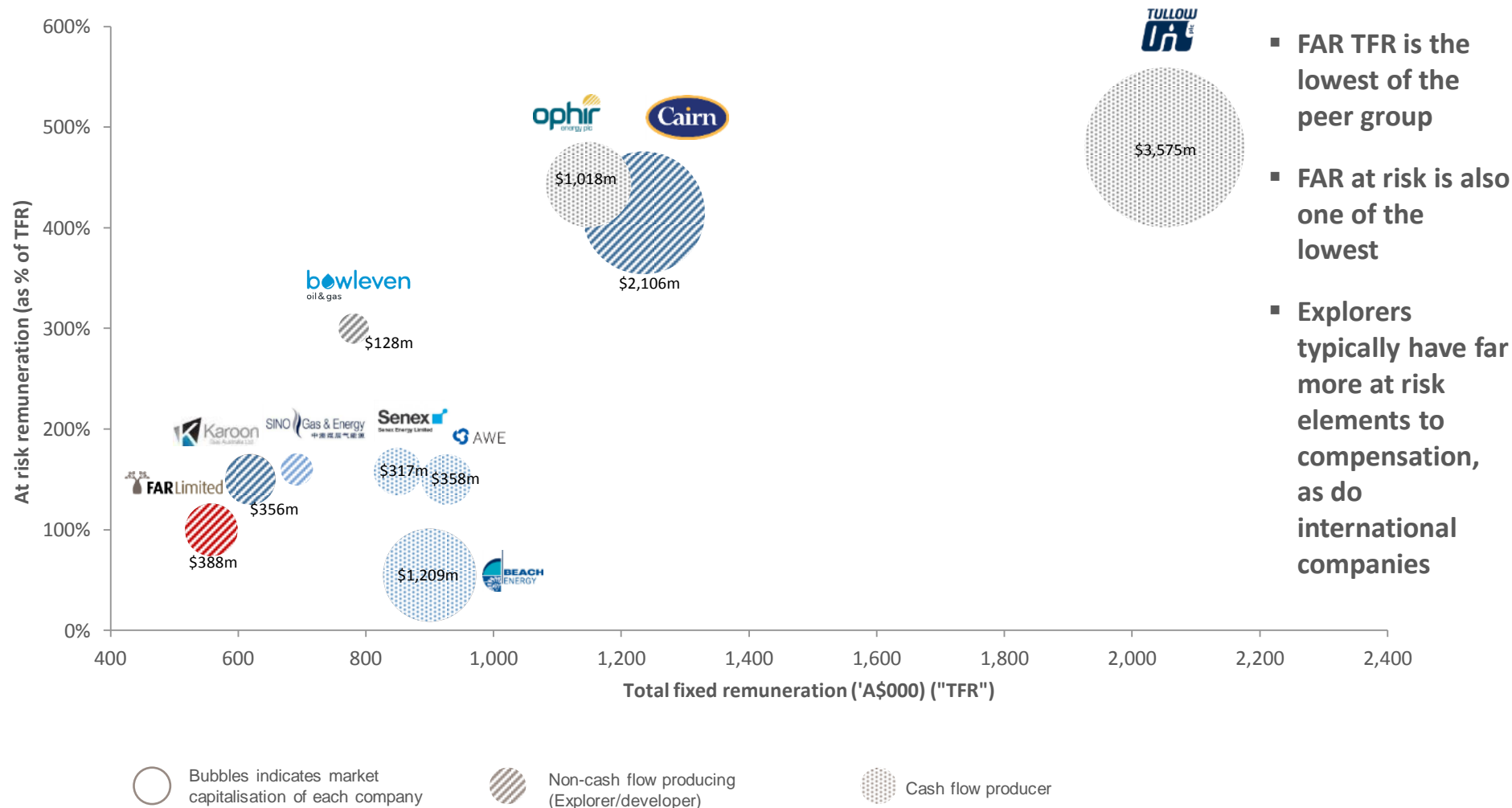
○ Bubbles indicates market capitalisation of each company

▨ Non-cash flow producing (Explorer/developer)

● Cash flow producer

# MD compensation benchmarking – LTM

## International and Australian peer group comparison of Total Fixed Remuneration (“TFR”) and “At Risk” compensation



- FAR TFR is the lowest of the peer group
- FAR at risk is also one of the lowest
- Explorers typically have far more at risk elements to compensation, as do international companies

# Calculating the final number of performance rights

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- In **3 years time** the 2016 LTI grant will be determined

- Absolute Share Price Measure

FAR MD example

- If the share price has grown at less than **15% compound** for the 3 years  
i.e. the share price is **<\$0.119** **0 shares**
- If the share price has grown at 15% compound for 3 years  
i.e. the share price is **>\$0.119** **894,500 shares**
- If the share price has grown at 25% compound for 3 years  
i.e. the share price is **>\$0.152** **1,789,000 shares**

- Relative Share Price Measure (comparator group S&P/ASX Energy 300)

- The idea is to remove the 'market effect' from this component
- If the share price growth is worse than **50%** of the group **0 shares**
- If the share price growth is better than 50% of the group **894,500 shares**
- If the share price growth is better than **75%** of the group **1,789,000 shares**

# Summary

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- In 2016 our Managing Director will be paid (subject to the resolutions being passed today)
  - Cash A\$558,000
  - She will not be paid a cash bonus
  - She will not receive any free options or shares
  - She will receive 3,578,000 performance rights which in 3 years will turn into between zero and 3,578,000 shares if the share price does well on both an absolute and relative basis
  - Our COO's outcomes are similar

***On any comparative basis in the industry our MD and COO are paid at the low end of the scale yet have performed at the top end***

# Evaluating the world's largest oil discovery

FAR Limited  
Annual General Meeting  
13 May 2016





# Senior management

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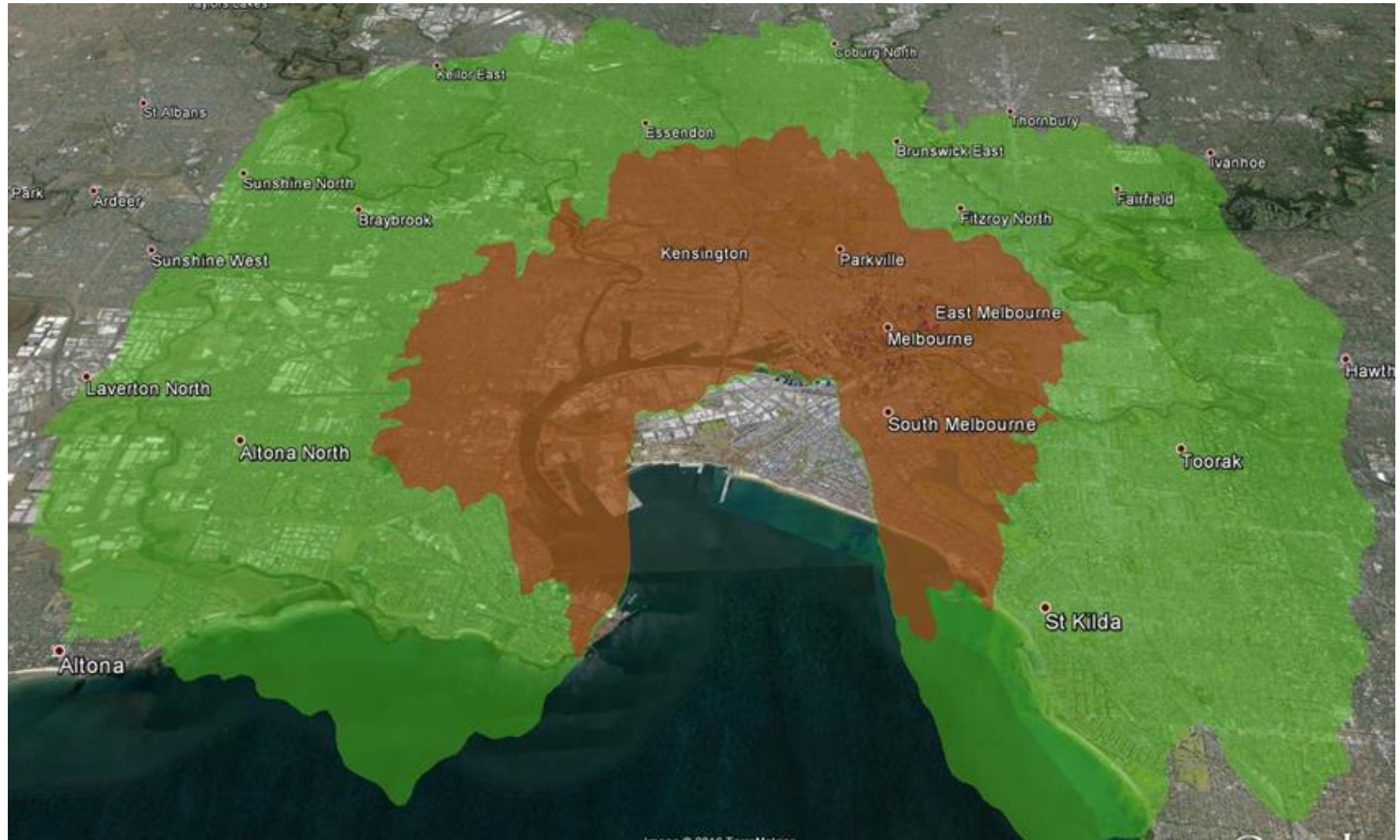
# FAR snapshot

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- Two major basin opening oil discoveries in Senegal in 2014
- SNE Field largest global oil find since discovery in 2014
- SNE Appraisal drilling commenced 2015
- 5/5 successful wells offshore Senegal to date
- Quality partners in Senegal discoveries: ConocoPhillips, Cairn Energy, Petrosen
- Fifth largest pure E&P on ASX (at 1 May 2016)
- Successful capital raise of \$60M in April 2016
- Cash balance: A\$31.7M (31 Mar 2016)
- Under budget for 2016 work program



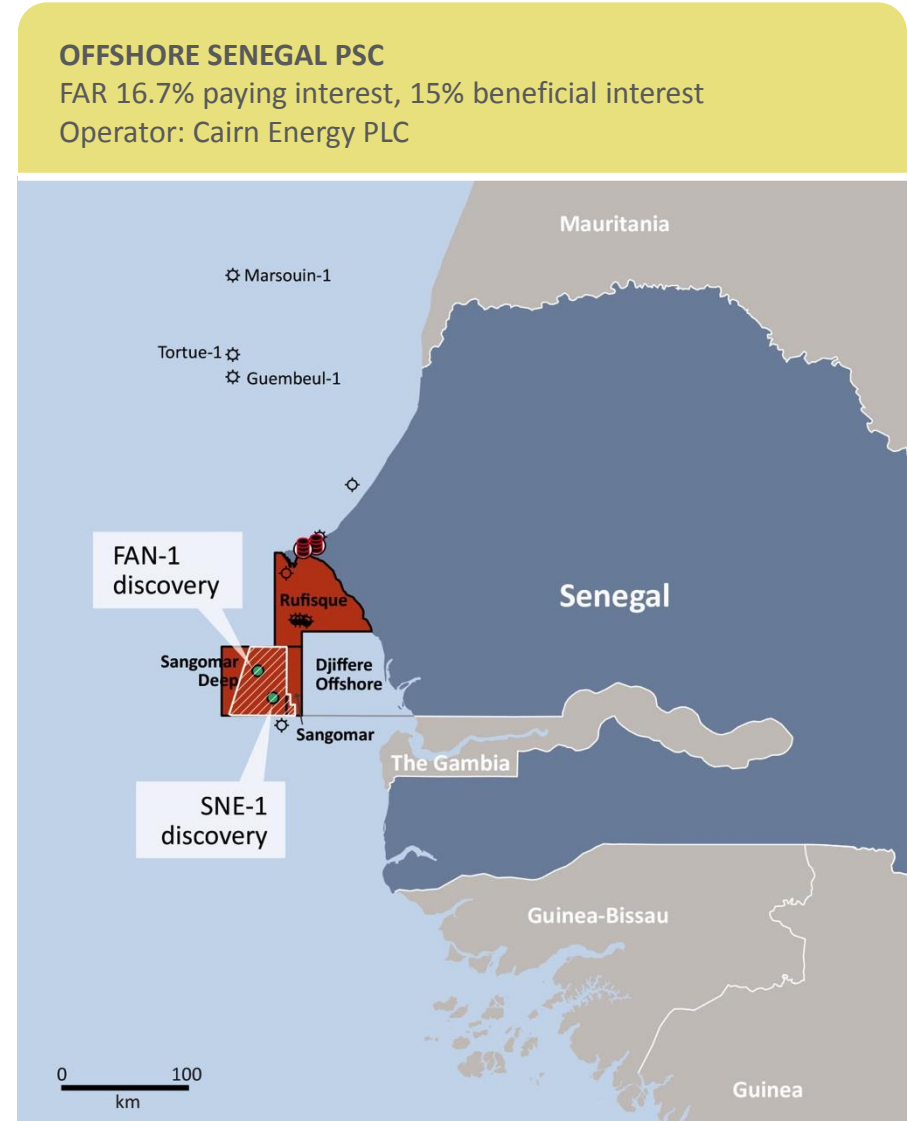
# SNE Oil field footprint approximately 350 km<sup>2</sup>



# Senegal

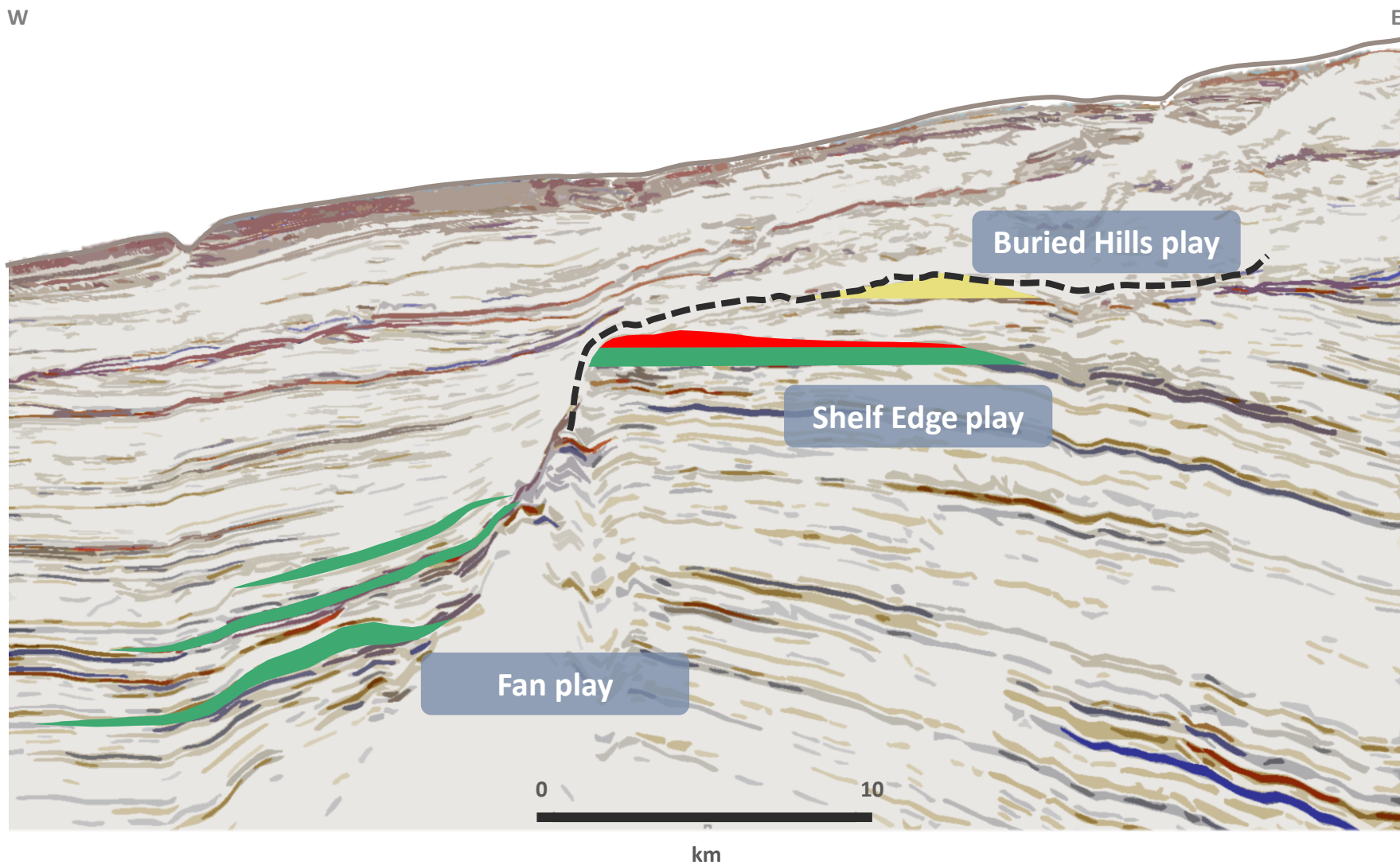


- Strong in-country relationships
- Peaceful democracy
- Solid growth: 4.7% GDP in 2014
- S&P sovereign credit rating 'B+/B'
- First offshore exploration wells for 40 years and first in deep water
- FAR farm-out in 2013 for US\$196M carry
- Joint venture partners: FAR 15%, Cairn Energy (Operator 40%), ConocoPhillips (35%) and Petrosen (10%)

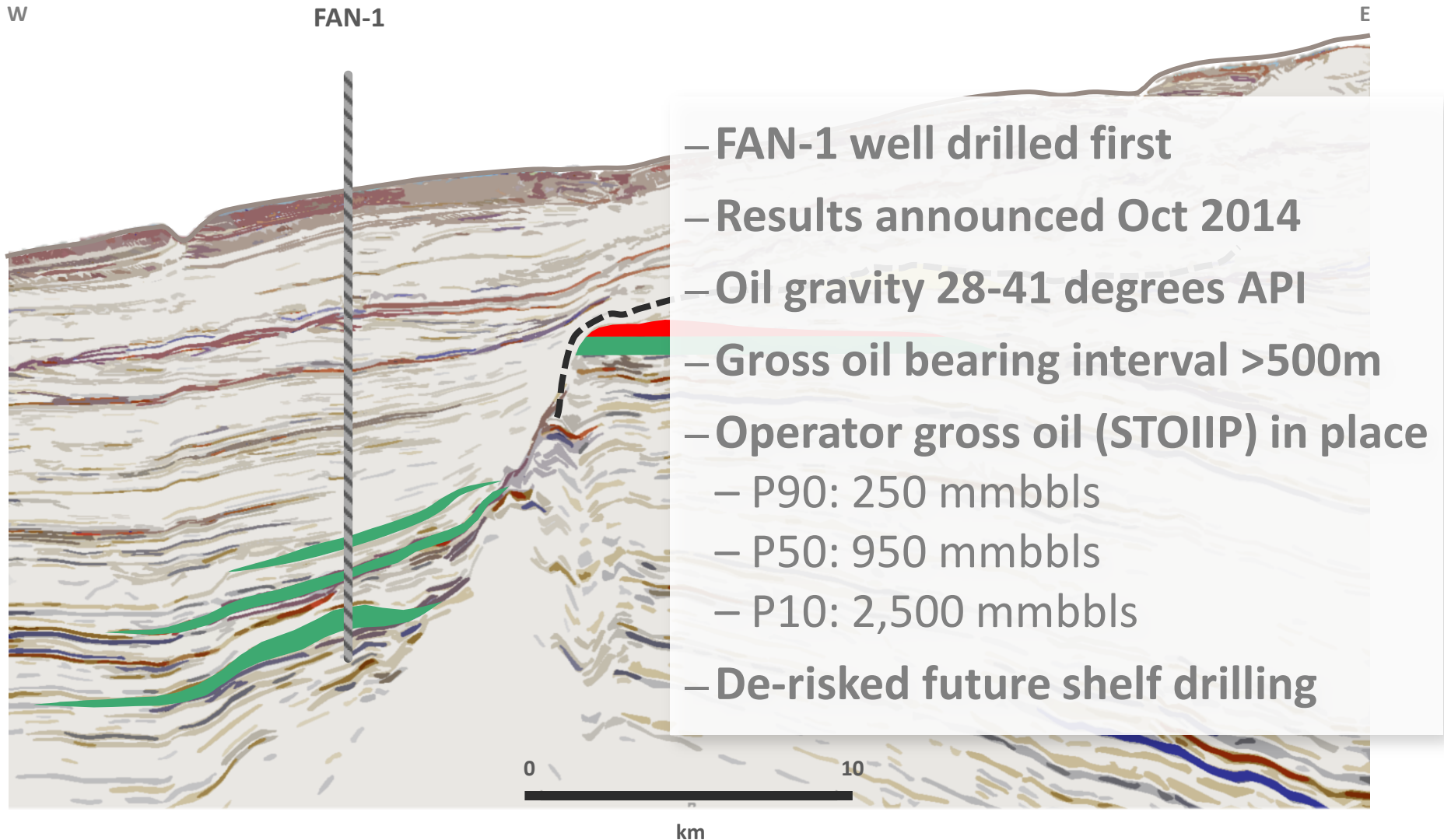




# Geological setting



# FAN-1 Discovery



# SNE-1 Discovery



W

SNE-1

E

SNE Field

- Result announced Nov 2014
- Largest oil discovery for 2014
- Has not been surpassed to date
- Approximately 350 km<sup>2</sup> footprint

0

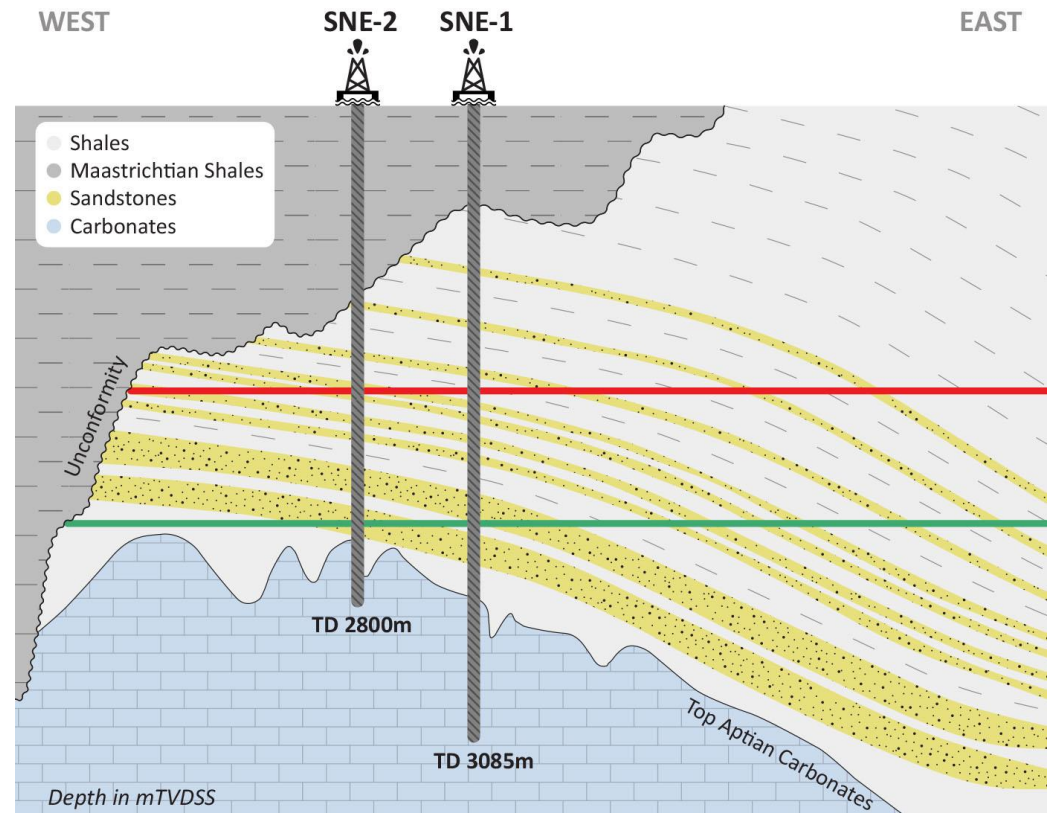
10

km

# SNE-1 oil discovery

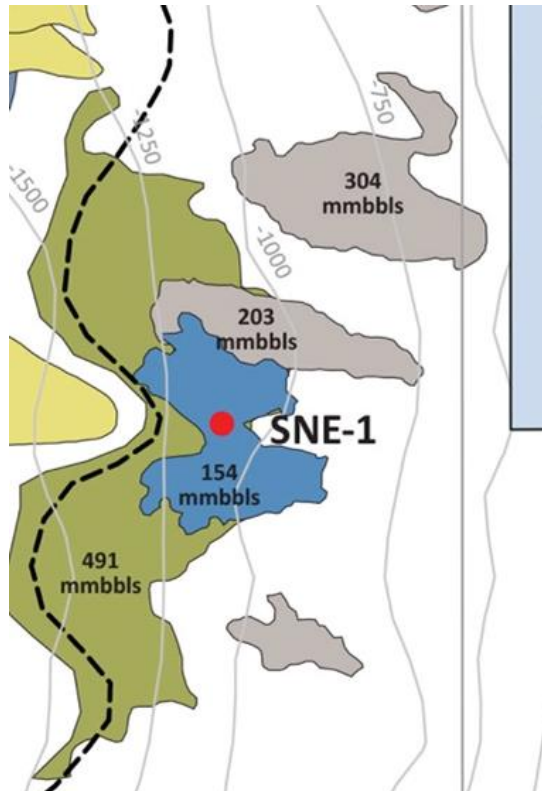


- Results announced Nov 2014
- Excellent reservoir
  - 25% average porosity
- Oil gravity 32 degrees API
- Gross oil column of 96m (36m net)
- Contingent recoverable resource\*
  - P90 (1C): 150 mmbbls
  - P50 (2C): 330 mmbbls
  - P10 (3C): 670 mmbbls



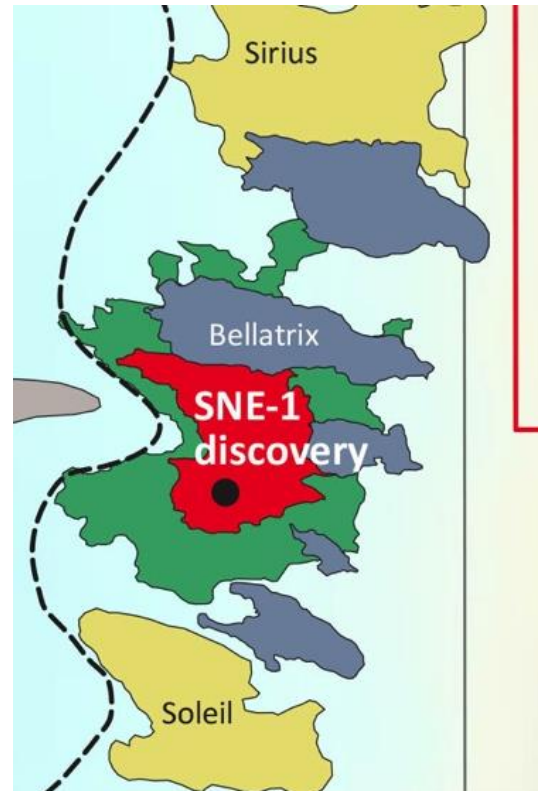


# SNE Field: Growth of field before appraisal



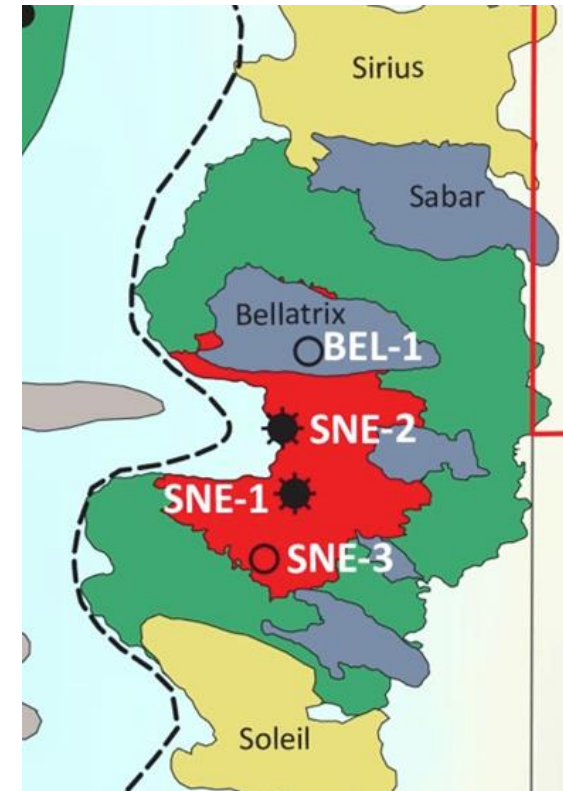
## Pre-Drill

P90 : 50mmbbls  
P50 : 154 mmbbls  
P10 : 350 mmbbls



## Post discovery

1C: 150 mmbbls  
2C: 330 mmbbls  
3C: 670 mmbbls



## Pre-Appraisal

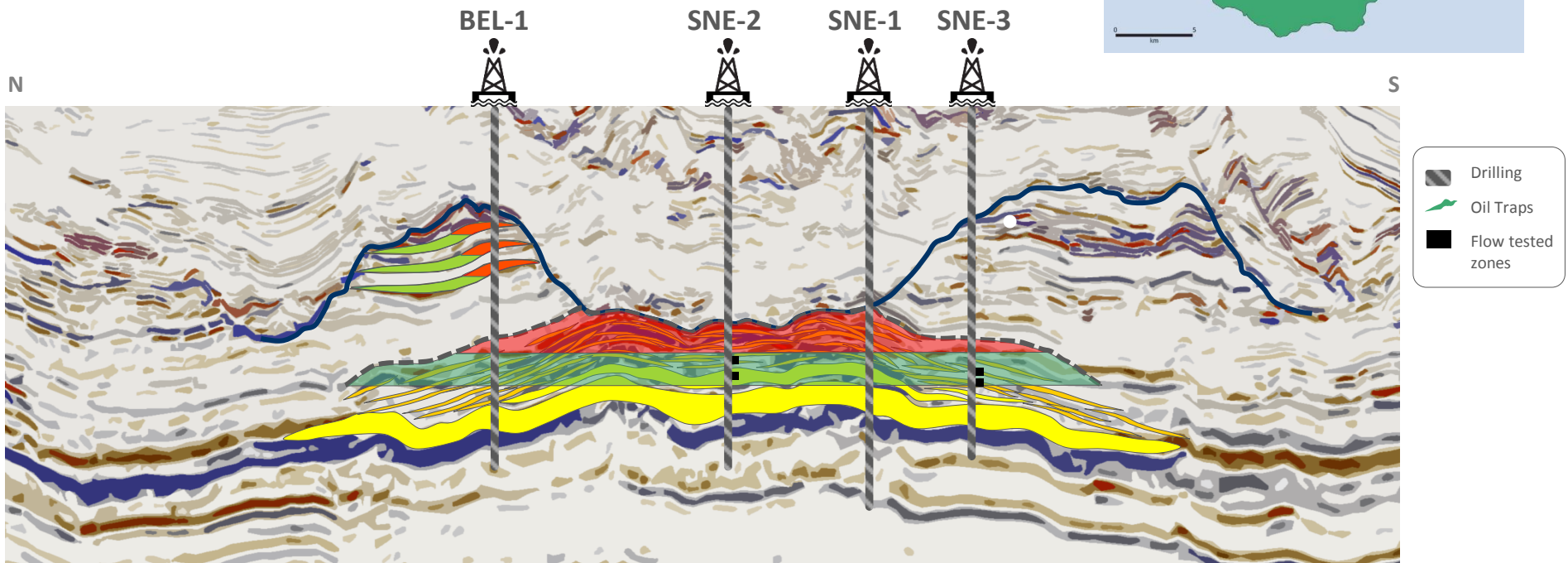
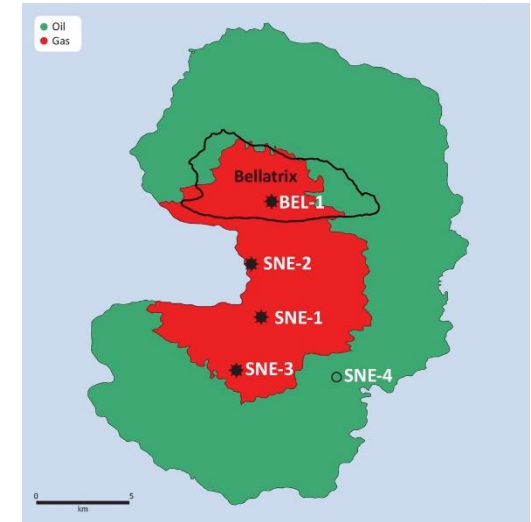
1C: 240 mmbbls (+60%)  
2C: 468 mmbbls (+40%)  
3C: 940 mmbbls (+40%)

# SNE appraisal well locations



## Objective of wells:

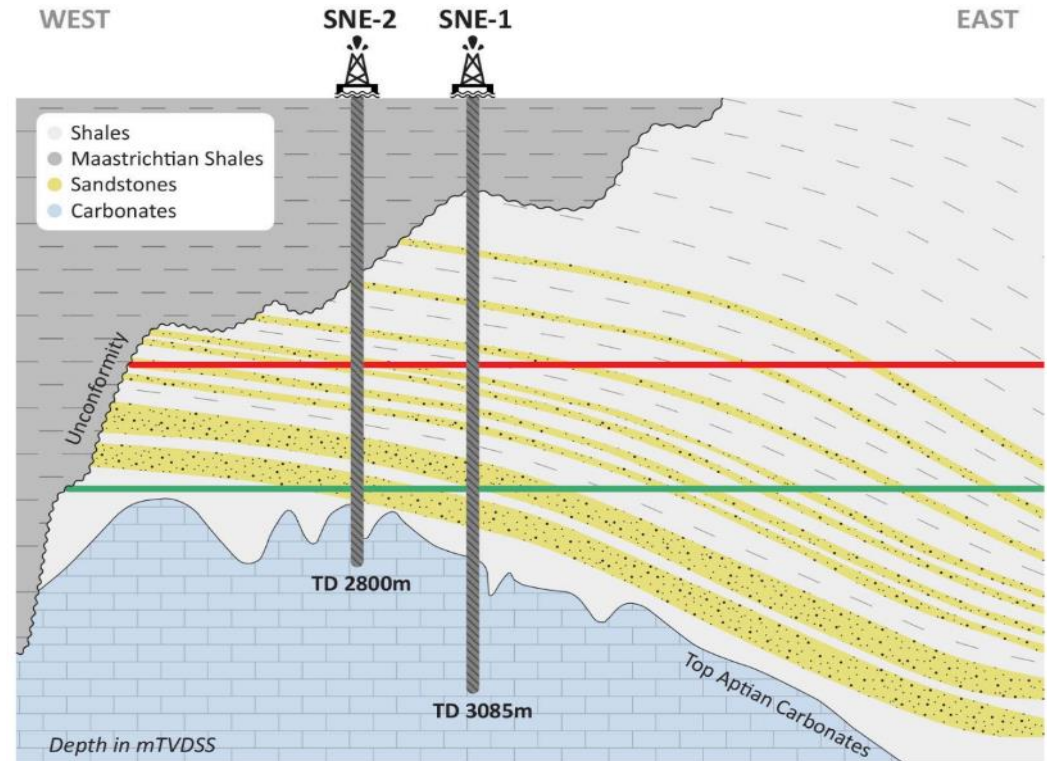
- Size of oil pool
- Test reservoir properties and **deliverability** from logging, coring and testing
- Measure field **connectivity**



# SNE-2 Appraisal well



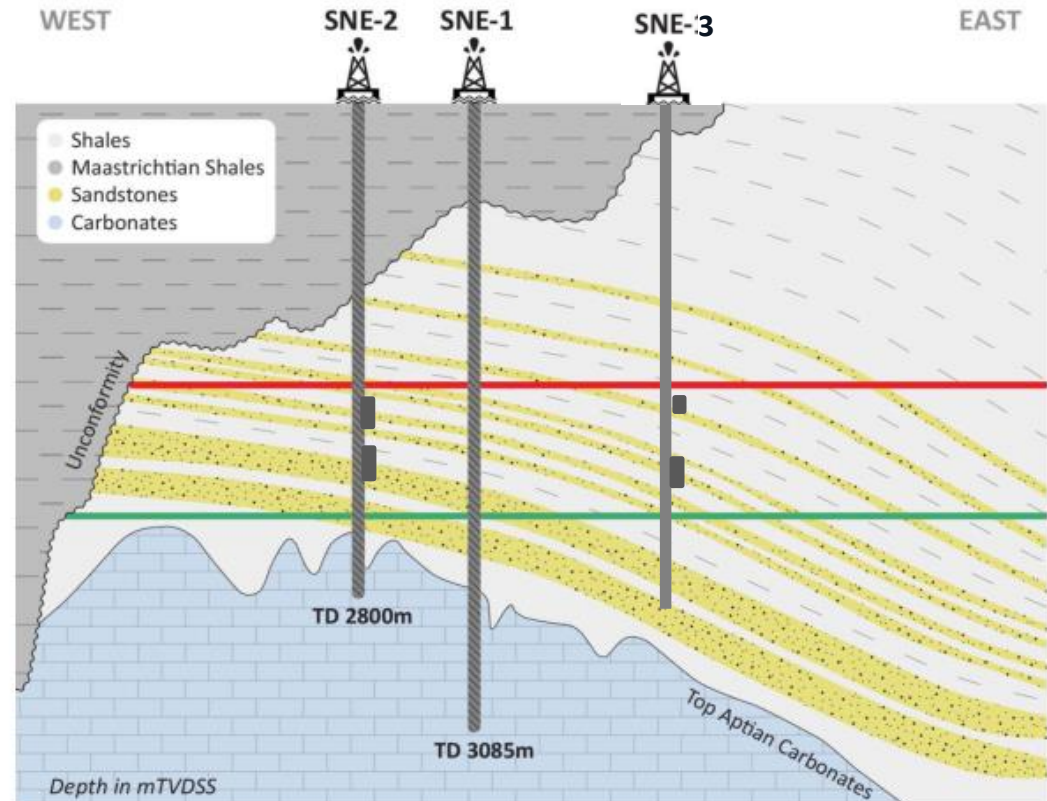
- Excellent flow from two independent drill stem tests (DST)
  - Gross 12m zone: 8,000 bopd stabilised and constrained, interpreted flow > 10,000 bopd
  - Gross 15m zone: 1,000 bopd unstabilised
- Flow considerably greater than prognosis
- Confirmed commercially viable flow rates
- 32 degrees API
- Gross oil column of 103m



# SNE-3 Appraisal well

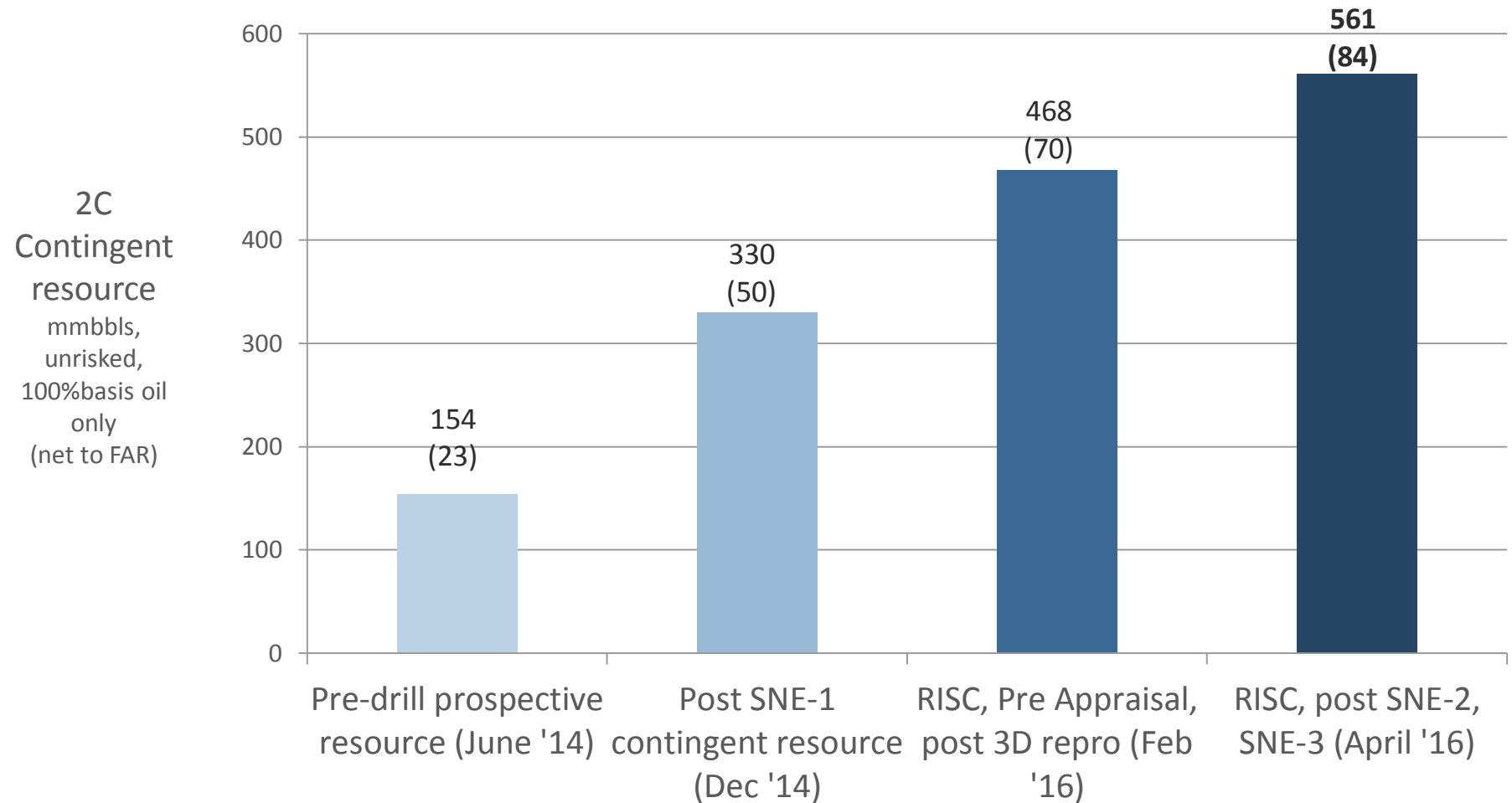


- Excellent flow from two drill stem tests (DST)
  - Gross 15m zone: 5,400 bopd max and 4,000 bopd stabilised
  - Increased to gross 20.5m zone: 4,500 bopd stabilised
- Flow greater than prognosis
- Confirmed commercially viable flow rates
- 32 degrees API
- Gross oil column of 101m
- Units shallower to prognosis: field larger to the south
- Gauges set to monitor pressure





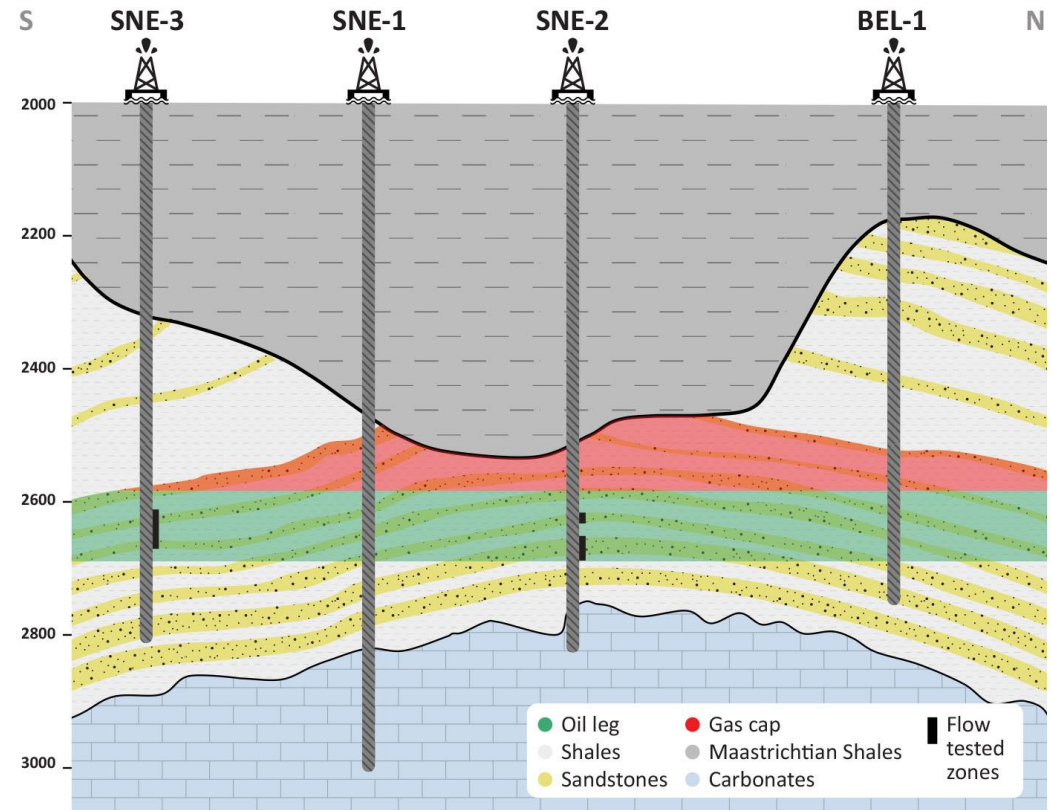
# Growth of the SNE oil field



# BEL-1 Well results



- **Dual objective for well**
- **Bellatrix exploration prospect**
  - Gas discovery in stacked sands
  - 8m net gas pay
  - No water contact detected – potential for down dip oil leg
- **SNE field northern appraisal**
  - 100m gross oil column
  - Good correlation reservoirs, GWC/OWC across SNE-1, 2, 3 and BEL-1
  - 32 degrees API
  - 144m core collected
  - Confirms SNE to north



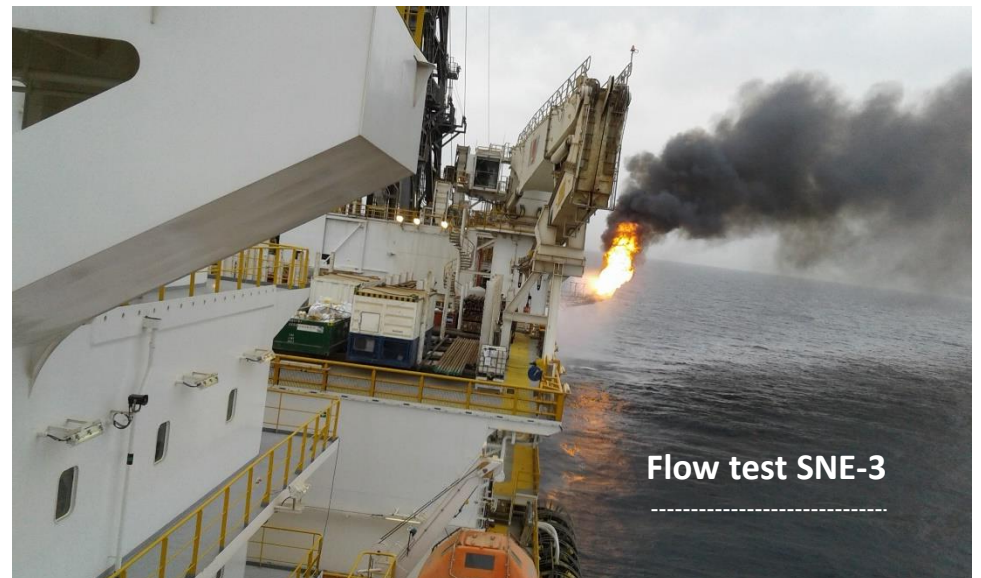
# Appraisal progress to date



Objective of wells are to establish:

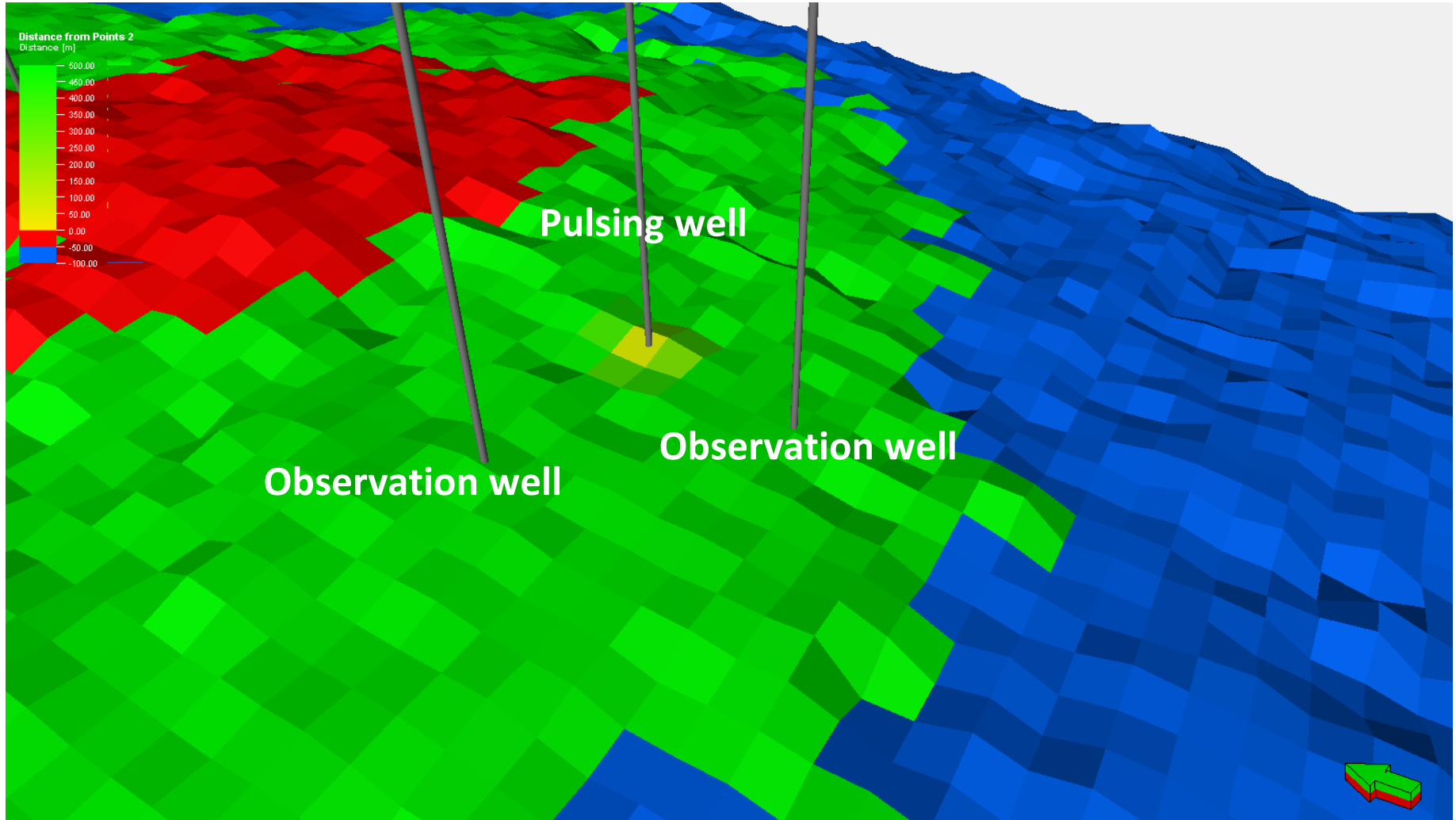
- Size of oil pool ✓
- Reservoir properties and **deliverability** from logging, coring and testing ✓
- Reservoir **connectivity**

Drilling program progressing safely, efficiently and under budget

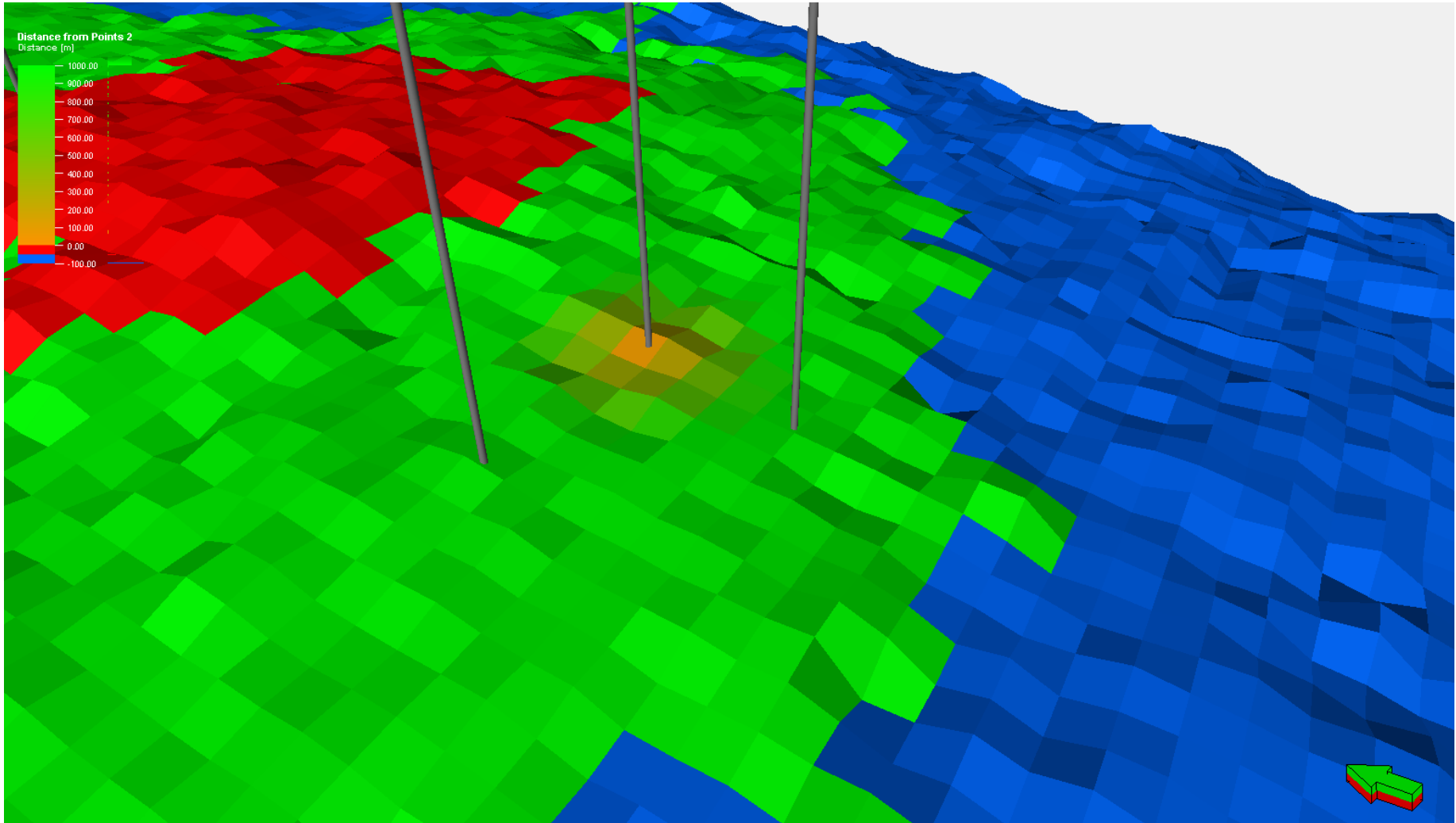




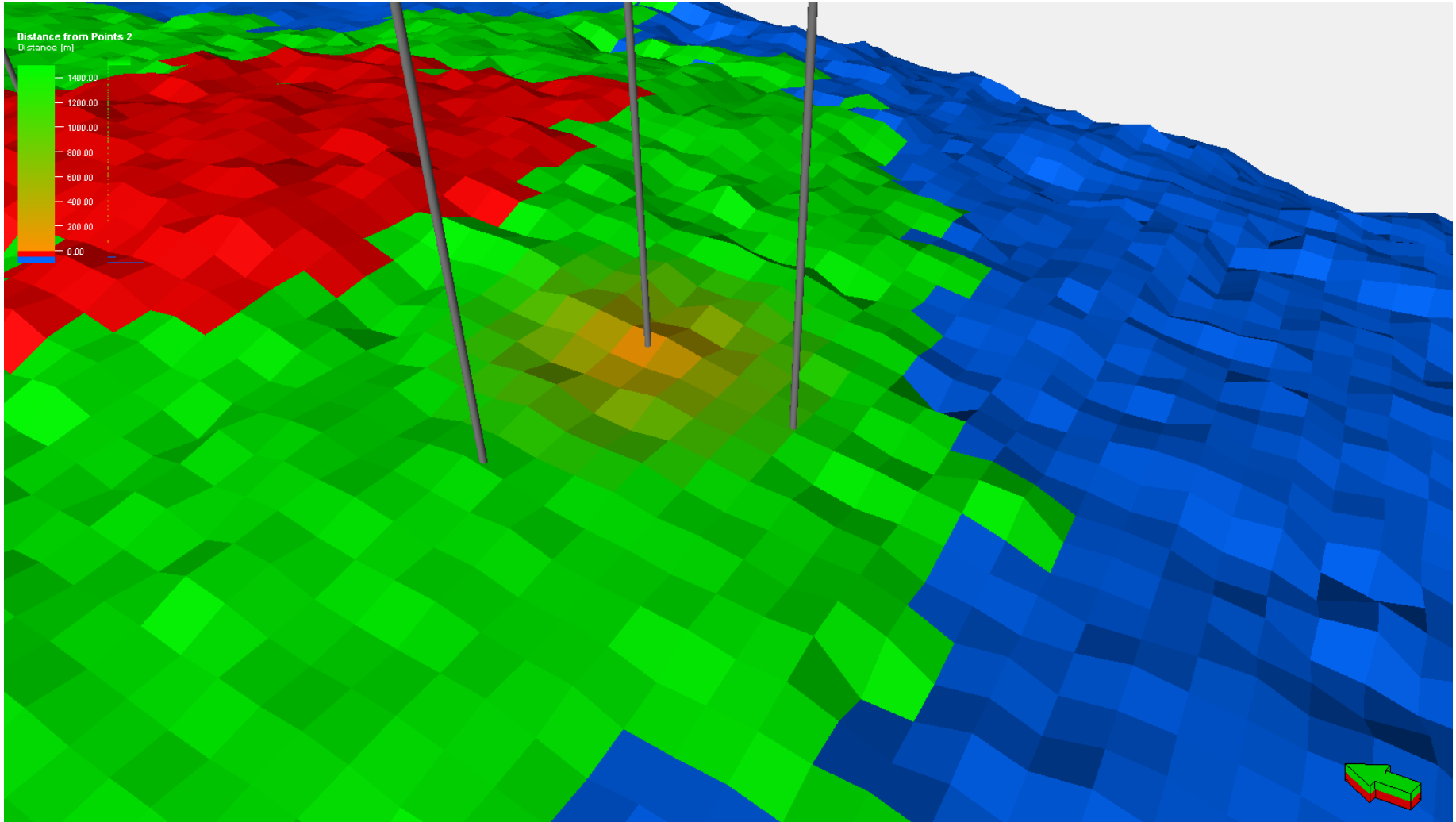
# Interference testing



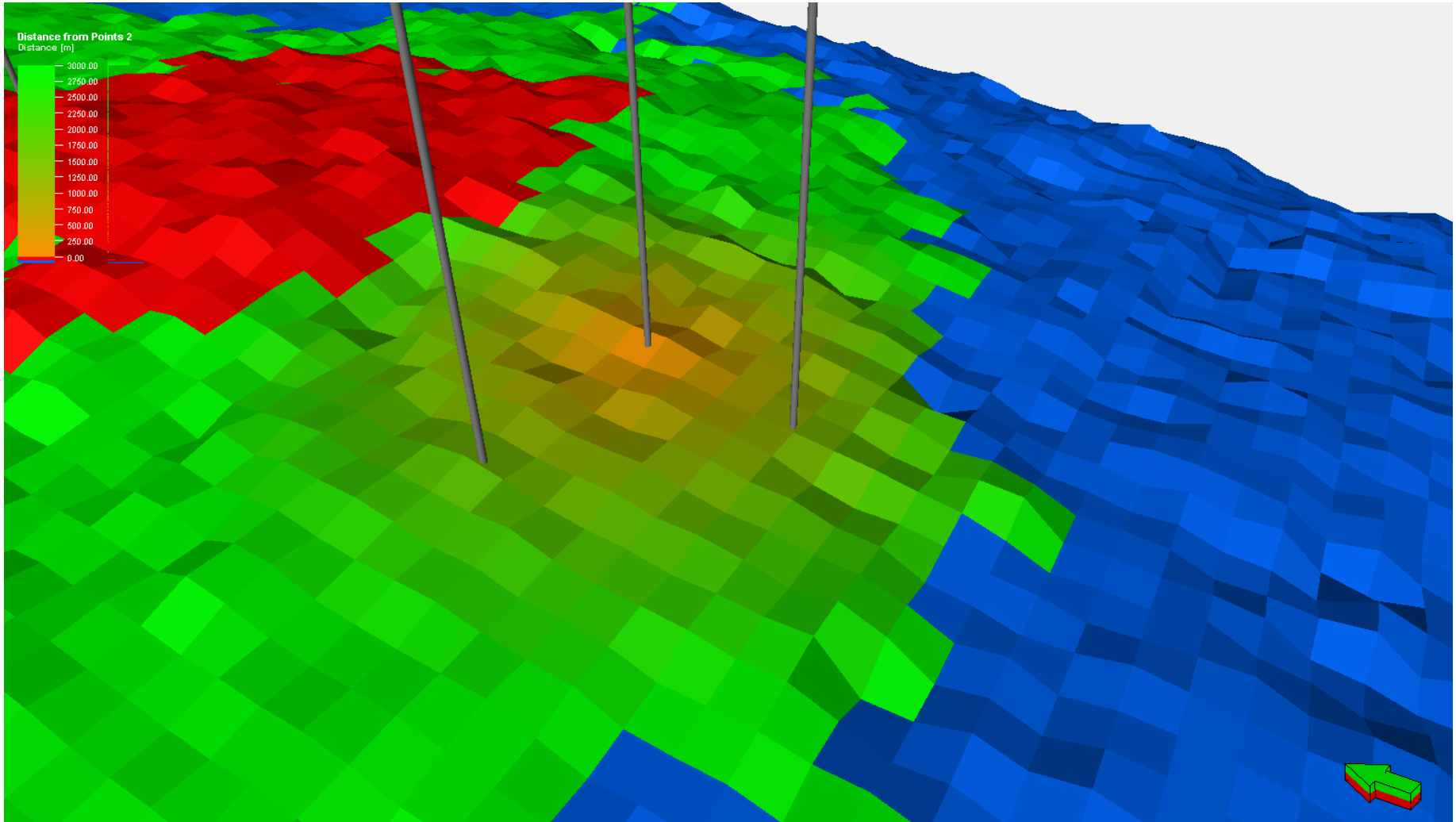
# Interference testing



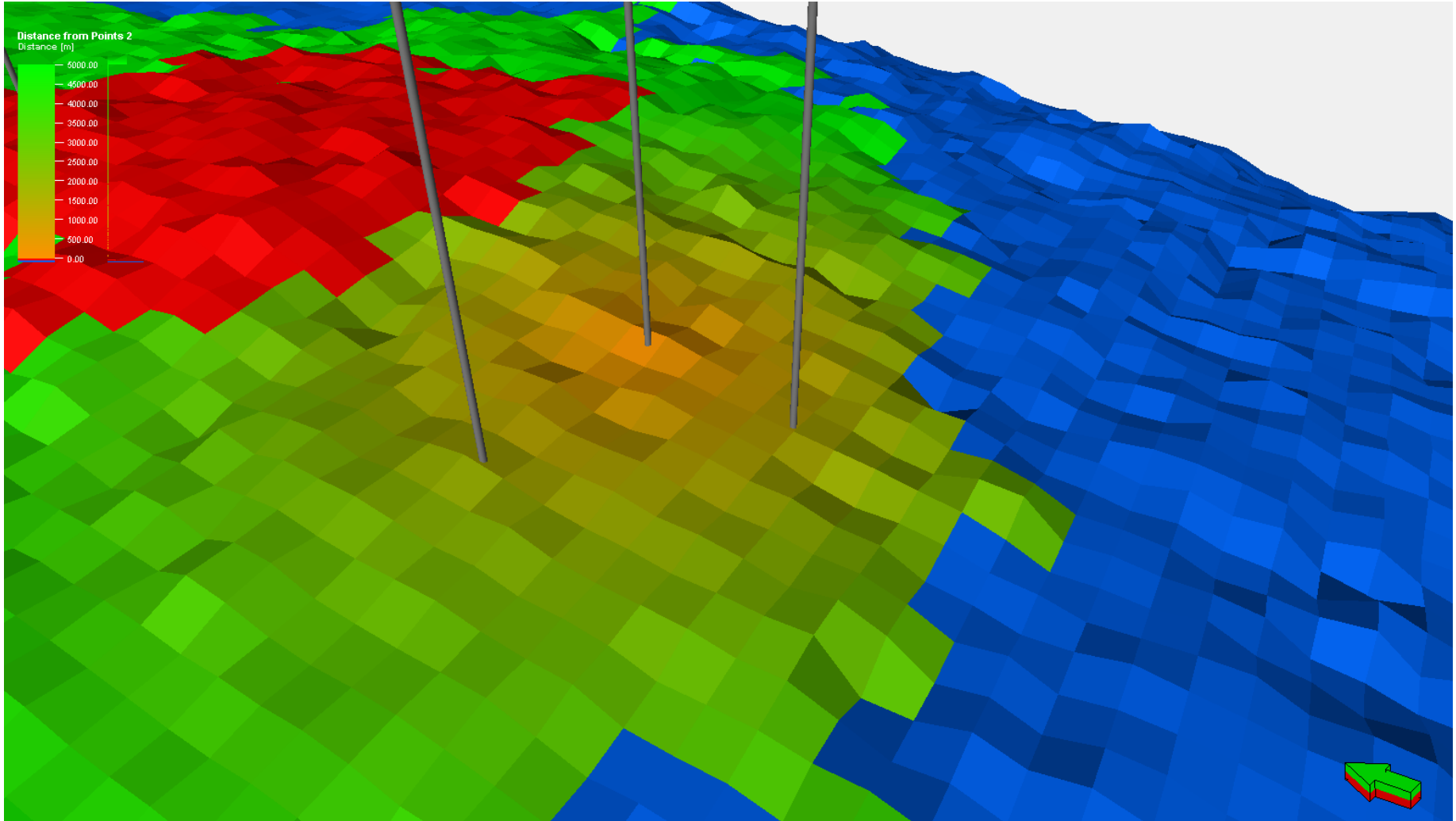
# Interference testing



# Interference testing



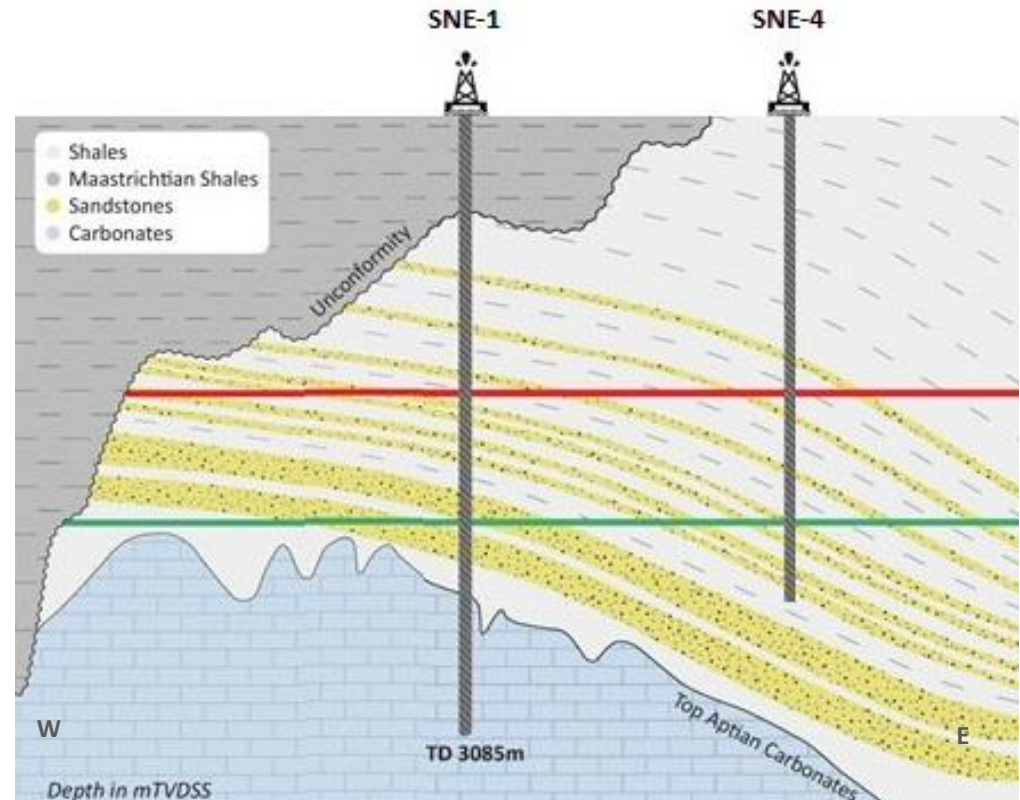
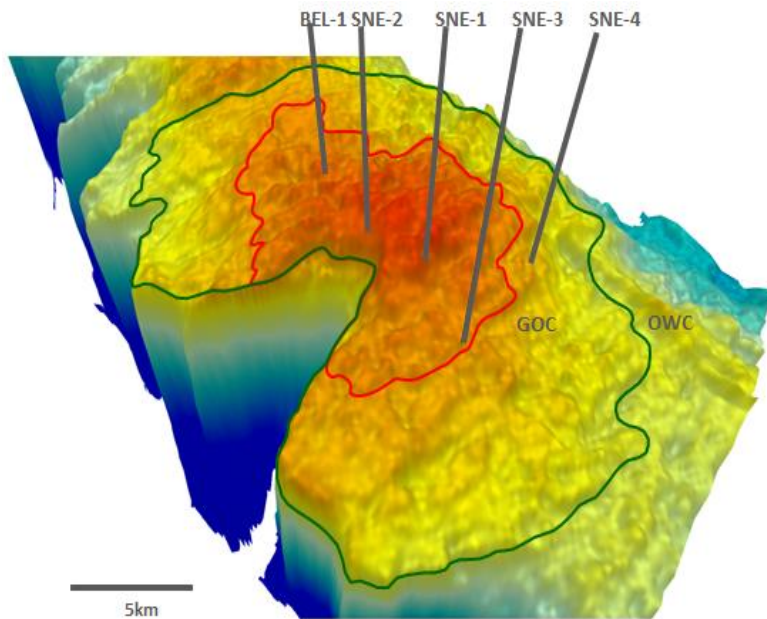
# Interference testing



# SNE-4 Appraisal well



- Spudded 16 April
- Aims of the well
  - intersect key reservoirs in the oil
  - acquire reservoir information from all units
  - increase the contingent resources

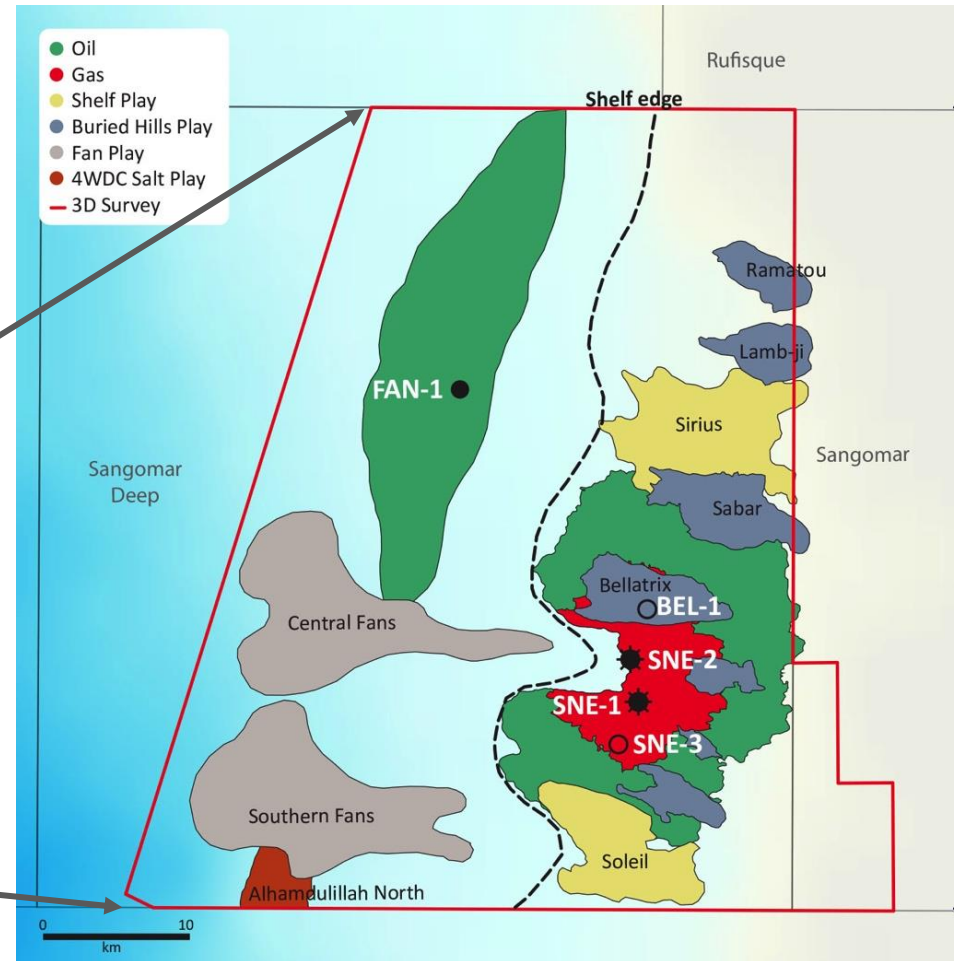
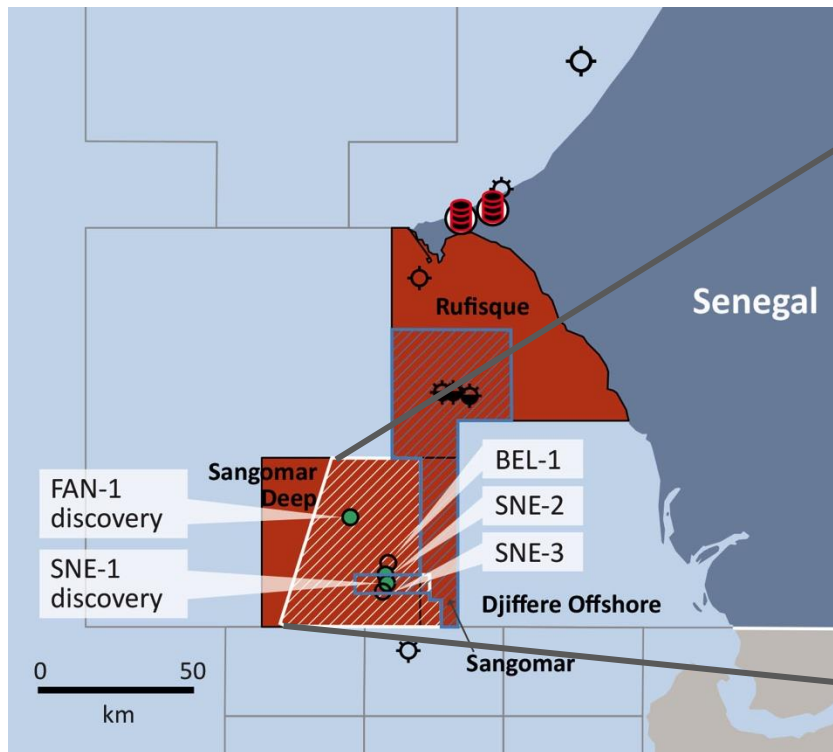




# Senegal prospects and leads



- JV PSC area 7,490 km<sup>2</sup>
- 3D seismic coverage ~5,000 km<sup>2</sup>

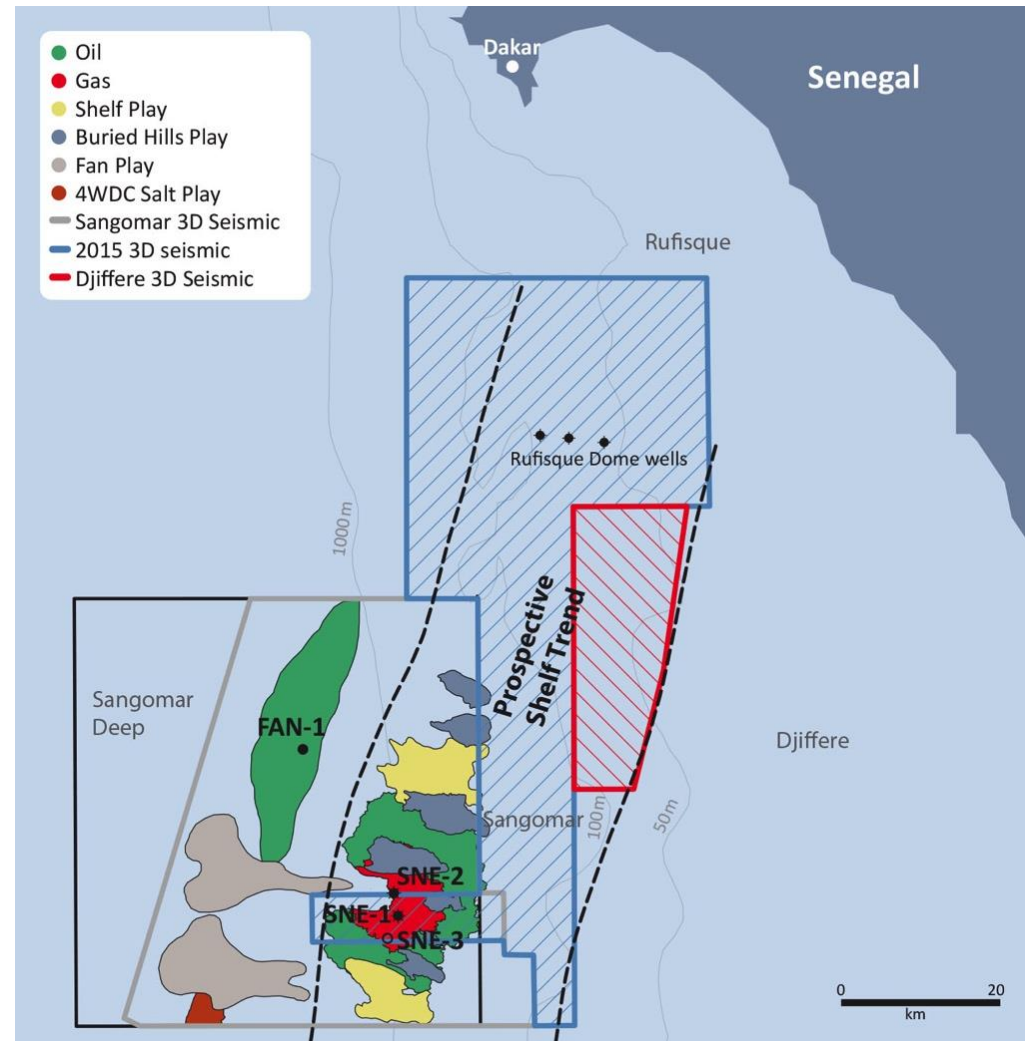




# Capturing more shelf edge exposure



- **New FAR Djiffere 3D seismic bought FAR option to earn a 75% W.I.**
- **New Senegal joint venture 2015 3D seismic shot along trend from existing mapped prospects and assists SNE delineation**
- **Processing of data from both surveys now taking place**

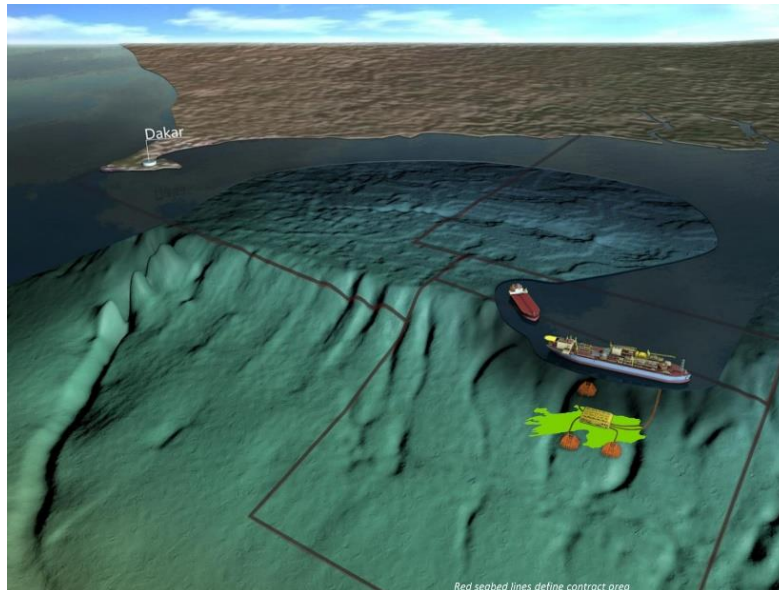


\*Reference FAR ASX release dated 24 September 2015 and 4 January 2016

# Senegal economics



- Excellent PSC terms
- Minimum Economic Field Size (MEFS) approx 200mmbbls\*
- NPV/bbl of US\$10 at US\$50/bbl oil price and reduced CAPEX\*
- Estimated first oil 2021
- Costs coming down



# Industry woes, costs coming down

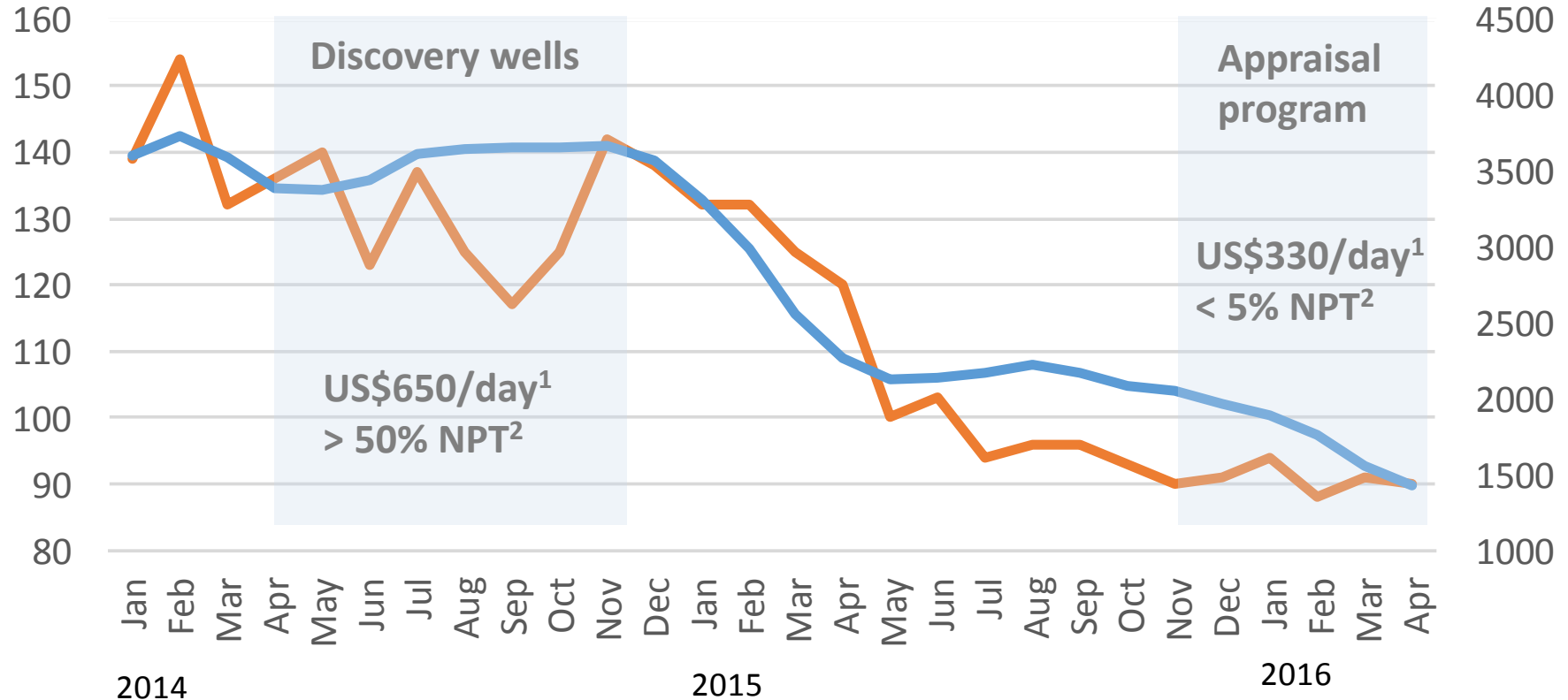
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- **75% drop in oil price** since peaks of 2014
- Dividends being widely reduced or cancelled – **general negative investor sentiment**
- Exploration companies to weather the **low oil prices well into 2017**
- Estimated **US\$213 bn** of deepwater developments been suspended (US\$1.3 trillion in global oil and gas projects)
- First time in 30 years industry has seen 2 consecutive years of investment decline
- **2.9 mmbbls/day** forecast reduction in global production by 2025
- Licencing rounds poorly supported : 2015, Brazil sold 37/266 blocks
- Rates for drill **rigs drop 20-50%**, still declining (Senegal drop is >50% today)
- Development costs have dropped **7-25%**, still falling
- **Bad news** for countries' offshore development aims
- Significant **layoffs** in the industry (40% of service industry personnel)
- Scottish oil worker gets Gvt grant for new career in whisky industry!

# Global rig count

## Africa

## Worldwide



Source: Baker Hughes

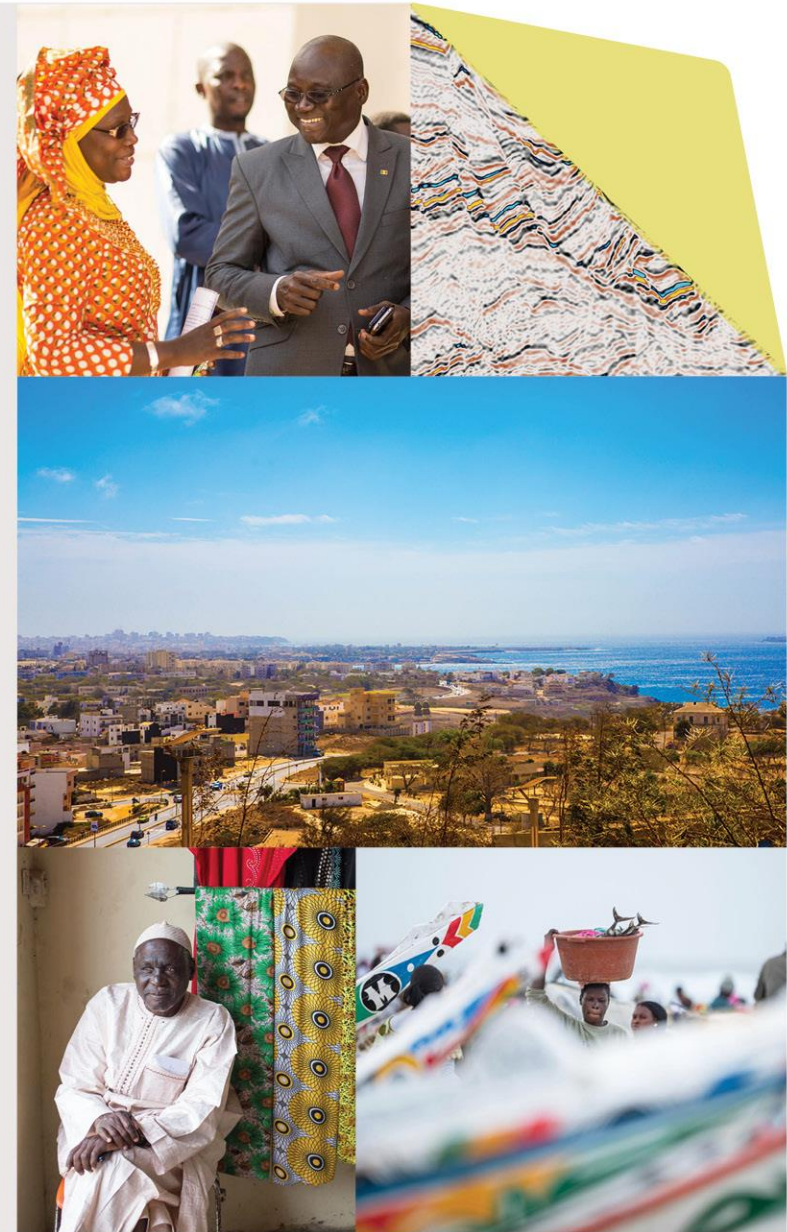
<sup>1</sup>Rig day rate only, <sup>2</sup>Excluding scheduled maintenance



# What's happening next?

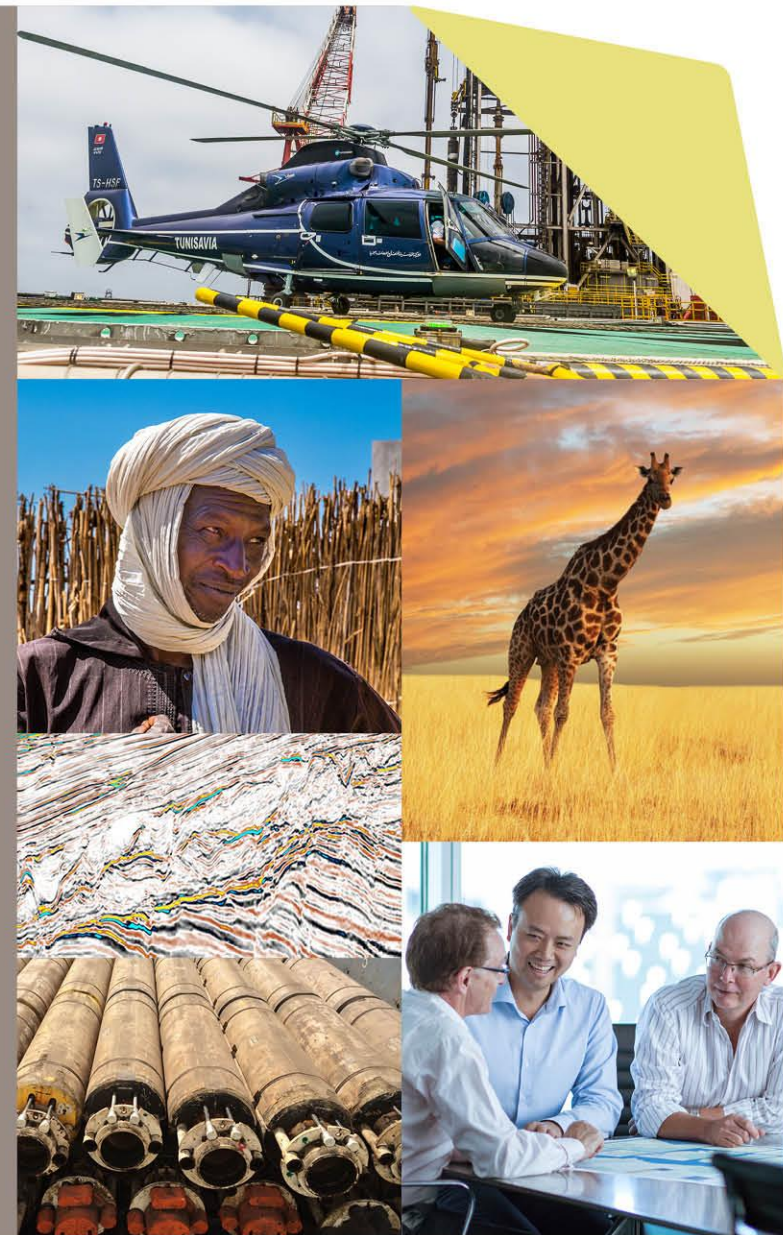
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- Results of SNE-4 well by end May
- Decision on future appraisal by end May
- Upgrade to contingent resources mid year (inc BEL-1, SNE-4 and core data)
- Receipt of Djiffere seismic data mid Q3
- FAR statement on SNE field commerciality Q3
- Decision to progress Djiffere block Q4
- Preparing for DOC, commencing pre-engineering work for SNE field in early 2017
- FAR is funded (contingent on results of drilling) through this period



# Budget going forward (A\$)

- Cash 31 March = \$31.7M
- Capital raise = \$57.6M
- Outgoings current quarter : \$30M
- Expected Q3/Q4 : \$30-40M
  - Includes 2 wells (plus interference test)
  - Licence retention
  - Geotechnical work
  - Administration
- Estimated cash year end \$20-30M
- 90% of cash to be spent in Senegal

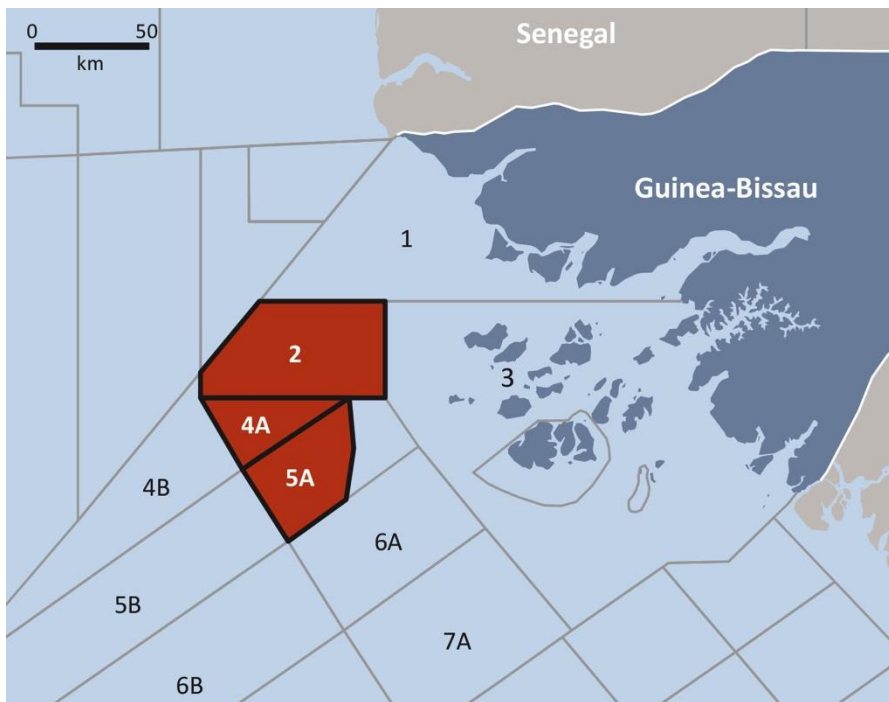




# Guinea-Bissau



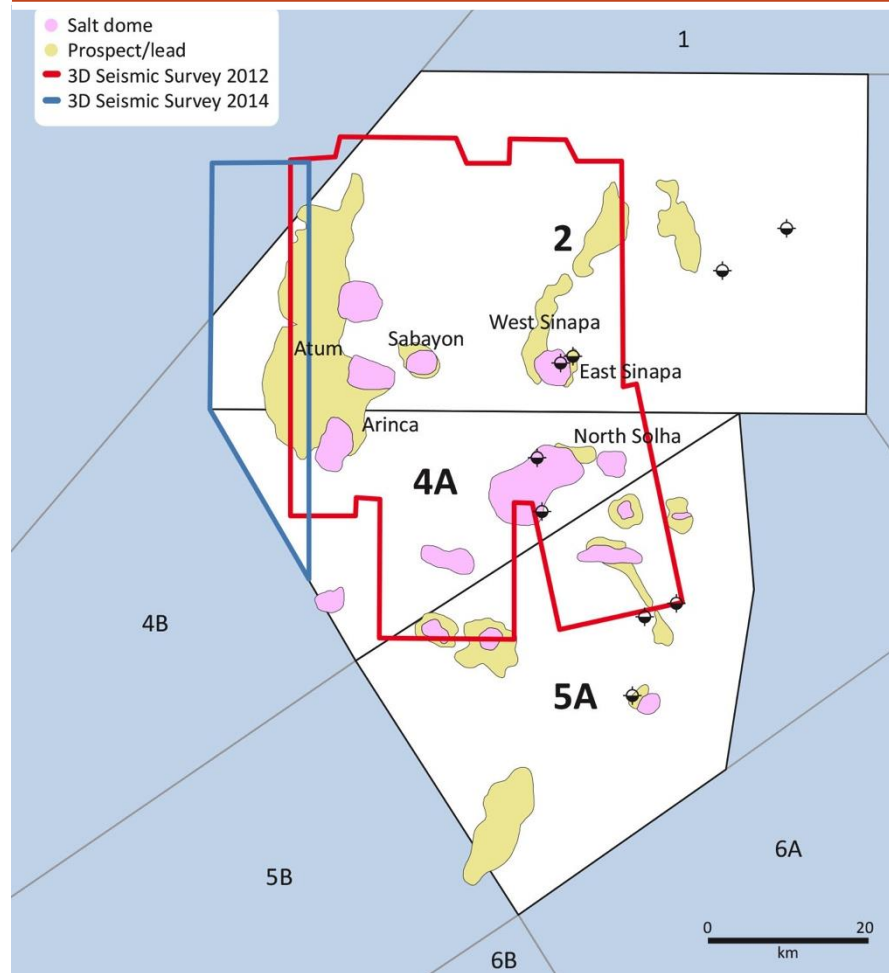
- Three blocks, operator Svenska
- FAR 15% WI, 21.43% PI
- New 3D seismic evaluating SNE look-a-like prospect (Atum)
- Sinapa has a gross 2C contingent resource of 13.4 mmbbls (FAR net 2 mmbbls)\*



## SINAPA (BLOCK 2) AND ESPERANÇA (BLOCKS 4A & 5A)

21.43% paying interest, 15% beneficial interest

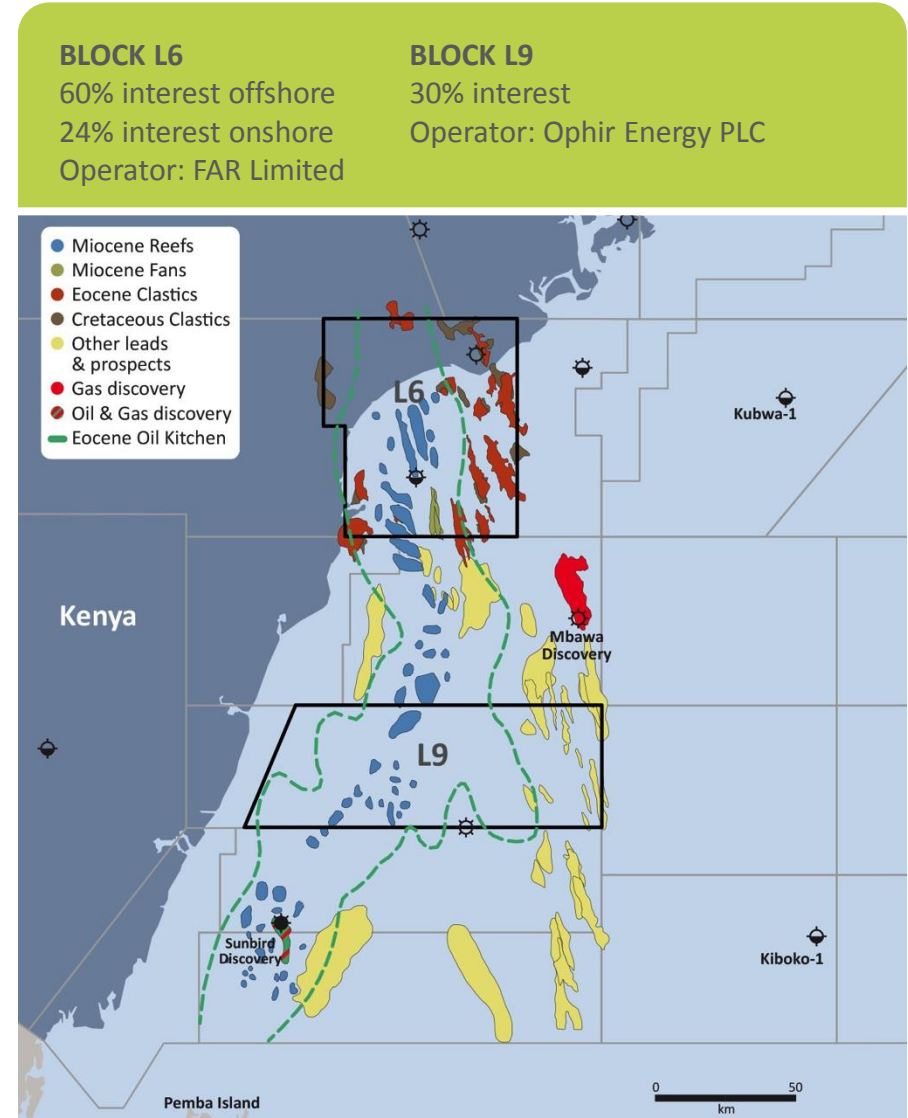
Operator: Svenska Petroleum Exploration AB ('Svenska')



# Kenya



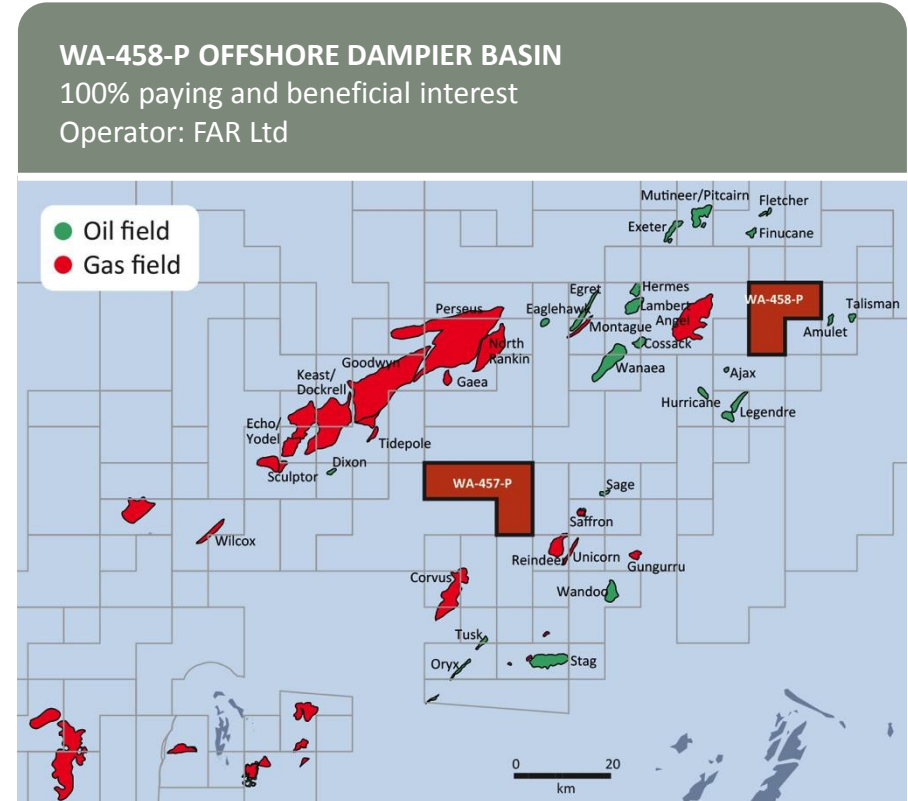
- Interest in two exploration blocks in the Lamu Basin
- Lamu Basin has proven oil at both ends of Miocene reef play (blue)
- Farmout for onshore L6:
  - total work program ~US\$30M
  - 24% free carried interest (uncapped) over onshore L6
  - 60% interest in offshore L6 pre-farmout
- Recent, neighbouring oil and gas discoveries by BG, Anadarko and Apache



# Australia



- WA-458-P exploration permit offshore Western Australia is surrounded by discoveries
- Structural and combined structural-stratigraphic leads at proven reservoir levels
- Combined unrisked prospective resources for WA-458-P to be 359mmbbls\*
- A new 3D seismic survey over WA-458-P
- Planning to surrender WA-457-P in good standing



# Social responsibility

FAR and its partners are **committed to supporting activities that deliver positive, lasting social and economic benefits to Senegal** through the following programs:

- Great Entrepreneur competition in Senegal
- English language training for students, officers, ministries and departments involved in the energy sector
- Provision of finance to the Hunger Project to support a women led microfinance program
- FAR has sponsored regional soccer competitions through provision of 200 balls
- FAR also provided mosquito nets to rural communities to help in protection against malaria after the seasonal rains





# 2016 revealing the prize

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- 2013: Year of farmout
- 2014: Year of discovery
- 2015/2016: Evaluating the SNE Field
- 100% success rate offshore Senegal
- Undrilled exploration prospects with >1bn bbls potential
- Expanding footprint through Djiffere
- Possible lookalikes of SNE in Guinea Bissau
- FAR committed to finding more elephants lurking under Senegalese waters!



# Contact us

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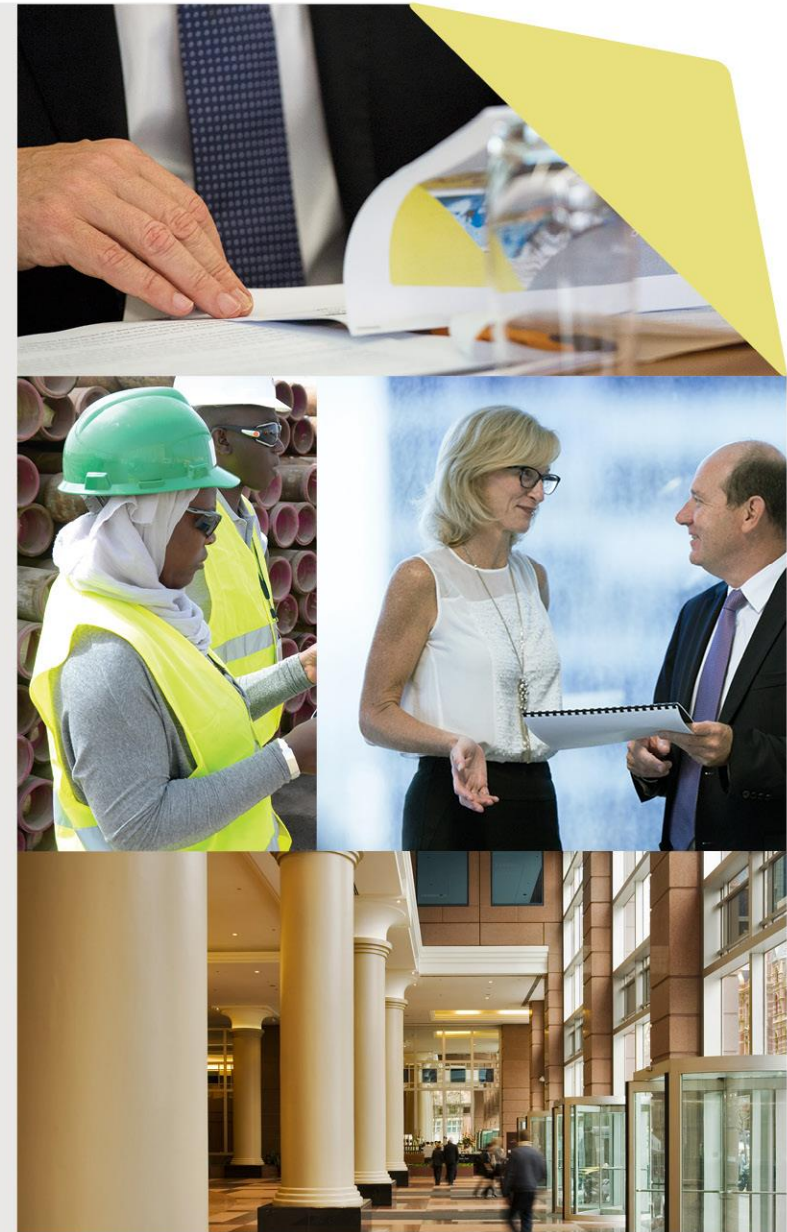
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- Information in this report relating to hydrocarbon resource estimates has been compiled by Peter Nicholls, the FAR exploration manager. Mr Nicholls has over 30 years of experience in petroleum geophysics and geology and is a member of the American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