

Annual Report 2018

FAR matures for the future



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ABOUT US

FAR Limited is an independent, Africa focussed, Australian Securities Exchange listed oil and gas exploration and development company with core assets off the coast of Senegal and The Gambia in the emerging Mauritania, Senegal, Guinea-Bissau, Conakry (MSGBC) Basin.

Our vision is to create long-term value through oil and gas discoveries and pursue new exploration opportunities.

FAR demonstrates a strong commitment to sustainability and improvement of social, environmental and economic outcomes for the benefit of all stakeholders.

FAR made the world-class, SNE oil discovery off the coast of Senegal in 2014 and has since grown to be one of the largest holders of offshore acreage in the MSGBC Basin.

2018 HIGHLIGHTS

The
Gambia

February 2018

Partnered with
PETRONAS
Blocks

A2/A5

Samo-1 milestone drilling

1ST well drilled
in The Gambia for
40 years

October 2018

Submitted SNE Field
Development
& Exploitation Plan
to Senegalese
Government for
approval

Senegal

July 2018

Declared
commerciality
on the SNE project

December 2018

FEED activities
commenced

November 2018

Operated the drilling of Samo-1
Efficiently, safely
& under budget

End of year cash position

A\$27.8M
with no debt

Sustainability

4 high impact
social programs
in West Africa

CHAIRMAN'S REVIEW

Fellow shareholders,

I am proud and excited to be writing this address in the wake of another very fulsome year for FAR.

The 2018 year has been a very busy and challenging year for the FAR team.

It was a year of two halves for FAR. The first half of the year was dominated by the post evaluation and pre-FEED studies in Senegal to ready us for the entry into Front End Engineering Design ('FEED') for the SNE Field development. The second half of the year was dominated by action in The Gambia, where we were focussed on closing the farmout to PETRONAS, agreeing a well location, securing a rig for drilling, building the drilling organisation and finally drilling our first ever offshore well as Operator, Samo-1. We also reached the important milestones for the SNE development with submission of the SNE Development and Exploitation Plan and entry into FEED.

Since the discovery of the SNE oil field offshore Senegal in 2014, FAR has had great success with the drill bit. 2018 was the first year that there was no drilling activity on the project as the field has been fully appraised and has moved into development planning heading towards first oil in 2022.

It is important to keep in mind that in the SNE field structure, we have approximately 4 billion barrels of oil in place and 500 million barrels (mmbbls) of 2C contingent oil resource planned for development in the first phases (recoverable, gross, oil only, un-risked – the Operator's 2C estimate). The quality reservoirs in SNE mean we expect the recovery of oil from the field to improve significantly over the life of the development, especially once we have production data from the initial development wells and this will add further long-term value.

With this very large pool of in-place oil in SNE, it is not surprising that the Joint Venture has been successful in drilling discoveries in nearby traps.

In parallel with the development at SNE, FAR looks forward to progressing the evaluation of these discoveries at FAN, FAN South and SNE North with a view to tying back these oil pools into the SNE hub in later phases of the greater SNE Field development.

Following the successful evaluation of the SNE field, the Evaluation Report was submitted to the Ministry of Energy in Senegal in July 2018. This report describes the appraisal of the discovery, field development concept, economics and commerciality of the field and intent to submit a request for approval for a development of the SNE Field. With the SNE Field on a clear path to development, the SNE Development and Exploitation Plan was submitted to the Ministry of Energy in October 2018. Associated FEED studies commenced in December 2018.

Regular and normal discussions with the government continue regarding the optimal way forward for all the stakeholders and we anticipate final Ministerial approval later in the 2019 year.

To allow for the approvals and timetable to the Final Investment Decision (FID) for the development, the President issued a Decree extending the Production Sharing Contract over the SNE development area by 10 months to 4 December 2019.

The SNE Field plan is for development in phases, where the first phase will be focussed on the core of the field and primarily producing from the 500 series reservoirs. These are the deep, thick reservoirs that flow tested in the first appraisal program at excellent rates. Subsequent phases will be focussed on producing oil from the upper 400 series sands along with flanks of the field and tying back the nearby oil discoveries made by the Joint Venture and producing gas from the field. First oil production is anticipated in late 2022.

The Joint Venture continues to work with a syndicate of banks and other financing institutions, along with the financial

authorities in Senegal as part of the development planning to ensure adequate financial arrangements are in place in time for the FID later this year. Financings of this size have many moving parts and complexities and we expect this work to continue throughout much of 2019.

One of our non-executive directors, Tim Woodall has been seconded to focus on these issues which involve a lot of time and I would like to thank Tim for taking on this important task.

The A2 and A5 exploration blocks offshore The Gambia are a key focus for FAR as we move into 2019 and beyond.

They were captured by us in 2017 when we secured an 80% equity interest and operating rights for the Joint Venture from Erin Energy. In March 2018, PETRONAS, the State-owned oil company of Malaysia, farmed into blocks A2 and A5 to carry FAR through the cost of the first exploration well in this country for nearly 40 years. Under the terms of the agreement, FAR retained 40% working interest in the Joint Venture. This partnership remains important to FAR as PETRONAS is a world-class deepwater operator that has the capacity and commitment to operate the Joint Venture in the event of a commercial discovery.

The Samo-1 well was rated highly pre-drill with a chance of success put at around 50%. One of the significant risks evaluated pre-drill, given the well's proximity to the Senegal discoveries was a question over the integrity of the sealing layer on the structure. The drilling showed that at this location this seal was not adequately developed and while there were oil shows encountered it's apparent that the structure was not able to retain significant oil. While this was very disappointing for us all, frankly that's to be expected in the exploration game, but we have gained important knowledge that is being integrated into our understanding of the Gambian geology in readiness for the next phase of drilling.

"I wish to thank our shareholders for their ongoing support over the year."

We have a very strong working relationship with the Government of The Gambia and because of this, the Joint Venture was awarded a 6 month extension to our exploration licences to evaluate the Samo-1 well. As I write, the technical work is ongoing but FAR is confident of progressing towards another well in early 2020. We have strong evidence to show the SNE Field extending into The Gambia and the Soloo Prospect is being refined at present.

Samo-1 was the first well FAR has operated in deep water and the Board is very proud of the team for delivering this well safely, on time, under budget, efficiently and most importantly, to international oil field standards. The team earned the respect of their international peers and established themselves as an international operator. We thank our service providers and especially Exceed Wells Management and Stena Drilling who have been integral to our success.

The Gambian project is an example of FAR doing what we do best. From our first visit to The Gambia to completion of the well, FAR expended a net A\$1.5 million in capturing the opportunity, mapping the drillable target, farming down and delivering the well. The result was not as hoped, but we look to continue to build our exploration portfolio using our knowledge and skills and bringing in partners to help fund our efforts.

FAR has also held exploration acreage in Guinea-Bissau for some years. The Guinea-Bissau Joint Venture is making preparations for drilling a well in the acreage and we look forward to bringing news of progress in Guinea-Bissau over the coming months.

In Australia, FAR has now completed the acquisition of a 3D seismic survey over permit WA-458-P, previously delayed because of environmental permitting over the shoals in the permit. The block is on the NW Shelf offshore Western Australia where there has been much interest in the wake of a large oil discovery made in mid-2018 that has invigorated the area. Although not in the same geological basin, FAR trusts this renewed interest in the region will be positive when seeking a

farm in partner once the final seismic products are received in mid-2019.

In Senegal and The Gambia, our on-ground teams have been key to our successes and this year is no exception with the team in Banjul. FAR continues to be strong supporters of the communities in which we operate and take great pride in our social programs. A key project this year was the construction of an extension to the maternity wing at the Soma Hospital inland The Gambia. FAR partnered with the UK Jarrah Foundation who provided the medical equipment and the opening of the hospital wing in February 2019 was highly successful. We look forward to continuing our valuable social programs in both The Gambia and Senegal.

FAR's ability to form strategic partnerships is a strength of the Company. During the year, in addition to PETRONAS joining FAR in The Gambia, we formed an alliance with AMOG Engineering of Melbourne. AMOG have worked closely with FAR for many years and the alliance was formed to bring the necessary engineering and facilities expertise to FAR during the FEED and implementation of the development at SNE. The partnership is highly valuable to FAR and the contribution of the AMOG team has been invaluable to our Company.

As you will be aware, following the 'sale' of ConocoPhillips' interest in the Senegal project to Woodside and failed efforts to amicably resolve the dispute, FAR commenced arbitration proceedings in the International Court of Arbitration in June 2017 because it believes its pre-emptive purchase rights were not honoured. Progress has been slower than anticipated whilst legal posturing has taken place however the matter is now moving forward through the important stages. The tribunal for the case was appointed in April 2018 and the terms of reference were agreed later in the year. Hearings are now confirmed in Paris in early July 2019. We continue to feel confident of our position going forward as we seek declaratory relief from the ICC. It is well worth remembering that the outcome of the court process will not affect FAR's current rights or position in the Senegal Joint Venture and is a

matter of managing an opportunity that affords plenty of upside.

The MSGBC Basin in NW Africa continues to attract major International Oil Companies (IOC's) and National Oil Companies (NOC's) and we see ourselves now neighboured by Total (Senegal), PETRONAS (Gambia and Senegal), CNOOC (AGC), BP (Senegal) and more recently, ExxonMobil (Mauritania).

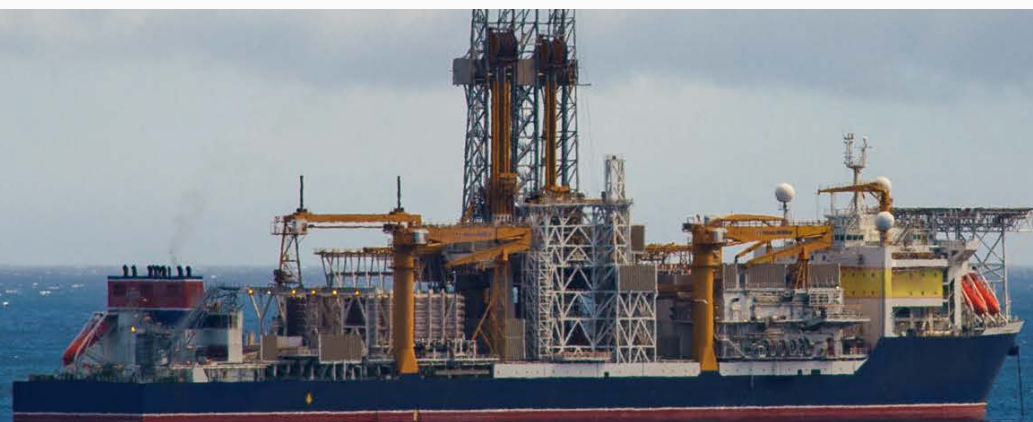
The continued tough market conditions experienced over the year mean we continue to tightly manage our costs. Although the FAR team had another very busy year and achieved beyond all that was asked of them, the disappointing share price performance following the Samo-1 well has led the Board to use its discretion and not award any STI's for 2018 or LTI's into 2019.

We look forward to 2019 which we know will be another year of high activity for the FAR team. Many key milestones are ahead of us to be achieved with the development of SNE. Around us and by us key wells are due to be drilled this year in Senegal by Total (and partner PETRONAS) and early in 2020 by CNOOC in the AGC. FAR and its partners look to drill in Guinea-Bissau and The Gambia in early 2020, subject to partner approvals.

I wish to thank our shareholders for their ongoing support over the year. It has been a volatile year for the share price as the Samo-1 well, oil prices, markets and global political uncertainty have weighed upon us, but our job is to create and maintain long-term value in the company and that continues to be the Board's focus. We have a positive view of 2019 starting with the release of our plans for future exploration in The Gambia and Guinea-Bissau as well as the news of the approval of the SNE development plan and reaching FID.

The year is indeed shaping up to be another momentous one as we solidify ourselves as an important player in the MSGBC Basin in Africa.

Nic Limb
Chairman



FAR holds 7 exploration permits through the MSGBC Basin in Senegal, The Gambia and Guinea-Bissau along with assets in Kenya and Australia.

FAR continues to pursue new exploration opportunities to fulfil our mission to create shareholder value through exploration for oil and gas while operating to industry best practice standards.

OVERVIEW

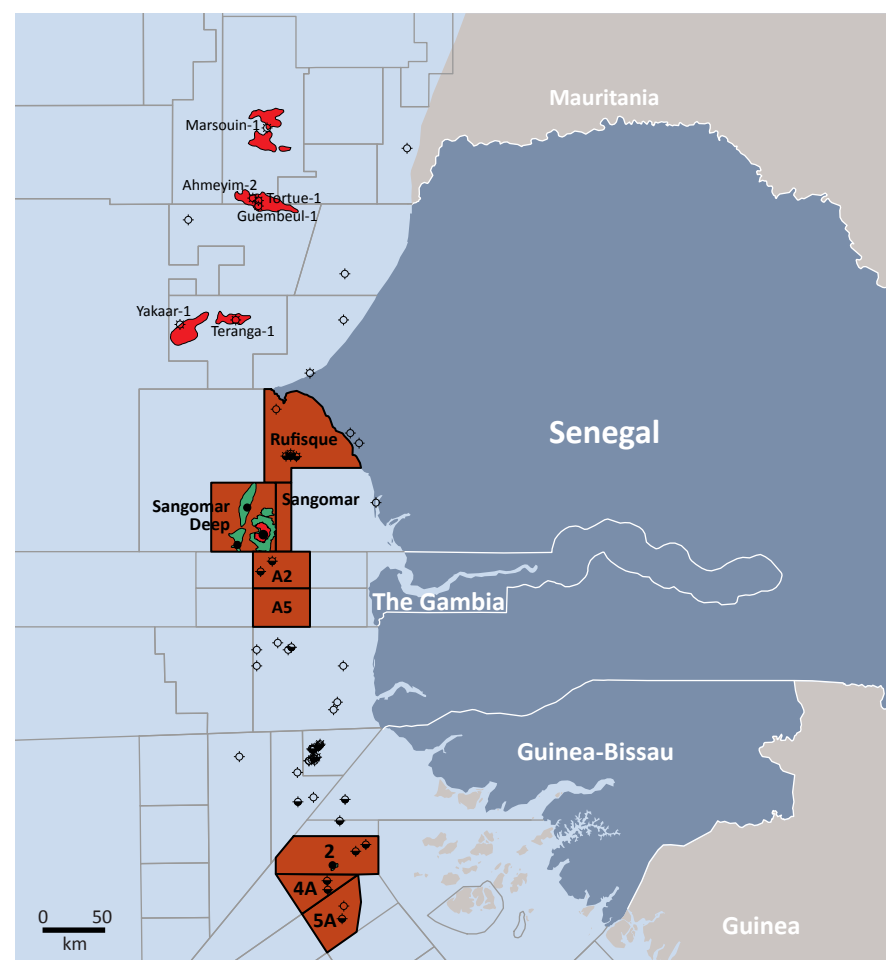
2018 was a pivotal year for FAR. We achieved another outstanding year of performance in 2018 by remaining focussed on exploration and development activities on our existing assets, while pursuing acquisitions that meet our strategic and financial objectives. Our pathway to developing the world-class giant SNE oil field reached several key milestones throughout the year as we continued to evaluate our nearby discoveries.

On the exploration front, FAR continues to be one of the most active and leading explorers in the Mauritania-Senegal-Guinea-Bissau-Conakry ('MSGBC') Basin. We operated our first ever deepwater well offshore The Gambia in late 2018 and while the outcome was not in line with our pre-drill expectations, FAR continues to set the pace as plans commence to drill another high-impact, pure exploration well offshore Guinea-Bissau.

FAR continues to be recognised amongst its peers for its extraordinary performance in the industry over the past few years. In recognition of our efforts, FAR has received numerous accolades and awards from the Oil and Gas Council of London, an influential global leader for excellence in our energy industry. Our awards include 'Breakthrough Company of the Year' in 2016 and 'African Explorer of the Year' in 2017 as well as being named a finalist for 'Deal of the Year' in 2018.

OFFSHORE WEST AFRICA

FAR's core assets lie in eight highly prospective offshore blocks in the world-class, emerging giant hydrocarbon producing province along the passive North West African Atlantic Margin of the MSGBC Basin.



In late 2014, FAR and its partners in Senegal made two play-opening discoveries with the drilling of the FAN-1 and SNE-1 wells that uncovered an exciting new hydrocarbon province offshore deepwater Senegal. The success was followed up with back-to-back phases of exploration and appraisal drilling campaigns in 2016 and in 2017, which yielded an additional two discoveries and, in the process, confirmed the world-class giant oil accumulation of the SNE field.

The basin-opening discoveries generated significant new interests that have since intensified throughout the region and in the short time that followed the ground-breaking FAN-1 and SNE-1 discoveries, a multitude of spectacular giant gas discoveries north of the Dakar Peninsula on either side of the Senegal and Mauritania border revealed the presence of another new hydrocarbon province. Discovered resources in those gas plays to date have been estimated to exceed 50 trillion cubic feet (Tcf) of natural gas, with future development plans that include a floating LNG facility with first gas around 2022.

The proven shelf edge play in Senegal provides FAR with a geological template in which to identify prospective acreage along the West African Atlantic margin. FAR recognised this play in neighbouring The Gambia where the Company drilled the Samo prospect on-trend south of the giant SNE oil field offshore Senegal. FAR has further identified the potential for this play along the southern margins of the MSGBC basin in offshore Guinea-Bissau where it holds additional acreage.

Recent entries into the region by major and super-major oil and gas companies, including National Oil Companies ('NOCs') have coincided with the MSGBC Basin transitioning from a frontier basin to an emerging giant hydrocarbon producing basin. FAR has been successfully operating in Senegal for over a decade and is strategically positioned to capture the near-term benefits of our world-class resource assets.

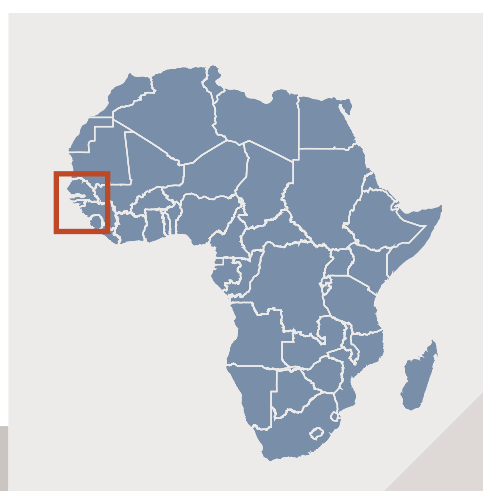
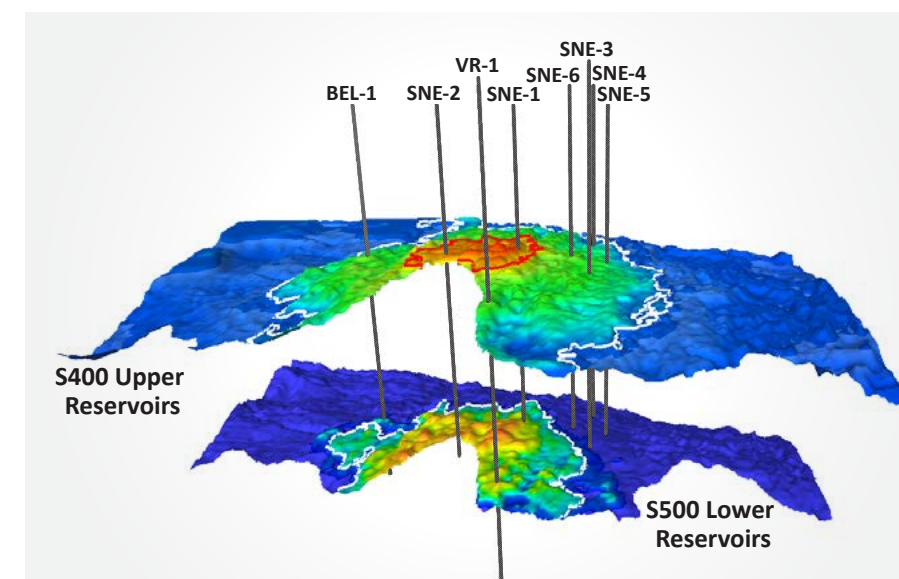


FIGURE 1: MSGBC basin showing FAR's blocks



SENEGAL

RUFISQUE OFFSHORE,
SANGOMAR OFFSHORE
& SANGOMAR OFFSHORE DEEP BLOCKS

Mauritania-Senegal-Guinea-Bissau-
Conakry Basin

16.67% paying interest
15.00% beneficial interest

Operator:
Cairn Energy PLC ('Cairn') to Nov 2018
Woodside Energy (Senegal) B.V.
from Dec 2018

FIGURE 2: Location of all exploration and appraisal wells drilled in SNE Field

SNE field on the path to development

Over the past four years, FAR and its partners successfully drilled eleven offshore deepwater wells along the continental margins of Senegal – a remarkable feat given no deepwater well had ever been drilled in the offshore Senegal region and no well had been drilled offshore Senegal in 20 years prior to this recent successful exploration period. This feat is made even more remarkable by the fact that each of those wells encountered an oil-bearing column.

Senegal is FAR's top-tier asset in the MSGBC Basin where FAR is about to embark on the next value creation chain of the full cycle exploration and production business as we strive to deliver long-term sustainability for the company. FAR and its Joint Venture partners passed several key milestones in 2018. The SNE Field Evaluation Report that describes the appraisal of the SNE field discovery and associated commerciality of the field was the precursor to the SNE Field Development and Exploitation Plan that was submitted to the Government of Senegal in Q4 2018. This plan describes a multi-phased development of the SNE oil and gas field using a Floating Production and Storage Offtake vessel ('FPSO') with subsea tie backs to the oil field. The Joint Venture also presented its Environmental and Social Impact Assessment ('ESIA') study in relation to the first phase development of the SNE field to the Government of Senegal. The submission and Government approval of the SNE Field Development and Exploitation Plan is a vital step under the Production Sharing Contract ('PSC'), together with the completion of FEED studies that must be fulfilled before the Joint Venture can reach a Final Investment Decision ('FID').

FAR and its partners successfully completed appraisal drilling of the SNE oil field in the 2016 and 2017 drilling campaigns, where two new discoveries were made at FAN South and SNE North. The principal focus of activities in 2018 has been to progress the SNE field towards FID in 2019.

In addition to the submission of the SNE Development and Exploitation Plan, the Joint venture submitted a request to the Government for an extension to the PSC to evaluate the FAN and SNE North discoveries. Approval of an evaluation program is anticipated to be granted by the Government during 2019.



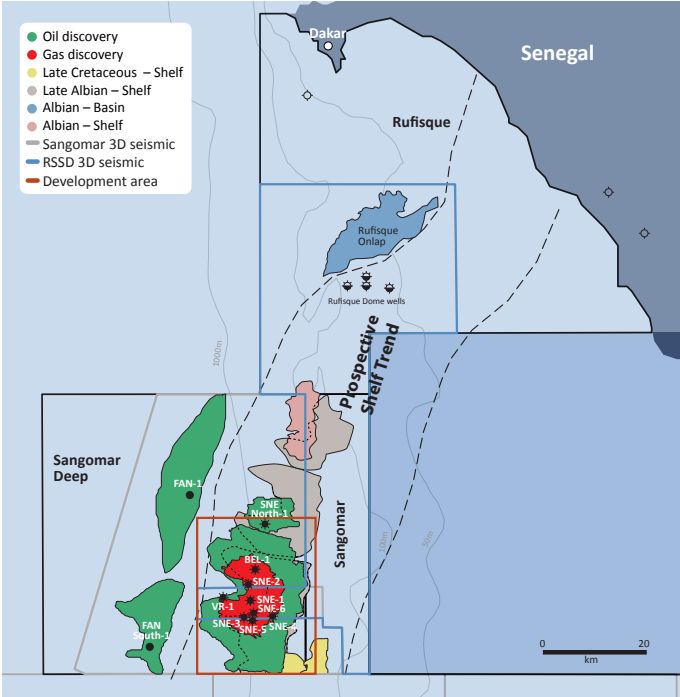


FIGURE 3: Map showing all prospects and discoveries in FAR's Senegal blocks.



During the evaluation period, the Joint Venture will undertake (i) appraisal work program for the SNE North discovery; (ii) pre-development work on the FAN discovery; and (iii) exploration drilling of the on-trend, shelf edge Spica prospect (subject to further evaluation of new seismic data). Both the FAN South and SNE North discoveries are within a 25km tie-back radius of the proposed SNE field development hub.

The Rufisque, Sangomar and Sangomar Deep ('RSSD') licences host one of the most attractive exploration plays in the offshore MSGBC Basin. FAR holds a 15% equity interest in these three blocks which cover an offshore area over 7,110km² from the south of Cape Verde Peninsula to The Gambian offshore northern maritime border. All eleven wells drilled by the Joint Venture to date have been located in the Sangomar Deep block, which hosts the giant SNE oil field.

FAR entered 2018 with vitality following on from the successes of exploration milestones in 2017. Two independent discoveries were made in this 2017 five well campaign, which completed the drilling component of the evaluation of the SNE field – an outstanding achievement to have completed appraisal within three years from discovery. In early 2018, the Joint Venture agreed final development concepts for the SNE field and began to undertake pre-FEED studies.

Exploration in Senegal remains a key component of the Joint Venture's activities. Evaluation work on the FAN discovery was delivered early in 2018 with results indicating the potential for improved reservoir connectivity surrounding the FAN-1 well discovery. In Q1 2018, FAR released its estimates of the contingent resources for the FAN discovery (Table 1).

FAN was the first deepwater discovery made by the Joint Venture in late 2014, prior to finding the play-opening SNE field. The FAN discovery was evaluated by FAR and a contingent resource estimate was calculated based on the FAN-1 well log interpretation in conjunction with detailed re-mapping of the 3D seismic data. The probabilistic resource evaluation carried out by FAR is in accordance with industry standard SPE-PRMS reporting guidelines and definitions. RISC Operations Pty Ltd ('RISC') completed a report and assessment of FAR's FAN evaluation and an Independent Resources Report for the discovery was presented.

Any future development project for FAN is contingent upon successful evaluation and approval of a field development plan.

FAR's Senegal acreage represents entry into a highly coveted, low-risk project coupled with exciting play diversity. There remains potential for additional discoveries in the RSSD area, in view of the substantial oil resources discovered to date. In addition to the FAN discovery contingent resources estimate, FAR further reviewed the undrilled prospects in the RSSD blocks, integrating data from the 3D seismic survey acquired in 2015, the reprocessed data from the existing 3D survey and data from the eleven successful oil wells the Joint Venture has drilled to date across its Senegal acreage. These prospects have been reviewed by RISC and an Independent Resources Report and has been provided to FAR. Refer Table 1.

In the 2017 drilling campaign, FAR made two new discoveries at FAN South and SNE North. The RSSD Joint Venture submitted a request to the Ministry in January 2019 for an extension of the FAN and SNE-North exploration area to undertake further evaluation works.

While preliminary evaluations indicated the potential for development of better reservoir facies outboard of the well location, the discovery at FAN South-1 appears to be a localised oil accumulation. Further work is required to understand the potential for an extension of this discovery along the base of slope. At SNE North-1, preliminary evaluations were highly encouraging and indicated the potential for a substantial down-dip oil leg. In order to achieve the objectives set out in the proposed evaluation work programs for FAN South and SNE North, the technical recommendations included the acquisition of a new high-definition 3D multi-azimuth seismic survey. This new seismic data is planned to be acquired in 2019 and will allow better prediction of reservoir thickness and distribution, improve our current depth model and improve seismic data quality for attribute analysis, leading to optimisation of future appraisal well locations. The Joint Venture is currently awaiting Government approval of the evaluation application and extension to the PSC to undertake the appraisal work programs to better understand the potential commerciality of FAN South and SNE North as tie backs to the SNE Field development.

By the end of Q1 2018, the Joint Venture completed work in relation to a concept select decision for development of the SNE field. The development concept selected by the Joint Venture details a standalone Floating, Production, Storage and Offtake ('FPSO') development hub with subsea wells, facilities and associated infrastructure. The proposed SNE field development will undertake a series of phases, which will allow flexibility for anticipated subsea tie backs from other reservoir intervals and from nearby fields such as FAN.

The opportunity to develop and export gas from SNE is planned for the later phases. Invitations to tender for the FPSO facility and supporting subsea infrastructure were launched in Q2 2018.

At the end of Q2 2018, the Joint Venture submitted its draft Environmental and Social Impact Assessment ('ESIA') report in relation to the SNE field development – Phase 1, to the Direction de L'environnement et des Etablissements Classes ('DEEC'). The ESIA is a comprehensive study of potential environmental and social impacts and benefits which may arise from the development. Part of the approvals process involved conducting public hearings of which two were held in the towns of Fatick and Thiess in late November. Following on from the success of these hearings where matters were addressed and comments were considered, the submission was assessed to have complied with the provisions of the Environmental Code and as a result, the Joint Venture was granted an ESIA compliance certificate by the DEEC in Q1 2019.

After the drilling of seven successful appraisal wells in which hundreds of metres of core were recovered for analysis and multiple production tests were completed on wells SNE-2, SNE-3, SNE-5 and SNE-6 from drilling operations in 2016 and 2017, the Joint Venture submitted its SNE Field Evaluation report to the Government of Senegal in late July 2018. The report summarised the technical and economic data relating to the SNE discovery following successful completion of the evaluation and appraisal work programs, in fulfilment of the PSC requirements upon declaration of discovery. The report also included a statement of commerciality of the SNE field and described the broad development concepts for inclusion in the Development and Exploitation Plan.

In Q3 2018, tender responses for the FPSO facility and supporting subsea infrastructure were received ahead of FEED entry. The transfer of operatorship from Cairn to Woodside was approved by the Minister of Petroleum and Energy with Woodside assuming the role of Development Operator in December 2018.

During Q4 2018, the RSSD Joint Venture presented the Development and Exploitation Plan for development of the SNE Field – Phase 1, to the Government of Senegal. The plan outlines the full field multi-phase development of oil and gas and details how the field will be developed in a series of phases with plans for ~500mmbbls of oil to be developed with a plateau production of ~100,000bbls oil per day. The first phase of oil development will principally develop the S500 resource with up to 23 subsea oil production, water injection and gas injection wells tied back to an FPSO facility. The plan further details the development and recovery strategy, preliminary well and subsea architecture designs, estimated production profiles and the preliminary economic and commercial assessment for development. The Joint Venture project financing continued during 2018. In January 2019, the RSSD Joint Venture was granted an extension of the PSC for the SNE area. The exploitation licence is anticipated to be granted in mid-2019.

In mid-December 2018, the Joint Venture reached a significant milestone by commencing FEED activities for the SNE field development – Phase 1, by awarding the subsea FEED contract to Subsea Integration Alliance. FEED work will entail various studies and activities to finalise budget, schedule and technical definition for the proposed SNE field development that will enable the Joint Venture to reach FID in 2019. Further FEED contracts are expected to be awarded in early 2019.

Djiffere Block Option

In 2015, FAR entered into a farm-in option agreement with a subsidiary of Trace Atlantic Oil Ltd ('Trace') for the Djiffere Block offshore Senegal. FAR acquired a 3D seismic survey over a portion of the block to assess the main prospect, previously mapped on existing 2D seismic data. In the Company's Q1 2018 activities report, released on 30 April, FAR announced that it did not intend to progress with the drilling of an exploration well on the Djiffere permit.

Senegal Discoveries	Play	Contingent Resources*			
		1C (mmbbls)	2C (mmbbls)	3C (mmbbls)	
SNE	Albian Shelf	348 ⁽ⁱ⁾	641 ⁽ⁱ⁾	1,128 ⁽ⁱ⁾	
FAN	Albian Basin	30	198	637	
Total Contingent Resources		378	839	1,765	
Total net to FAR		57	126	265	

Senegal Prospects	Play	Prospective Resources*			Probability of success (%)
		Low Estimate (mmbbls) P90	Best Estimate (mmbbls) P50	High Estimate (mmbbls) P10	
Spica	Albian Shelf	58	132	254	32%
Rufisque	Albian Basin	28	181	849	14%
Leebeer	Late Cretaceous Shelf	68	216	584	33%
Leraw	Late Cretaceous Shelf	24	77	216	18%
Jabbah	Late Cretaceous Shelf	14	35	75	21%
Jabbah Deep	Late Cretaceous Shelf	15	32	67	14%
Total all Prospective Resources		207	673	2,045	
Total net to FAR		32	101	307	

TABLE 1: Summary of Senegal contingent and prospective resources

(i) Summary of FAR's contingent oil resource assessment as per announcement dated 23rd August 2016

THE GAMBIA

BLOCK A2 AND A5

Mauritania-Senegal-Guinea-Bissau-
Conakry Basin

40% paying & beneficial interest

Operator: FAR Ltd

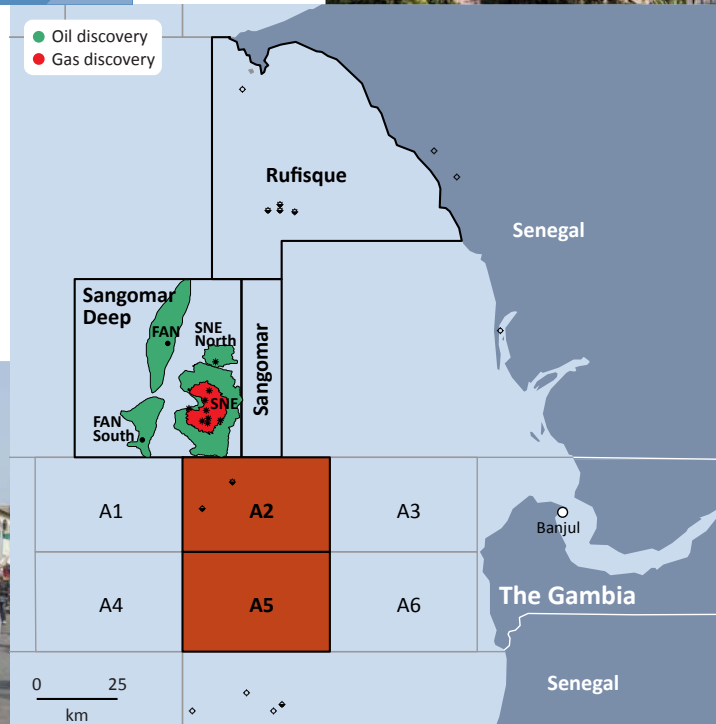


FIGURE 4: Map showing FAR's Gambian blocks in relation to the SNE Field

First ever deepwater well

FAR's successful entry into The Gambia in 2017 represented a material step for the Company in expanding its footprint in the MSGBC Basin. There were two key drivers for acquiring the acreage offshore The Gambia.

First was that the blocks border the giant SNE oil field and there is evidence that the oil bearing reservoirs extend south into The Gambia – a country that has been grossly underexplored.

Secondly, FAR had a unique opportunity to leverage its technical expertise and knowledge acquired since making multiple discoveries in Senegal. The opportunity captured in The Gambia represented the culmination of our efforts pursuing acquisitions that meet our strategic and financial objectives. 2018 saw FAR operate its first ever offshore deepwater well in The Gambia – the Samo-1 well.



FAR expanded its exploration portfolio into offshore The Gambia via acquisition of an 80% working interest and operatorship of Blocks A2 and A5 via a farm-in agreement with Erin Energy in early 2017. These two permits cover an underexplored area of over 2,680km² adjacent to and on-trend with the giant SNE oil field. The blocks are located less than 50km offshore in water depths ranging from 50m to 1,500m.

The significant hydrocarbon potential in these two blocks was first identified following a regional geological review in the wake of the SNE oil field discovery, which highlighted the potential for an extension of the shelf edge play into The Gambia. The blocks had 3D seismic data coverage and this data was merged with FAR's extensive 3D seismic database offshore Senegal. FAR completed this data merge and related studies in H2 2017 that led to a significant upgrade of the existing prospective resources across the two licences. FAR mapped a series of prospects in the permits including Samo, Soloo and Bambo, with a combined best estimate recoverable resource of over 1.1Bbbls (unrisked, 100% basis).

In Q1 2018, FAR announced it had signed a farm-out agreement with a subsidiary of PETRONAS, the National Oil and Gas Company of Malaysia, to assign a 40% interest in each of Block A2 and A5 in exchange for an 80% carry on the total cost of one exploration well, up to a maximum total cost of US\$45 million. In addition, FAR was to be paid cash of ~US\$13.5 million comprising of reimbursement of back costs and cash consideration.

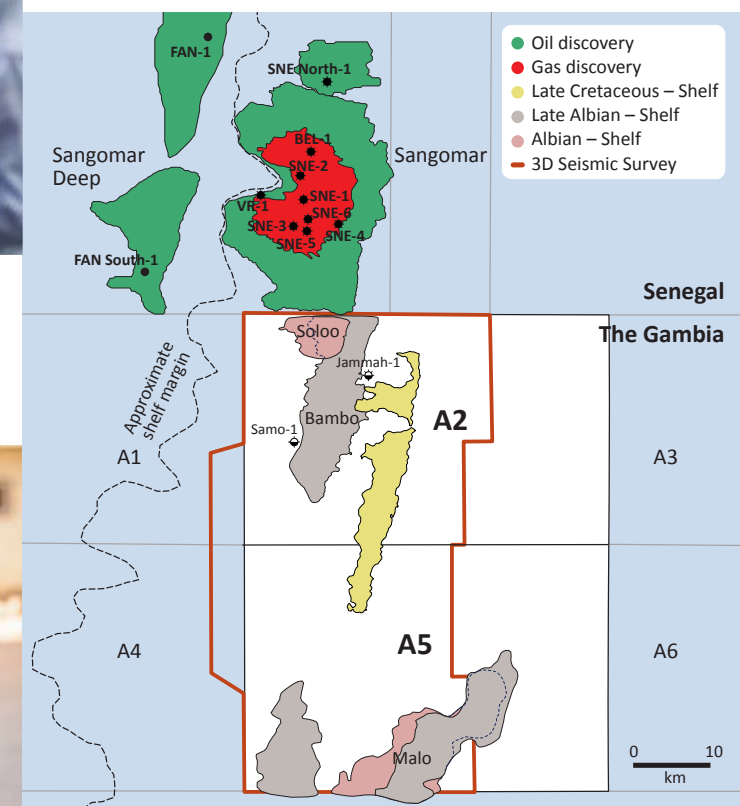


Subsequent to year end, a further US\$1.37 million was received as conditional consideration. FAR remained operator through the exploration phase for both licences, including the drilling of the Samo prospect. In mid Q3 2018, the Government of the Republic of The Gambia approved the assignment by FAR of a 40% interest in offshore petroleum licences Block A2 and A5 to PETRONAS.

In the lead up to drilling, FAR awarded a drilling rig contract in Q2 2018 to Stena Drilling, allowing the Joint Venture to secure the Stena DrillMAX drillship for the upcoming exploration program. The DrillMAX had completed a highly successful and efficient drilling campaign for the Senegal Joint Venture in 2017 in which two discoveries were made. FAR procured the DrillMAX at an attractive operating day rate.

The seismic reprocessing and merger project of the 3D multiclient data over Blocks A2 and A5 was initiated in Q3 2017. The multiclient acquisition from 2015 did not have the benefit of data points from our Senegal wells to better constrain the velocity model for a more accurate depth conversion of the seismic data. The aim of the reprocessing project was to integrate all the available well information in conjunction with improved imaging of the subsurface, which would further enhance quantitative analysis of the seismic record. This reprocessing stream was conducted by PGS with interim products supplied in Q1 2018. Final deliverables were received in late Q2 2018.

FIGURE 5: Map showing prospects in Blocks A2 and A5, The Gambia



Samo-1 Well Result

The Samo-1 well was spudded near the crest of the Samo structure in late October 2018 in Block A2 above a water column of 1,017m. The well is located less than 30km south of the play-opening SNE-1 discovery well and 16km from the current southern extent of the mapped oil leg of the SNE field. The Samo prospect had dual target objectives; an upper Albian reservoir interval, which contained liquid-rich gas at SNE and a lower Albian reservoir interval, which was oil-bearing at SNE. FAR’s depositional model offshore The Gambia indicated better quality reservoirs at both these levels at the proposed Samo-1 location.

By early November, Samo-1 was drilled to a total depth of 3,240m. A suite of wireline logging runs was conducted and confirmed both the primary and secondary objectives were intersected, albeit deep to prognosis. However, interpretation of additional wireline logs indicated that these intervals were also water-bearing. A number of oil shows were encountered at several levels, indicating that the area has access to an active hydrocarbon charge system. As predicted in our depositional models, the well encountered excellent reservoir and seal facies, demonstrating that all the key components for a successful trap are present.

FAR and its Joint Venture partner will use the Samo-1 data point to calibrate physical rock attributes in the newly reprocessed seismic data as part of a remapping project to help identify additional areas of excellent reservoir quality, and to determine the presence and nature of hydrocarbons in those reservoirs as follow-on work. This project will re-evaluate the existing prospect inventory and should provide improved confidence in our targeting for any future drilling.

Samo-1 was the first well drilled offshore The Gambia in almost 40 years and was the first ever deepwater well operated by FAR.

TABLE 2: Summary of prospective resources in Blocks A2 and A5, The Gambia

The Gambia Prospects	Play	Prospective Resources*		
		Low Estimate	Best Estimate	High Estimate
		(mmbbls) P90	(mmbbls) P50	(mmbbls) P10
Bambo	Late Albian Shelf	129	317	1,895
Soloo	Albian Shelf	55	247	277
Malo	Albian Shelf	211	374	683
Total all Prospective Resources		395	938	2,855
Total net to FAR		158	375	1,142

This well attracted the attention of our industry, globally, and FAR is pleased to report that the drilling of Samo-1 had been conducted safely and efficiently, and in line with good oilfield practices. Final well operations, including plugging and abandonment, concluded ahead of schedule and under budget, a testament to FAR striving to achieve best-in-class operational excellence in drilling.

The A2 and A5 Production Sharing Contracts are both currently within their Initial Exploration Periods, having fulfilled the minimum work obligation with the drilling of Samo-1. Post drilling, the Joint Venture received a six-month extension to this current period to June 2019 to allow the results from Samo-1 to be integrated into the regional geological and geophysical models and to identify and review future potential prospects and leads within the blocks.



ROV (remote operating vehicle) captures the moment Samo-1 is spudded



GUINEA-BISSAU

SINAPA (BLOCK 2)
ESPERANCA (BLOCK 4A & 5A)
Mauritania-Senegal-Guinea-Bissau-Conakry Basin
21.43% paying & beneficial interest
Operator: Svenska Petroleum Exploration AB

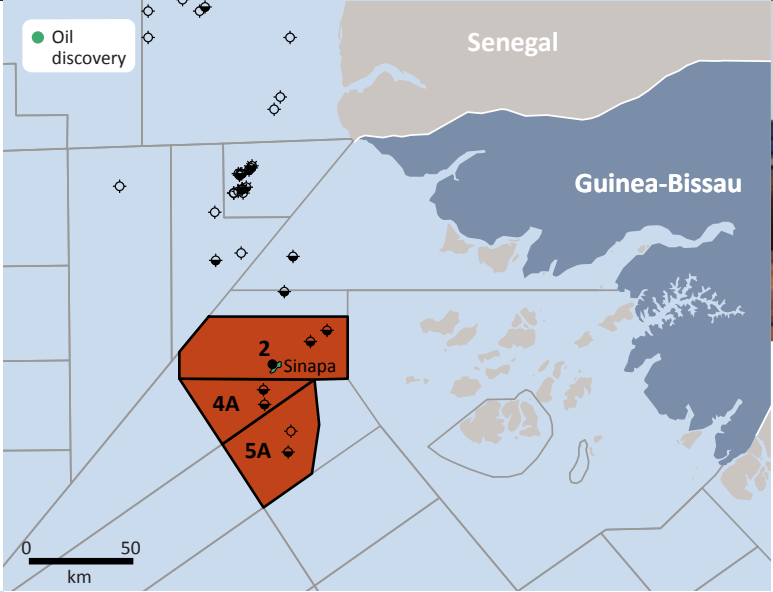


FIGURE 6: Location of FAR’s blocks offshore Guinea-Bissau

Preparations begin for exploration drilling

In the wake of major oil and gas finds in Senegal recently, offshore exploration in the Republic of Guinea-Bissau has been reinvigorated with most offshore blocks now being licensed. The governments of Guinea-Bissau and Senegal share a maritime exploration and development zone designated the Agence pour la gestion et la cooperation (‘AGC’), commissioned to administer these joint territorial interests. The inboard areas of the AGC is already home to several discoveries, including the very large 1.5Bbbls in-place heavy oil resource within its shallow waters. Very few wells have been drilled in the outboard areas to date however, recent entries by independents, including a very large NOC, appears to have reinvigorated deepwater exploration in the southern regions of the MSGBC Basin.

There have been no exploration wells drilled offshore Guinea-Bissau (or the AGC) following the large oil and gas discoveries in Senegal. FAR holds an interest in 3 exploration blocks and plans are being made to drill the first deepwater exploration well offshore Guinea-Bissau.

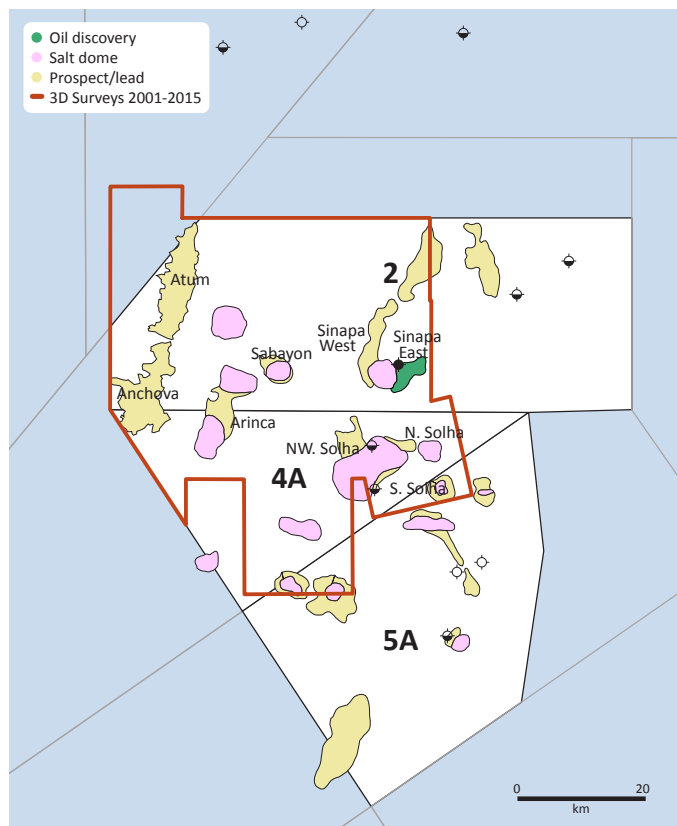


FIGURE 7: Block 2 & Blocks 4A/5A prospects, offshore Guinea-Bissau

The contiguous Sinapa and Esperanca permits are located within the Casamance salt sub-basin offshore Guinea-Bissau. FAR retains a non-operating interest in these two permits, which comprises three blocks covering an area of almost 5,000km². Over 70% of the acreage lies above a water column of less than 100m with a maximum water depth approaching 1,500m outboard west.

The Sinapa permit hosts the Sinapa oil discovery – a shallow water salt-related feature with contingent resources of ~13.4mmbbls of recoverable light oil (unrisked, 2C case, 100% basis). FAR's geotechnical evaluation of this original discovery highlighted further potential surrounding the salt diapir. These include deeper sands to the east and the identification of another prospect along the western flank of the salt dome. These additional features support a prospective resource of over 72mmbbls recoverable (unrisked, best estimate, 100% basis).

FAR's Guinea-Bissau exploration permits are governed by the Sinapa and Esperanca Agreements for Joint Venture Participation (AJVP) with the National Oil Company of Guinea-Bissau ('Petroguin'). In 2017, negotiations with Petroguin to revise licence terms concluded with Sinapa and Esperanca being granted three-year extensions to their current exploration periods to November 2020. In addition to this variation, FAR and Svenska were awarded pro-rata increases to their working equity, reflecting the fact that Petroguin would no longer have a participating interest in the AJVP prior to a commercial discovery. The new licence agreements also established improved fiscal terms for deepwater exploration, including a discount to production royalty rates payable to government. These changes have all since been approved by Government Decree.

A full prospectivity review of the blocks conducted in 2017 identified an exciting shelf-edge geological setting – a proven play fairway in Senegal – along the western parts of the licences. Two prospects, Atum and Anchova (Greater Atum), were high-graded for follow-up drilling. The Joint Venture made significant advances throughout 2018 in preparation for the drilling of a well in the licences. Key initiatives carried out in 2018 included; (i) the commencement of site assessment work around the candidate well location, incorporating a shallow hazards study;

(ii) the appointment of a drilling management contractor to begin provisional well design and well planning, including the identification and procurement plan of long lead items; and (iii) the submission of an offshore drilling Environmental and Social Impact Assessment ('ESIA') study to the Guinea-Bissau environmental authority, an associated permit under the greater Health, Safety, Security and Environment ('HSSE') plan responsible for risk assessment. The Joint Venture expects to commence further planning activities in 2019 including rig selection and identification of a final well location.

The Operator is likely to join a rig club with other Operators for the drilling of the first commitment well across its licences. This will allow the Joint Venture to share the cost of mobilisation and other logistics. The final timetable for drilling remains dependent upon finalisation of rig arrangements.

Whilst the Joint Venture primarily focussed on drill planning in the Sinapa licence in 2018, seismic reprocessing of the Eirozes survey within Block 4A of the Esperanca licence was conducted in Q3 2018. The reprocessing project was overseen by Downunder Geosolutions and incorporates reprocessing of a test line from our Sinapa 3D survey. Final deliverables are expected in early H1 2019. The reprocessed Eirozes data will assist the Joint Venture in maturing prospects within the Esperanca licence as we look to fulfil our well commitment on those blocks.

FAR expects drilling activities over the coming 12 to 24 months will generate significant new interest in exploration offshore Guinea-Bissau.

TABLE 3: Summary of contingent and prospective resources in Blocks 2, 4A & 5A in Guinea-Bissau

Contingent Resources*			
Guinea-Bissau Discoveries	1C (mmbbls)	2C (mmbbls)	3C (mmbbls)
Sinapa	4.4	13.4	38.9
Total Contingent Resources	4.4	13.4	38.9
Total net to FAR	0.9	2.9	8.3

Prospective Resources*			
Guinea-Bissau Prospects	Low Estimate (mmbbls) P90	Best Estimate (mmbbls) P50	High Estimate (mmbbls) P10
East Sinapa	1.8	7.5	34.2
West Sinapa	17.7	64.7	251.7
Greater Atum	144.0	471.7	1,569.6
North Solha	6.0	28.4	131.6
Arinca	10.0	59.2	393.0
Sabayon	3.4	18.1	88.2
Other leads	85.4	303.7	1,032
Total all Prospective Resources	269	954	3,500
Total net to FAR	57	204	749

OFFSHORE EAST AFRICA

FAR's African interest reaches across the continent to East Africa where it has licensed acreage within the Lamu Basin in the Republic of Kenya. East Africa has had a long and enduring history of oil and gas exploration and discovery.

The past decade has seen spectacular giant gas discoveries in deepwater plays off the coasts of neighbouring Tanzania and Mozambique (over 200Tcf of natural gas discovered) and the emergence of a giant oil province (over 5.6Bbbls discovered) in the Ugandan Lake Albert region of the East African Rift. Kenya too has glimpsed success more recently in the onshore South Lokichar Basin with industry discoveries totalling almost 600mmbbls of recoverable oil to date.

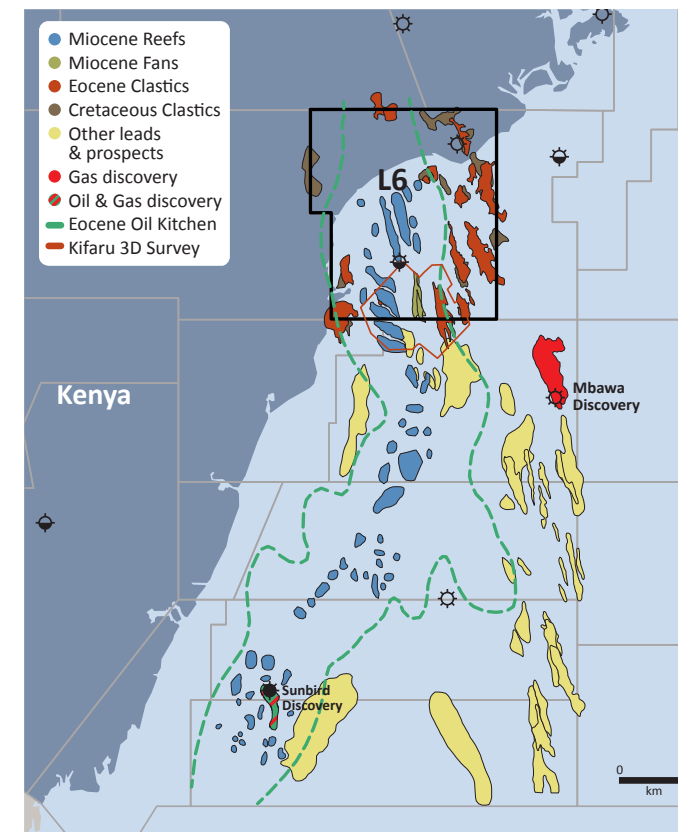


FIGURE 8: Leads and prospects mapped offshore Kenya

The Block L6 permit envelops a coastal region over 5,000km² in the southeast of Kenya along the present-day coastline. Approximately one-third of the permit resides onshore across a variable terrain of estuaries, mangroves and tidal floodplains of the Tana River Delta. The remaining offshore permit area comprises a broad shallow-water transition zone before regressing towards a markedly sharp shelf break. Water depths range up to 400m.

FAR has identified several hydrocarbon play types during its geotechnical evaluation of Block L6. A mix of structural and stratigraphic traps have been identified within Eocene to late-Oligocene clastics, early- to mid-Miocene reefs and within late-Cretaceous clastics. The Miocene reefs are of significant interest to the Joint Venture, as demonstrated by the nearby Sunbird-1 well that was drilled in 2014. The well intersected an oil column, the first oil ever discovered offshore Kenya and offshore East Africa, within a Miocene-aged reefal limestone. This play-opening discovery has confirmed the presence of a prospective oil system with significant implications for regional oil exploration in the Lamu Basin.

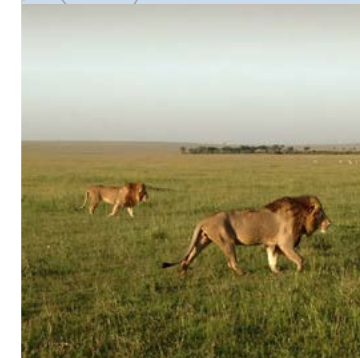
KENYA

BLOCK L6

Lamu Basin, Kenya

60% paying and beneficial interest

Operator: FAR Ltd





In late Q4 2017, FAR was granted a 12-month non-operations extension to Permit Year 3 of the 2nd Additional Exploration Period of the Block L6 PSC, after negotiations to land access across vital onshore areas within the Kipini Wildlife and Botanical Conservancy (‘Conservancy’) became untenable. FAR had anticipated this extension period would allow sufficient time to work with the Ministry of Energy and Petroleum (‘Ministry’) in resolving the outstanding land access matters and to appropriately address them to conclude land access rights for the Joint Venture to carry out its intended onshore exploration work program.

Despite the repeated attempts by the Government of Kenya to intervene, the ongoing and protracted land access dispute with the Conservancy continues to hinder exploration onshore Block L6. Consequently, the start of the onshore work program has been suspended. In view of the circumstances, FAR submitted a request to the Ministry during Q2 2018 for a further 12-month non-operations extension to Year 3 of the 2nd Additional Exploration Period. In addition to the extension request, and under advisement from our legal partners in Nairobi, FAR submitted a further request to the Ministry for a suspension of all contractual obligations in relation to Year 3, as provided for under the Block L6 PSC. FAR remains in communication with the Ministry regarding these applications and at present, continues to await formal Ministerial approval for these requests.

FAR’s commitment to Kenya is highlighted by the fact that despite the outstanding issues, we continued to advance preparations for our onshore work program during 2018 by applying for a variation and renewal to the existing Environmental and Social Impact Assessment (‘ESIA’) Licence in effect across the onshore areas of Block L6. The National Environment Management Authority (‘NEMA’) granted FAR a certificate of variation extending the validity period of the current ESIA for an additional 24 months in which to carry out our onshore seismic work program.

At the end of 2018, Pancontinental Oil and Gas remained in default under the terms of the Joint Operating Agreement in relation to non-payment of past costs.

TABLE 4: Summary of prospective resources in Block L6, Kenya

		Prospective Resources*
Kenya L6 Prospects	Play	Best Estimate (mmbbls)
OFFSHORE		
Kifarú	Miocene Reef Play	178
Kifarú 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 Prospective Resources		3,576
Total net to FAR – offshore Prospective Resources		2,146
ONSHORE		
Mamba	Eocene Clastics	31
Kudu	Eocene Clastics	115
Other Late Cretaceous Clastics Play		31
Total onshore Prospective Resources		177
Total net to FAR – onshore Prospective Resources		106
Total all Prospective Resources		3,753
Total net to FAR all Prospective Resources		2,252



FAR was granted a 12 months non-operations extension to Permit Year 3

AUSTRALIA

FAR’s only non-African asset is located within the highly prolific oil and gas producing offshore Dampier Sub-basin, southwest of recent large, offshore industry discoveries in the neighbouring offshore basins along Australia’s premier North West Shelf. Interest in this area was piqued in 2018 with the Dorado-1 discovery made in mid year (est. 171mmbbls oil recoverable with associated condensate and 552bcf gas) which was the largest oil discovery made on the North West Shelf in the past 30 years.

The Dampier Sub-basin itself is host to several large producing fields including Wanaea-Cossack (over 230mmbbls reserves) and the Angel gas and condensate field (1.85Tcf gas and 84mmbbls of condensate reserves). The late-Jurassic aged, sand-dominated submarine fan sequences that hosts these productive oil and gas pools are the same reservoirs FAR is targeting in its exploration block in the Dampier Sub-basin.



Unlocking the exploration potential and hydrocarbon prospectivity

WESTERN AUSTRALIA

PETROLEUM EXPLORATION PERMIT
WA-458-P

Dampier Sub-basin, Northern
Carnarvon Basin, North West Shelf

100% paying and beneficial interest

Operator: FAR Ltd

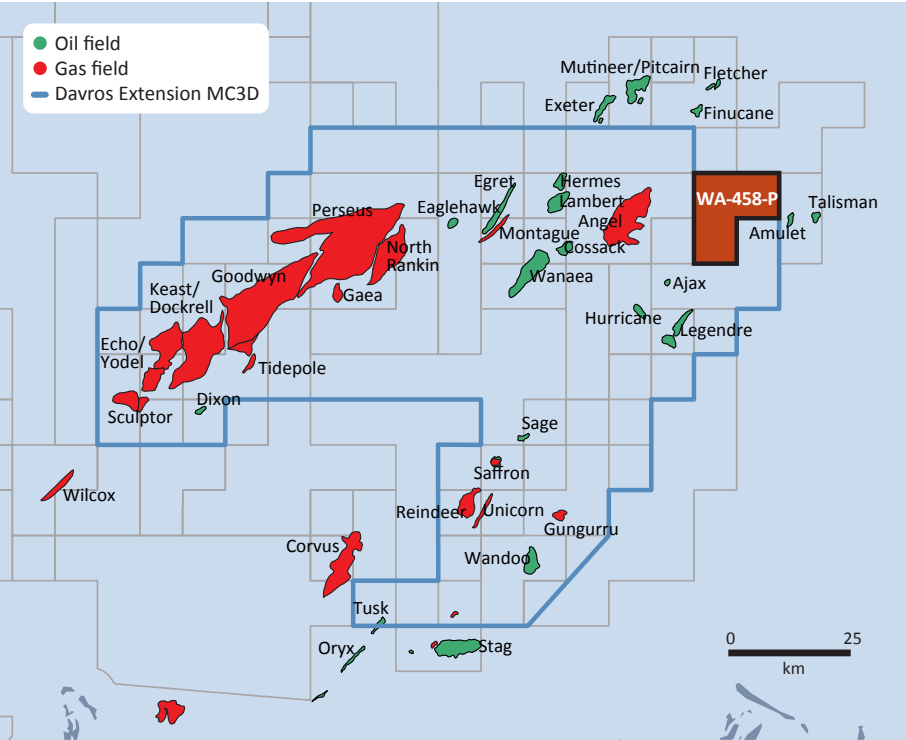


FIGURE 9: Location of block WA-458-P and oil & gas fields in the region

Petroleum Exploration Permit WA-458-P is located within the offshore Dampier Sub-basin, one of four elongated failed-rift depocenters that forms part of the larger Northern Carnarvon Basin. The permit comprises three graticular blocks covering an area of 242km² in water depths ranging from ~30m to ~130m.

Early in 2018, FAR resumed efforts to complete its seismic work program in consultation with CGG Geophysical Services (‘CGG’) under the guidance of the National Offshore Petroleum Titles Administrator (‘NOPTA’). During Q2, CGG was granted the long awaited environmental permit to complete the Davros Extension Multiclient 3D Survey over WA-458-P.

After a mandatory delay to observe the annual hump-back whale migration along the west coast of Australia during Q3, FAR received a Notice of Start of Acquisition from CGG in late Q4 as the MV Geo Coral began to mobilise from southeast Asia. After a brief port call in Broome, the vessel commenced deployment of in-water equipment whilst en route to the planned survey area. Post end of Q4, seismic acquisition across permit WA-458-P began immediately in the new year of 2019. After a brief but successful acquisition program, the survey was safely and securely completed in mid-January. FAR will be working closely with CGG during the seismic processing phase and anticipates receiving the final processed data in early H2 2019.

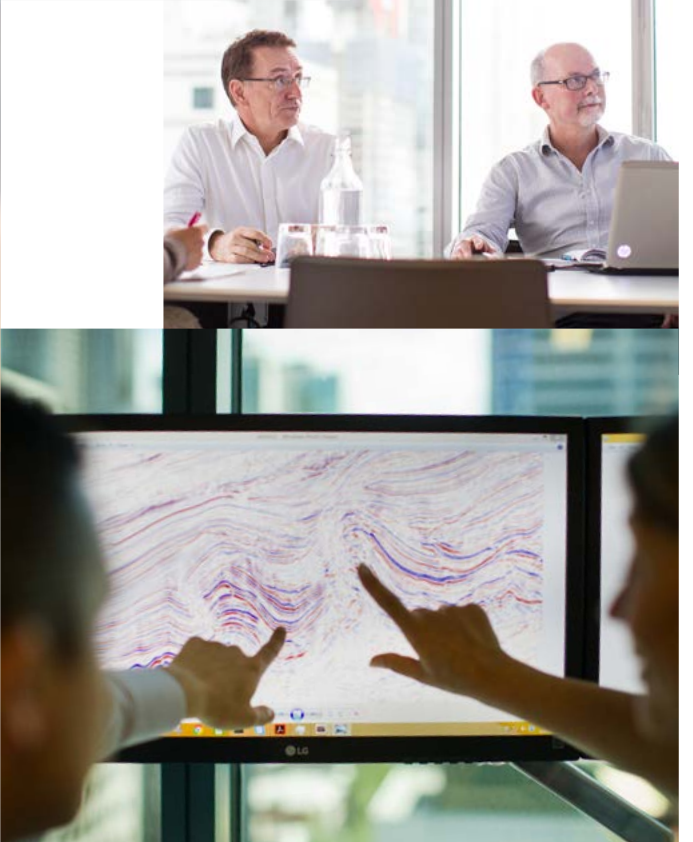
FAR has mapped a variety of stratigraphic, structural and combined structural-stratigraphic leads at proven reservoir levels across the permit. Oil is the dominant hydrocarbon phase in the nearby discoveries and fields e.g. Hurricane, Legendre, Wanaea-Cossack etc. and charge modelling indicates that oil is the expected hydrocarbon phase in the identified features within the permit as well. FAR expects to progress understanding of these leads with the new seismic data before maturing them to drillable prospect status.

WA-458-P currently resides within a Joint Authority approved 24 months suspension of Permit Year 2, Year 3 and Year 4 work program commitments with a corresponding 24 months extension of the permit term, which was granted in Q3 2017. The current suspension period is due to expire in early H2 2019. FAR anticipates securing a further extension to the current Permit Years, in consultation with the NOPTA, in order to determine an appropriate timetable in which to evaluate the newly acquired data by integrating it with our existing geological and geophysical interpretations.

In mid-2016, FAR made an application to NOPTA for consent to surrender Petroleum Exploration Permit WA-457-P. Under instructions from the Department of Industry, Innovation and Science, NOPTA advised it would cancel Petroleum Exploration Permit WA-457-P in early Q3 2018. In view of this outcome, there are no further outstanding work obligations on the permit.

TABLE 5: Summary of prospective resources for Block WA-458-P

	Prospective Resources*
Australia Prospects	Best Estimate (mmbbls) P50
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 Prospective Resources	358.9
Total net to FAR	358.9



Corporate Activity

At the end of the financial year FAR’s cash position was AU\$27.8 million. FAR holds the majority of its cash in US\$’s – the currency in which the substantial majority of costs are incurred.

Exploration Assets

FAR holds a wide portfolio of exploration licenses across Africa and Australia. The core focus area for the company is Africa, and specifically offshore West Africa after making the basin opening FAN-1 and SNE-1 oil discoveries in 2014.

FAR has now drilled a 11 well drilling program offshore Senegal and completed appraisal of the world-class SNE field. FAR and its Joint Venture partners are yet to complete the evaluation of the FAN-1, FAN South-1 and SNE North-1 discoveries made in the 11 well drilling program.

FAR operates Blocks A2 and A5 offshore The Gambia which are adjacent to and on trend with the giant SNE oil field. Exploration permits in Guinea-Bissau and Kenya represent FAR’s other African assets. As at the end of 2018, the Company assets are tabled below.

Project	Asset	FAR Paying Interest	Beneficial Interest	Operator
Senegal	Rufisque, Sangomar and Sangomar Deep	16.67%	15.00%	Woodside Energy (Senegal) B.V.
The Gambia	Block A2 and A5	40.00%	40.00%	FAR
Guinea-Bissau	Sinapa and Esperanca	21.43%	21.43%	Svenska
Kenya	Block L6	60.00%	60.00%	FAR
Australia	WA-458-P	100.00%	100.00%	FAR

*Disclaimers

Prospective Resource Estimates Cautionary Statement – 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 future application of a development project may relate to undiscovered accumulations. These estimates have an associated risk of discovery and risk of development. Further exploration and appraisal is required to determine the existence of a significant quantity of potentially moveable hydrocarbons.

Prospective and Contingent Resources – All contingent and prospective resource estimates presented in this report are prepared as at 27/2/2013, 11/3/2014, 5/2/2014, 13/04/2015, 13/4/2016, 23/08/2016, 7/2/2017 and 21/11/2017 (Reference: FAR ASX releases of the same dates). The estimates have been prepared by the Company in accordance with the definitions and guidelines set forth in the Petroleum Resources Management System, 2007 approved by the Society of Petroleum Engineer and have been prepared using probabilistic methods. The contingent resource estimates provided in this report are those quantities of petroleum to be potentially recoverable from known accumulations, but the project is not considered mature enough for commercial development due to one or more contingencies. The prospective resource estimates provided in this report are Best Estimates and represent that there is a 50% probability that the actual resource volume will be in excess of the amounts reported. The estimates are unrisks and have not been adjusted for both an associated chance of discovery and a chance of development. The 100% basis and net to FAR contingent and prospective resource estimates include Government share of production applicable under the Production Sharing Contract or Licence.

Competent Person Statement Information – The hydrocarbon resource estimates in this report have been compiled by Peter Nicholls, the FAR Limited exploration manager. Mr Nicholls has over 30 years of experience in petroleum geophysics and geology and is a member of the American Association of Petroleum Geology, 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 Contingent and Prospective Resources in the form and context in which it appears. The Contingent and 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.

Forward looking statements – This document 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 document, the words such as ‘could’, ‘plan’, ‘estimate’, ‘expect’, ‘intend’, ‘may’, ‘potential’, ‘should’ and similar expressions are forward looking statements. Although FAR Ltd 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 announcement and that all material assumptions and technical parameters underpinning this announcement continue to apply and have not materially changed.

*Notes to Contingent & Prospective Resources Estimates

1. The estimated quantities of Prospective Resources stated throughout the report 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 throughout the report 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 unrisks 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.

GOVERNANCE AND SUSTAINABILITY

FAR is committed to managing its environmental, safety, health and social performance in all of our work places, activities and operations in line with industry best practice. It is acknowledged that, to be most effective and to achieve long-term success, this be part of the culture of the organisation and embedded into FAR's philosophy, practices and business processes.

People & Safety

FAR is focussed on growing a business of diverse individuals in a high performing, inclusive culture and providing a safe working environment for all FAR people and the consultants and partners that work with the Company.

The health, safety and wellbeing of FAR's people and the communities in which we operate are of utmost importance to the Company. FAR will continue to develop and promote a culture of safe practices and ethics and will endeavour to ensure there are no occupational health issues in the workplace. 2018 saw the drilling of FAR's first Operated exploration well where health, safety and security advisers were appointed to ensure that health, safety and security would be the number one priority on the rig and at the supply base. Clear expectations were set through training, monitoring and reporting and audits of operations were undertaken to ensure adherence to FAR's procedures and desired practices.

In 2018, FAR's crisis management team was fully trained to support the Gambian drilling operations. During the year, FAR encountered zero workplace incidents and no lost time injuries (LTI's). FAR's expectation is to work incident free, every hour, every day, everywhere and encourage all FAR people to make a personal commitment to ensure they and those they work alongside are incident and injury free.



Corporate Governance

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.

FAR's 2018 Corporate Governance Statement can be viewed on the Company's website at <http://www.far.com.au/investor-centre/corporate-governance/>

Transparency

FAR is a member of the Extractive Industries Transparency Initiative (EITI), along with the Government of Senegal and Australia.

FAR Limited commits to actively working with the governments, national organisations, companies, media and financial institutions within the countries it operates to support, promote and participate in programs that encourage transparency and international best practice for governance.

FAR's corporate focus is investing in African exploration and development projects for oil and gas with its core project in Senegal. FAR recognises that the countries within which we operate are often immature in their development and application of transparency policy and hence FAR strives to support this development to ensure positive foreign investment, infrastructure and capacity building and economic growth.

FAR is a member of the Extractive Industries Transparency Initiative (EITI), along with the Government of Senegal.

Further information about the EITI can be found at their website www.eiti.org

Social Contribution

FAR directly sponsored the following community and social projects in 2018:



Laying the foundation stone

Rehabilitation and expansion of the labour ward at Soma Regional Hospital in The Gambia

FAR joined UK Jarra Association, a community based, non-profit, apolitical association, to expand and improve the maternity and delivery ward facilities at the Soma Regional Hospital in The Gambia. The delivery ward of the hospital had only 3 beds in which approximately 100 babies were delivered each month. The project focused on increasing the number of beds, improving and repairing the facility and installing updated equipment required by the delivery ward. The ward was officially opened on 22 February 2019.



Tallinding Annex Lower Basic School rehabilitation project in The Gambia

Tallinding Annex Lower Basic School has approximately 3,000 pupils and had only one working toilet block. FAR funded the renovation of the ablution facilities to provide more toilets with running water, separate male and female toilets, cleared and repaired septic tanks and rehabilitated outlying areas. As a result, a significant health hazard was eliminated and in general the school and its pupils have benefited from a safer and cleaner learning environment. The official opening was on 31 January 2018.



FAR's Training & Skills Transfer Program

FAR trained 54 Senegalese graduate engineers in a curriculum involving six months of theoretical teaching, followed by field training on floating productions, storage and offloading units, vessels and other oil and gas facilities. FAR's aim is to continue to support initiatives to build capacity in the countries in which it operates and in doing so, also enables highly skilled Senegalese professionals to work around the globe.

Futureproofing skills in our industry



Provision of football equipment to Caring for Soccer Foundation (CAFS) in The Gambia

A selection of football equipment including footballs, bibs, and cones were donated to the female team of CAFS. The foundation is composed of an Academy of 60 young boys and girls, a separate female team, a male team and 10 technical officers. The donation made by FAR will take the foundation a long way towards their development aspirations.



Environment

FAR is committed to managing its environmental, safety, health and social performance in all our work places, activities and operations in accordance with oil industry best practice in the countries in which FAR operates.

The Operation of the company’s first offshore well at Samo-1 in The Gambia required the preparation, approval and implementation of comprehensive and detailed environmental management plans. The well was drilled safely and efficiently with zero environmental incidents. Information regarding the environmental management of FAR’s other projects is available on the Company’s website at <http://www.far.com.au/sustainability/environment/>.

Environmental Performance

- No reportable environmental incidents
- No environmental spills or serious environmental incidents
- Successful and continuous engagement with National Environmental Agencies

Future Focus

- Review of the TCFD (Task Force on Climate related Financial Disclosures) recommendations to enable planning for future implementation
- Consider corporate sustainability reporting



Climate Change

FAR shares the concerns of our stakeholders including the government, our investors and the public in the countries in which we operate about climate change and recognizes that the use of fossil fuels to meet the world’s energy needs contributes to the rising concentration of greenhouse gases in the Earth’s atmosphere.

FAR supports governments in their efforts to take action on climate change whilst maintaining a secure, affordable energy supply during a transition to a lower emissions future. The Board and management of FAR assess the risks and implications of climate change for the Company in a quarterly review of the Company’s risk register.

FAR Limited’s sustainability policy can be found on the Company’s website at <http://www.far.com.au>

DIRECTORS’ REPORT

DIRECTORS

The names of directors in office during the year and up to the date of this report are:

Nicholas Limb
Catherine Norman
Reginald Nelson
Timothy Woodall
Benedict Clube (ceased 31 August 2018)

INFORMATION ON DIRECTORS

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

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

Mr Limb is a professional geophysicist and has extensive experience in the management of resource companies. Additionally, he has a considerable background in capital markets having worked in investment banking for approximately 10 years. Mr Limb was appointed as Chair on 19 April 2012. He is Chair of the nomination committee and a member of the remuneration and audit committees.

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

Ms Norman is a professional geophysicist who has over 30 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 Limited on 28 November 2011.

Reginald George Nelson – Non-Executive Director BSc, Hon Life Member Society of Exploration Geophysicists, FAusIMM, FAICD (appointed 9 April 2015)

Mr Nelson is an exploration geophysicist with over 50 years of experience in the petroleum and minerals industries and has served as a director of various ASX listed companies for 27 years. He held the positions of Managing Director/CEO of Beach Energy Limited from 1995 to 2015. He is a former Chairman of the Australian Petroleum Production and Exploration Association (‘APPEA’) and is a recipient of APPEA’s Reg Sprigg Gold Medal award for outstanding services to the Australian oil and gas industry. He was appointed by the Premier of South Australia as Chairman of the South Australian Minerals and Petroleum Expert Group (‘SAMPEG’) in December 2016 and is also an Emeritus Life Member of the Society of Exploration Geophysicists (awarded 1989). Mr Nelson is Lead Independent Director and Chair of the remuneration committee and a member of the nomination and audit committees.

The directors of FAR Ltd submit herewith the Annual Financial Report for the year ended 31 December 2018. In order to comply with the provisions of the Corporations Act 2001, the Directors’ Report as follows:

Timothy Roy Woodall – Non-Executive Director BEC, FCPA, GAICD (appointed 1 August 2017)

Mr Woodall has over 25 years’ experience in international M&A and finance, specialising in the oil and gas sector. His expertise includes being the founder and Managing Director of a boutique advisory firm, the CEO of an international technical consulting firm and senior roles in New York and London with global investment banks. Additionally, he has held senior executive positions with E&P companies in Australia and the USA. He is Chair of FAR’s audit committee and a member of the nomination and remuneration committees.

INFORMATION ON FORMER DIRECTORS

Benedict James Murray Clube – Executive Director and Chief Operating Officer Bsc (Hons) Geology, ACA (ceased employment 31 August 2018)

Mr Clube has over 30 years experience in the oil and gas industry. He was the Vice President of Finance and Planning at BHPBilliton Petroleum and held a number of other senior executive positions at BHPBilliton Petroleum based in Houston, London, Perth and Melbourne and was a director of a number of BHPBilliton companies. Following his time at BHPBilliton, Mr Clube was Finance Director and Company Secretary of Oilex Ltd, an Australian and AIM listed petroleum company. He ceased employment with the Company on 31 August 2018.

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
N J Limb	Mineral Deposits Limited World Titanium Resources Limited	1994 – 2018 2013 – 2016
T R Woodall	Central Petroleum Limited	2017 – 2018

DIRECTORS’ SHAREHOLDINGS

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

Director	No. of fully paid ordinary share	No. of rights over ordinary shares
N J Limb	34,908,139	-
C M Norman	23,974,090	5,741,000
R G Nelson	500,000	-
T R Woodall	2,250,000	-

COMPANY SECRETARY

Peter Anthony Thiessen B.Bus, CA
(appointed 20 August 2012)
Mr Thiessen, Chartered Accountant, held the position of company secretary of FAR Ltd at the end of the financial year. He joined FAR Ltd in 2012 and also serves as the Chief Financial Officer of the Group.

REMUNERATION OF KEY MANAGEMENT PERSONNEL

Information about the remuneration of key management personnel (‘KMP’) is set out in the remuneration report section of this directors’ report. The KMP refers to those persons having authority and responsibility for planning, directing and controlling the activities of the consolidated entity, directly or indirectly, including any director (whether executive or otherwise) of the consolidated entity.

SHARE OPTIONS AND PERFORMANCE RIGHTS GRANTED TO DIRECTORS AND SENIOR MANAGEMENT

During the financial year 7,900,000 performance rights were granted to KMP of the company as part of their remuneration. No share options were granted to directors during the year. No share options or share rights were granted since the end of the financial year.

Results for the year

	FY18 AU\$	FY17 AU\$	Change %
Profit & loss			
Revenue	2,288,216	614,149	272.6
Expenses	(15,439,293)	(43,393,329)	(64.4)
Loss for the period	(13,151,077)	(42,779,180)	(69.3)
Basic EPS (cents per share)	(0.24)	(0.83)	(71.1)
Financial position			
Net assets	170,587,929	171,587,571	(0.60)
Cash balance	27,753,009	49,926,796	(44.4)
Cash flows			
Operating cash flow	(24,165,878)	(35,262,140)	(31.5)
Investing cash flow	577,547	(34,844,794)	(101.7)
Financing cash flow	-	76,587,542	(100.0)

The group reported a loss for the 2018 year of \$13,151,077 which is 69.3% less than the prior year loss of \$42,779,180 predominately due to lower exploration expenses of \$11,446,685 (2017: \$35,220,227), increased revenue of \$2,288,216 (2017: \$614,149) comprising interest income of \$448,968 and \$1,839,248 conditional consideration received from the farm-out of The Gambia, and a net foreign currency gain of \$5,152,811 compared with a loss in the prior year of \$3,367,979, partially offset by a provision of \$2,400,337 for receivables owing from The Gambia joint operation.

PRINCIPAL ACTIVITIES

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

- Conducting exploration for oil and gas deposits;
- Conducting activities to identify and evaluate new exploration projects; 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 2018 after income tax was \$13,151,077 (2017: \$42,779,180).

DIVIDENDS

The directors recommend that no dividend be paid for the year ended 31 December 2018 nor have any been paid or declared during the year (2017: NIL).

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.

Exploration expenses were significantly lower during the current year due to lower costs in The Gambia \$3,087,570 (2017: \$7,055,678) and Senegal of \$6,029,383 (2017: \$26,106,643). The lower Gambian costs of \$3,087,570 represent the net costs to the Group after offsetting the proceeds from the farmout of its interest in the Blocks A2 and A5 against the 2017 and 2018 expensed well and non-well costs. The lower Senegal costs during the year of \$6,029,383 are primarily due to a large portion of the expenditure being capitalised as the project progresses towards development compared with the prior year drilling campaign which included the expensing of exploration drilling costs and pre-development costs.

Financial position

Net assets decreased marginally during the year to \$170,587,929 from \$171,587,571 in the prior year.

Cash decreased by \$22,173,787 during the year to \$27,753,009 from \$49,926,796 in the prior year due mainly to payments for exploration and evaluation expenditure of \$39,896,342 largely relating to Senegal exploitation activities and The Gambia drilling costs. These costs were funded from existing cash reserves and the proceeds received from the farm-out of The Gambia Blocks A2 and A5 of \$22,387,838.

Exploration and Evaluation assets increased by \$13,278,751 to \$142,013,395 during the year primarily representing the capitalisation of Senegal exploitation activities costs as the project progresses towards development. The Gambia Samo-1 well costs capitalised in the 2017 and 2018 years were expensed in their entirety to the profit and loss during the current year due to the unsuccessful well result, in line with the Groups accounting policy. The net cost to the Group of the Samo-1 well after impairments and foreign currency movement was \$2,528,594 as shown in Note 5, segments.

As at 31 December 2018 the Group had no borrowings or undrawn financing facilities. The Company continues to actively identify and develop funding options in order to meet its ongoing project expenditure obligations and commitments (see Note 13) and corporate overheads.

The Group’s cash position and financial management is reviewed on a regular basis by the Company’s Executive Management and is reported to the Board on a regular basis. The Group’s Chief Financial Officer is responsible for ensuring the Board has adequate information on the Group’s cash position and financial forecasts for determining whether the Group is able to meet its financial obligations as and when they fall due.

Business Strategy and prospects

The Company is currently focussed on oil and gas exploration and appraisal in Africa and Australia. The Company continues to progress its current portfolio of projects and assess new oil and gas exploration opportunities principally in Africa 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. In Senegal the Company continued pre-development activities for the exploitation of the SNE oil and gas field and drilled the Samo-1 well in The Gambia. The Company also identified and assessed 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. Other material business risks that could impact the Company’s performance follow.

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 arrangement partners and operators, regular monitoring of 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 implements insurance programs in place and specific insurance policies in relation to drilling operations that are consistent with good industry practice.

JOINT OPERATION RISK

The use of joint operations are common in the oil and gas industry and usually exist through all stages of the oil and gas life cycle. Joint operation 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 operation participants, poor performance of third party joint operation operators or the failure of joint operation 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 operation risk through careful joint operation partner selection (when applicable), stakeholder engagement and relationship management. Commercial and legal agreements are also in place across all joint operations and define the responsibilities and obligations of the joint operation 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 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 tax 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 principal focus of activities in 2018 for the Senegal project was to progress the world-class SNE oil field towards FID in 2019.

In early 2018, FAR completed geotechnical studies and reviewed the contingent resources attributed to the FAN discovery and prospective hydrocarbon resource potential in its Rufisque, Sangomar and Sangomar Deep (‘RSSD’) Permits. On 20 March 2018, the evaluation work was completed and FAR released the estimate of 2C contingent resources assessed by RISC Operations Pty Ltd (‘RISC’) to be 198mmbbls (gross, unrisks, recoverable). Furthermore, undrilled prospects were updated to a prospective resource estimate of 673mmbbls oil on a best estimate⁽ⁱ⁾ basis.

By the end of Q1, the Joint Venture completed work in relation to a concept select decision for development of the SNE field. The development concept selected by the Joint Venture details a standalone Floating, Production, Storage and Offtake (‘FPSO’) vessel as the development hub with subsea wells, facilities and associated infrastructure. At the end of Q2 2018, the Joint Venture submitted its draft Environmental and Social Impact Assessment (‘ESIA’) report in relation to the SNE field development – Phase 1. The Joint Venture was granted an ESIA compliance certificate by the DEEC in Q1 2019.

On 26 July 2018, the SNE Evaluation Report was submitted to the Government of Senegal. The report included a statement of commerciality of the SNE field and described the broad development concepts being planned in the Development and Exploitation Plan.

On 25 October 2018, FAR announced that the Development and Exploitation Plan for the SNE oil field, was submitted to the Government of Senegal by the Joint Venture. The Development and Exploitation Plan outlines the full field multi-phase development of oil and gas and details how the field will be developed in a series of phases with plans for ~500 mmbbls of oil to be developed with a plateau production of 100,000 bbls oil per day. Tender responses for the FPSO facility and supporting subsea infrastructure were received by the Joint Venture and were under evaluation ahead of Front End Engineering and Design (‘FEED’). These tenders were awarded in Q1, 2019.

On 17 December 2018, FEED activities commenced for the SNE Field Development Phase 1 offshore Senegal. Phase 1 of the development will target an estimated 230 mmbbl of oil resources (P50 gross) from 11 producing wells, 10 water injectors and 2 gas injectors. This will target the lower, less complex reservoirs and an initial phase in the more complex upper reservoirs.

In the Company’s Q1 activities report released on 30 April 2018, FAR announced that it did not intend to progress with the drilling of an exploration well on the Djiffere permit.

The Gambia

FAR expanded its exploration portfolio into offshore The Gambia via acquisition of an 80% working interest and operatorship of Blocks A2 and A5 via a farm-in agreement with Erin Energy in early 2017.

On 26 February 2018, FAR announced it had signed a farm-out agreement with a subsidiary of PETRONAS, the National Oil and Gas Company of Malaysia, to assign a 40% interest in each of Blocks A2 and A5 in exchange for an 80% carry on the total cost of one exploration well, up to a maximum total cost of US\$45 million. In addition, FAR was paid cash of ~US\$13.5 million as reimbursement of back costs, including a component of cash consideration. FAR remains Operator through the exploration phase for both licences, including the drilling of the Samo prospect. In mid Q3 2018, the Government of the Republic of The Gambia approved the assignment by FAR of the 40% interest in offshore petroleum licences Blocks A2 and A5 to PETRONAS. FAR retained a 40% interest.

On 26 April 2018, FAR awarded a drilling rig contract to Stena Drilling to secure the Stena DrillMAX drillship for the forthcoming exploration well, Samo-1. The DrillMAX had completed a highly successful and efficient drilling campaign for the Senegal Joint Venture in 2017 in Senegal.

The Samo-1 exploration well had a primary target which FAR estimated to contain a best estimate prospective resource of 825 mmbbls of oil⁽ⁱⁱ⁾. The Samo prospect had two target intervals, with on trend and shared many similarities with the giant SNE oil field. As such, it was very highly rated with an estimated chance of success (CoS) in one or both targets, endorsed by RISC, of 55%. Drilling commenced on the well in late 2018.

The Samo-1 well was spudded near the crest of the Samo structure in late October 2018 in Block A2 above a water column of 1,017m. The well was located less than 30km south of the play-opening SNE-1 discovery well and 16km from the current southern extent of the mapped oil leg of the SNE field. The Samo prospect had dual target objectives; an upper Albian reservoir interval, which contained liquid-rich gas at SNE and a lower Albian reservoir interval, which was oil-bearing at SNE.

On 9 November 2018, FAR announced the Samo-1 well was drilled to a total depth of 3,240m. A suite of wireline logging runs was conducted and confirmed both the primary and secondary objectives were intersected as prognosed. However, interpretation of additional wireline logs indicated that these intervals were also water-bearing. A number of oil shows were encountered at several levels, indicating that the area has access to an active hydrocarbon charge system. As the first offshore well in forty years and the first modern well, the data that has been collected at Samo-1 and the ongoing interpretation will be critical to unlocking the hydrocarbon potential in the area. The well was plugged and abandoned, consistent with the plan for this exploration well. The Government of The Gambia confirmed a six-month extension to the current licence to the end of June 2019 to allow for evaluation of the Samo-1 well results.

Guinea-Bissau

The Joint Venture primarily focussed on drill planning in the Sinapa licence in 2018. Seismic reprocessing of the Eirozes survey within Block 4A of the Esperanca licence was conducted in Q3 2018. The reprocessing project incorporated reprocessing of a test line from our Sinapa 3D survey. Final deliverables are expected in early H1 2019. The reprocessed Eirozes data will assist the Joint Venture in maturing prospects within the Esperanca licence as the Joint Venture looks to fulfil its well commitment on those blocks.

Kenya L6

In late Q4 2017, FAR was granted a 12-month non-operations extension to Permit Year 3 of the 2nd Additional Exploration Period of the Block L6 Production Sharing Contract (‘PSC’), after negotiations to land access across vital onshore areas within the Kipini Wildlife and Botanical Conservancy (‘Conservancy’) became untenable.

In light of these land access issues, the Ministry of Petroleum and Energy has consented to a temporary suspension of the permit work commitments.

Australia

In mid-2016, FAR made an application to National Offshore Petroleum Titles Administrator (NOPTA) for consent to surrender Petroleum Exploration Permit WA-457-P. Under instructions from the Department of Industry, Innovation and Science, NOPTA advised it would cancel Petroleum Exploration Permit WA-457-P in early Q3 2018. There are no outstanding work obligations on the permit.

During the year, FAR continued efforts to complete its seismic work program on its other Australian block, WA-458-P in consultation with CGG Geophysical Services (‘CGG’) under the guidance of NOPTA. During Q2, CGG was granted the long-awaited environmental permit to complete the Davros Extension Multiclient 3D Survey over WA-458-P. FAR received a Notice of Start of Acquisition from CGG in late Q4. Seismic acquisition across permit WA-458-P was completed in Q1 of 2019.

SUBSEQUENT EVENTS

Refer to Note 28 of the Notes to the financial statements.

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 of the company, the company secretary and all executive officers of the company and any related body corporate 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.

(i) Refer Table 1: Summary of Senegal contingent and prospective resources.

(ii) Refer: ASX announcement dated 21/11/2017.

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 (while they were a director or committee member) by each director:

	Board of Directors’ Meetings		Remuneration Committee		Audit Committee		Nomination Committee		Risk Committee	
	Held	Attended	Held	Attended	Held	Attended	Held	Attended	Held	Attended
N J Limb	6	6	2	2	4	4	2	2	2	2
C M Norman	6	6	-	-	-	-	-	-	2	2
R G Nelson	6	6	2	2	4	4	2	2	2	2
T R Woodall	6	6	2	2	4	4	2	2	2	2
B J M Clube	1	1	-	-	-	-	-	-	1	1

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 operations 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 operation 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.

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.

The amounts paid or payable to the auditor for non-audit services provided during the year by the auditor are outlined in Note 30 to the financial statements.

AUDITOR’S INDEPENDENCE DECLARATION

The auditor’s independence declaration is included on page 43 of the Annual Report.

REMUNERATION REPORT - AUDITED

Introduction

This Remuneration Report, which forms part of the Directors’ Report, sets out information about the remuneration of FAR Ltd’s key management personnel (KMP) for the financial year ended

31 December 2018. The term KMP refers to those persons having authority and responsibility for planning, directing and controlling the activities of the consolidated entity, directly or indirectly, including any director (whether executive or otherwise) of the consolidated entity. The prescribed details of each person covered by this report are detailed below under the following headings:

- key management personnel;
- remuneration governance framework;
- executive remuneration arrangements;
- key terms of employment contracts;
- executive remuneration tables; and
- non-executive remuneration.

1. Key Management personnel

The directors and other KMP of the consolidated entity during or since the end of the financial year were:

Non-Executive Directors	Position
Nicholas James Limb	Chairman, Non-Executive Director
Reginald George Nelson	Non-Executive Director
Timothy Roy Woodall	Non-Executive Director

Executive Directors and Senior Executives	Position
Catherine Margaret Norman	Managing Director
Benedict James Murray Clube (ceased employment 31 August 2018)	Executive Director, Chief Operating Officer
Peter John Nicholls	Exploration Manager
Peter Anthony Thiessen	Chief Financial Officer and Company Secretary
Michael Howard John Cowie (appointed 1 February 2018)	General Counsel

Except as noted, the named persons held their positions for the whole of the financial year and since the end of the financial year.

2. Remuneration governance framework

The Remuneration Committee is responsible for reviewing and making recommendations on the remuneration packages of new and existing board members and senior executives and to oversee the remuneration of employees of the Company.

The objectives and responsibilities of the Remuneration Committee are documented in the charter approved by the board. A copy of the charter is available on the Company’s website.

The Remuneration Committee must comprise at least three members and consist of independent directors. The Remuneration Committee comprises of R G Nelson (Chairman), N J Limb, and T R Woodall, each of whom are non-executive directors and considered by the company to be independent.

Objectives

The objectives of the remuneration Committee are defined in the charter and include:

- To review and make recommendations on the remuneration packages of new and existing Board members and Senior Executives of FAR Ltd;
- To oversee the remuneration of employees of the Company; and
- The Committee makes recommendations to the Board of Directors and does not relieve the Board of its responsibilities in these matters.

Responsibilities

The responsibilities of the Remuneration Committee as defined in the charter are as follows:

- Review and make recommendations to the Board on the remuneration packages of the roles of Chairman, Managing Director, other Directors and other Senior Executives;
- Review and make recommendations to the Board on the remuneration packages, and terms and conditions of any new appointee to the roles of Chairman, Managing Director, other Directors and other Senior Executives;
- Review the Managing Director’s recommendations in regard to proposed remuneration packages of employees;
- Consider the adoption of appropriate long-term and short-term incentive and bonus plans and review adopted plans on a regular basis to ensure they comply with legislation and regulatory requirements, reflect industry standards and are effective in meeting the Company’s objectives;
- Review participants in the incentive and bonus plans; and
- Review the Remuneration Report as part of the Directors Report in the Annual Financial Statements of the Company.

3. Executive remuneration arrangements

3.1 Principles and strategy

Objectives

The Remuneration Committee advises the Board on remuneration for the Executive and oversees the Company’s executive remuneration policy which aims to:

- reward executives fairly and responsibly in accordance with market rates and practices to ensure that the Company provides competitive rewards that attract, retain and motivate executives of a high calibre;
- set high levels of performance which are clearly linked to an executive’s remuneration;
- structure remuneration at a level that reflects the executive’s duties and accountabilities;
- benchmark remuneration against appropriate comparator groups;
- align executive incentive rewards with the creation of value for shareholders;
- align remuneration with the Company’s long-term strategic plans and business objectives; and
- comply with applicable legal requirements and appropriate governance standards.

Mix of remuneration

The Company policy is to remunerate executives under a Total Remuneration Package (TRP) which includes:

- Fixed remuneration
- Short-term incentives – ‘at risk’ remuneration based on performance
- Long-term incentives – ‘at risk’ remuneration based on performance

Total remuneration packages for the Managing Director, Executive Director and Senior Executives comprise of the following components:

	Performance Remuneration ‘at risk’		
	Fixed remuneration	Short-term Incentives ⁽ⁱ⁾	Long-term Incentives ⁽ⁱ⁾
Managing Director	100%	25%	25%
Executive Director	100%	25%	25%
Senior Executives	100%	25%	25%

(i) percentage is relative to total fixed remuneration (TFR)

Benchmarking performance

The Company seeks to attract and retain suitably qualified senior executives and technical personnel and to ensure that salary packages are reasonable and competitive. To achieve this the Company has benchmarked fixed remuneration levels and ‘at risk’ remuneration structures for both short and long-term incentive’s against data on Australian upstream oil and gas companies.

The Company seeks to return value to shareholders and incentivise executives to focus on the Company’s long-term strategy and growth opportunities. These incentives are

	31 Dec 2018 AU\$	31 Dec 2017 AU\$	31 Dec 2016 AU\$	31 Dec 2015 AU\$	31 Dec 2014 AU\$
Revenue	2,288,216	614,149	165,777	287,088	629,293
Loss from continuing operations	(13,151,077)	(42,779,180)	(21,759,974)	(19,620,114)	(6,937,168)
Loss from continuing & discontinued operations	(13,151,077)	(42,779,180)	(21,759,974)	(19,620,114)	(6,937,168)
Share price at start of year	7.7 cents	7.5 cents	8.3 cents	8.6 cents	4.0 cents
Share price at end of year	6.7 cents	7.7 cents	7.5 cents	8.3 cents	8.6 cents
Dividend	-	-	-	-	-
Basic loss per share	(0.24) cps	(0.83) cps	(0.52) cps	(0.57) cps	(0.26) cps
Diluted loss per share	(0.24) cps	(0.83) cps	(0.52) cps	(0.57) cps	(0.26) cps

An overview of the Company’s policy with respect to each component of employee ‘pay mix’ is outlined below.

3.2 Fixed remuneration

Fixed remuneration consists of cash based salary and superannuation contributions.

Remuneration levels are reviewed annually by the Remuneration Committee. The process considers the individual performance having regard to overall Company performance. The Remuneration Committee seeks to ensure the Company retains and attracts talented, knowledgeable and an experienced workforce by ensuring the remuneration reflects market competitive rates, guided by P50 and is reflective of the individual’s role, responsibilities and experience.

For details of fixed remuneration paid to directors and senior executives refer to sections 5.1, 5.2 and 6.

3.3 Short-term incentives

Short-term incentives (STI) are awarded in the form of cash bonuses. These benefits are ‘at risk’ based on performance during the year. They are designed to incentivise and provide competitive reward for achievement of Company wide and individual performance targets. Key Performance Indicators (KPI’s) are linked to strategic objectives.

At the completion of the year the Board determined that no performance related STI bonus would be paid for year-end 2018 due to the below expectation share price performance.

For further details refer to section 5.1 and 5.2.

conditional on performance conditions tied to the three year total shareholder return (‘TSR’) of the Company and to the three year TSR of the comparator group in the ASX 300 Energy Index.

Company performance

FAR’s remuneration policy is aimed at the alignment of KMP remuneration with the performance of the overall exploration and appraisal program and commercial transactions which ultimately result in shareholder value creation through share price. The following table outlines FAR’s financial performance over the last five years as required by the Corporations Act 2001.

3.4 Long-term incentives

Long-term incentives (‘LTI’) are ‘at risk’ performance benefits awarded in the form of performance rights with vesting conditions tied to retention, and TSR both on an Absolute TSR and Relative TSR basis.

The purpose of the LTI structure is to incentivise and provide competitive reward for continued service and achievement of long-term strategic growth objectives.

LTI opportunities are reviewed and established (or deferred) annually by the Remuneration Committee at the beginning of each period, giving due consideration to the Company’s remuneration principles.

Performance Rights Plan and the remuneration policy

The shareholders of the Company approved a Performance Rights Plan at the annual general meeting held on 13 May 2016. The Performance Rights Plan was put in place for the award of long-term performance benefits.

The Plan is designed to:

- promote the long-term success of the Group;
- provide strategic, value-based reward for Eligible Persons who make a key contribution to that success;
- align Eligible Persons interests with the interests of the Company’s shareholders; and
- promote the retention of Eligible Persons.

The key elements of the remuneration policy together with the Plan include:

- Rights are granted at the discretion of the Board based on the recommendation of the Remuneration Committee and the percentages relative to total fixed remuneration (TFR). Due consideration to the number of shares and incentives on issue and issued in the prior five years.
- The performance measures with separate vesting criteria include:
 - Absolute TSR; and
 - Relative TSR.
- The vesting period is for three years and lapse after three years if not vested.
- Rights granted in a particular financial year are tested for vesting over the performance period.
- Generally, with respect to TSR provisions, vesting will occur on a proportionate straight-line basis for performance as follows:
 - between threshold and target for Absolute TSR and
 - between 50% and 75% for Relative TSR.

Vesting of performance rights will typically be subject to continuing employment of the eligible executives. Subject to director discretion, rights will generally lapse on an executive’s resignation or dismissal. In exceptional circumstances and where a termination is for reasons including retirement, death, total and permanent disablement, change of control and bona fide redundancy, unless it determines otherwise, the Board has the discretion to determine the extent to which all or part of any unvested equity may vest and the specific performance testing to be applied.

The maximum number of rights that can be granted as a percentage of fixed remuneration at the time of grant and converted to a number of rights using the 20-day volume weighted average price (‘VWAP’) of the FAR share price preceding grant is as follows:

Maximum percentage of Fixed Remuneration on which the number of rights are calculated:

	Absolute TSR vesting condition	Relative TSR vesting condition	Total
Executive Director	12.5%	12.5%	25%
Managing Director	12.5%	12.5%	25%
Senior Executives	12.5%	12.5%	25%

The above table represents the maximum percentage of fixed remuneration on which the number of rights to be awarded are calculated.

Absolute TSR grants

- Number of rights calculated using the 20-day VWAP of the FAR share price preceding 1 February each year
- Vest after the three-year performance period according to the Company’s Absolute TSR for that three year period
- The vesting scales to apply for Absolute TSR grants are as follows:

FAR TSR	% of rights to vest
<15% CAGR	-
15% CAGR	50%
>15% and <25% CAGR	Pro rata
25% CAGR	100%

CAGR = Compound Annual Growth

Relative TSR

- Number of rights calculated using the 20-day VWAP of the FAR share price preceding 1 February each year
- Vest after the three-year performance period according to the Company’s TSR relative to the comparator group companies in the S&P/ASX Energy 300 Index.
- The vesting scales to apply for Absolute TSR grants are as follows:

FAR TSR relative to TSR of comparator group companies in S&P/ASX Energy 300 Index	% of rights to vest
<50%	-
50%	50%
>50% and <75%	Pro rata
75%	100%

For an analysis of rights granted, vested and forfeited for the year ended 31 December 2018, refer to section 5.3.1.

Employee Share Option Plan

The shareholders of the Company approved an Executive Incentive Plan at the annual general meeting held on 15 May 2015, prior to then the Company did not have a formal share-based compensation scheme and granted options at the discretion of the board. In accordance with the provisions of the approved plan, the board at its discretion may grant options to any full-time or permanent part-time employee or officer, or director of the Company to purchase parcels of ordinary shares. All options issued to directors are granted in accordance with a resolution of shareholders.

Each employee option converts into one ordinary share of FAR Ltd on exercise. No amounts are paid or payable by the recipient on grant of the option. The options neither carry rights to dividends nor voting rights. Options may be exercised at the applicable exercise price from the date of vesting to the date of expiry. See section 5.3.2 for exercise prices.

No options were granted during the year.

4. Key terms of employment contracts

The table below details the key terms of the employment contracts for the Managing Director, Executive Director and Chief Operating Officer and other Senior Executives of the Company:

Name	Contract duration	Termination notice by the company	Termination notice by the executive
C M Norman	Ongoing, no fixed term	12 months	3 months
B J M Clube ⁽ⁱ⁾	Ongoing, no fixed term	12 months	3 months
P A Thiessen	Ongoing, no fixed term	12 months	2 months
P J Nicholls ⁽ⁱⁱ⁾	Ongoing, no fixed term	By giving notice of a breach of contract	
M H J Cowie ⁽ⁱⁱⁱ⁾	Ongoing, no fixed term	2 months	2 months

- (i) B J M Clube ceased employment on 31 August 2018.
(ii) P J Nicholls is a consultant and not an employee of the Company.
(iii) M H J Cowie was appointed on 1 February 2018

5. Executive Remuneration tables

5.1 Remuneration statutory tables

The table below details the remuneration of the Managing Director, Executive Director and Chief Operating Officer and other Executives for the year.

For the year ended: 31 December 2018	Short-term employee benefits			Post-employment ⁽ⁱⁱⁱ⁾	Equity-settled share-based payment ⁽ⁱⁱ⁾	Long-term employee benefits ⁽ⁱ⁾		
	Salary and fees AU\$	STI ^(vi) AU\$	Termination AU\$	Superannuation contributions AU\$	Performance rights AU\$	Long service leave AU\$	Total AU\$	Performance Related %
C M Norman	693,591	-	-	20,290	96,517	25,556	835,954	11.5
B J M Clube ^(iv)	525,565	-	525,242	15,157	(101,694)	10,587	974,857	-
P J Nicholls ^(v)	457,805	-	-	-	124,032	-	581,837	21.3
P A Thiessen	336,951	-	-	20,290	88,514	8,686	454,441	19.5
M H J Cowie ^(viii)	325,372	-	-	18,619	12,431	938	357,360	3.5
	2,339,284	-	525,242	74,356	219,800	45,767	3,204,449	
31 December 2017								
C M Norman	667,917	68,458	-	32,083	72,848	68,246	909,552	15.5
B J M Clube	567,917	58,678	-	32,083	62,913	36,298	757,889	16.0
P J Nicholls ^(v)	529,650	44,453	-	-	85,616	-	659,719	19.7
P A Thiessen	322,917	34,229	-	27,083	61,157	19,898	465,284	20.1
G A Ramsay ^(vii)	119,354	-	470,138	29,921	(6,942)	-	612,471	-
	2,207,755	205,818	470,138	121,170	275,592	124,442	3,404,915	

- (i) Long-term employee benefits represent long service leave (LSL) entitlements, measured on an accruals basis. The amount included above relates to movement in each executive's entitlement over the year.
- (ii) The figures provided in 'Equity-settled share-based payments' were not provided in cash to the KMP during the financial period. These amounts are calculated in accordance with accounting standards and represent the amortisation of accounting fair values of performance rights that have been granted to KMP in this or prior financial years. The fair value of performance rights have been measured using a generally accepted valuation model. The fair values are then amortised over the entire vesting period of the equity instruments. Total remuneration shown in 'total' therefore includes a portion of the fair value of unvested equity compensation during the year. The amount included as remuneration is not related to or indicative of the benefit (if any) that individuals may ultimately realise should these equity instruments vest and be exercised. Performance rights issued to KMP have not vested at balance date and have no exercise price. These performance rights have vesting conditions as outlined in Section 3.4 of this remuneration report.
- (iii) Represent company contributions to superannuation under the Superannuation Guarantee legislation (SGC) and does not include amounts salary sacrificed.
- (iv) B J M Clube ceased employment on 31 August 2018. Salary and fees include annual leave entitlement of \$102,385 paid on termination. Further, the fair value of share-based payments expense previously recognised has been reversed.
- (v) P J Nicholls is a consultant and not an employee of the Company. An additional amount of \$225,000 was paid to Mimosa Grand Pty Ltd for the provision of geological services which Mr P J Nicholls has a beneficial interest. This is not included in the table above.
- (vi) STI bonus in respect of the year ended 31 December 2017 year was paid in March 2018 to KMP. For further details on the 2017 bonus paid to KMP see 5.2 of this remuneration report. The Board determined that no performance related STI bonus would be paid for performance related to the year-ended 31 December 2018.
- (vii) G A Ramsay ceased employment on 11 April 2017.
- (viii) M H J Cowie became a KMP on 1 February 2018 when he was appointed as General Counsel. Figures shown are for the period 1 February – 31 December 2018

5.1.2 Actual pay

The table below provides a summary of actual remuneration paid to the Executives in the 2018 year. The accounting values of the Executives' remuneration reported in accordance with the Accounting Standards may not always reflect what the Executives have actually received, particularly due to the valuation of the share-based payments. The table below seeks to clarify this by setting out the actual remuneration that the Executives have been paid in the financial year. Executive remuneration details prepared in accordance with statutory requirements and the Accounting Standards are presented in 5.1 Remuneration table.

For the year ended: 31 December 2018	Salary and fees AU\$	STI ⁽ⁱⁱ⁾ AU\$	Termination AU\$	Superannuation AU\$	Total AU\$
C M Norman	693,591	68,458	-	20,290	782,339
B J M Clube ⁽ⁱ⁾	525,565	58,678	525,242	15,157	1,124,642
P J Nicholls	457,805	44,453	-	-	502,258
P A Thiessen	336,951	34,229	-	20,290	391,470
M H J Cowie	325,372	-	-	18,619	343,991
	2,339,284	205,818	525,242	74,356	3,144,700

31 December 2017					
C M Norman	667,917	-	-	32,083	700,000
B J M Clube	567,917	-	-	32,083	600,000
P J Nicholls	529,650	-	-	-	529,650
P A Thiessen	322,917	-	-	27,083	350,000
G A Ramsay ⁽ⁱⁱⁱ⁾	119,354	-	470,138	29,921	619,413
	2,207,755	-	470,138	121,170	2,799,063

- (i) B J M Clube ceased employment on the 31 August 2018. Salary and fees includes annual leave entitlement of \$102,385 paid on termination.
- (ii) STI bonus in respect of performance for the year ended 31 December 2017 year was paid in March 2018 to KMP. For further details on the 2017 Bonus paid to KMP see 5.2 below.
- (iii) G A Ramsay ceased employment on 11 April 2017.

5.2 Analysis of Short-term incentives

Members of the senior executive were eligible to participate in the Company's 2018 STI plan. The 2018 KPI targets were aligned with the remuneration policy guidance which included financial, corporate and strategic objectives.

Certain measures were identified as core drivers of value for shareholders and were selected to encourage activities and behaviours aligned with the Company's strategy, risk framework and governance principles. Multiple objectives were set within the various performance areas. Group financial indicators included for example, objectives related to managing cash flow;

operational performance indicators including risk management and cost control initiatives; and Corporate strategy and governance indicators included measures related to risk, leadership, corporate culture and governance.

The Board determined that no performance based STI would be paid for the year ended 31 December 2018 due to the below expectation share price performance.

In the previous corresponding period, executive performance rights against the 2017 KPI's were tested and the outcomes were as follows:

Executive	At target STI opportunity % of TFR	Stretch STI opportunity % of TFR	2017 actual STI award relative to TFR %	2017 actual STI award AU\$
C M Norman – Managing Director	12.5	12.5	9.8	68,458
B J M Clube – Executive Director and Chief Operating Officer	12.5	12.5	9.8	58,678
P J Nicholls – Exploration Manager	12.5	12.5	8.4	44,453
P A Thiessen – Chief Financial Officer	12.5	12.5	9.8	34,229

Executive bonuses for 2017 performance were paid in cash (less superannuation and applicable taxation) in Q1 2018 in accordance with the Company's remuneration policy. These amounts were not included in the financial statements for year ended 31 December 2017.

For further details on short-term incentives see section 3.3.

5.3 Analysis of Long-term incentives

For further details on long-term incentives see section 3.4 above.

During the year the Company granted Performance Rights under the Performance Rights Plan as long-term incentives to nominated members of the executive team and executive directors. The issue of performance rights to Directors were approved by shareholders of the Company at the AGMs held on 13 May 2016 and 30 May 2018 respectively. Each performance right entitles the holder to one share upon vesting and exercise. There is no exercise price pertaining to the performance rights. The performance rights carry no voting or dividend rights.

Performance against the absolute and relative TSR criteria in respect of the Performance Rights will be measured at the end of the performance periods at 31 January 2019, 31 January 2020 and 31 January 2021 respectively.

The Company did not grant any options under the Executive Incentive Plan during the year.

At the date of the remuneration report, the unlisted performance rights granted by the Company to executives are as follows:

Unlisted performance rights	Grant date	Vesting date	Expiry date	Exercise Price	No. of performance rights issued
FARAN-17	31-May-17	31-Jan-20	31-Jan-22	-	5,159,000
FARAN-18	14-Jun-18	31-Jan-21	31-Jan-23	-	6,046,000
					11,205,000

5.3.1 Details of Performance Rights Granted

The value of Performance Rights are allocated to each reporting period over the period from grant date to vesting date.

Details of the Performance Rights granted to Executives during the year are as follows:

2018	Number of rights granted during the year ⁽ⁱ⁾	Grant date	Vesting date ^(iv)	Expiry date	Fair value per right ⁽ⁱⁱ⁾	Exercise Price AU\$	Total value AU\$
C M Norman ⁽ⁱⁱⁱ⁾	2,163,000	14-Jun-18	31-Jan-21	31-Jan-23	0.0526	-	113,847
P J Nicholls	1,666,000	14-Jun-18	31-Jan-21	31-Jan-23	0.0526	-	87,688
P A Thiessen	1,081,000	14-Jun-18	31-Jan-21	31-Jan-23	0.0526	-	56,897
M H J Cowie	1,136,000	14-Jun-18	31-Jan-21	31-Jan-23	0.0526	-	59,792
	6,046,000						318,224

(i) The vesting of rights is conditional upon satisfaction of vesting conditions as described in section 3.4. The Base Price of the Performance Rights granted during the year is 8.3 cents which represents the 20-day VWAP preceding 1 February 2018.

(ii) The fair value per right granted represents the valuation for rights granted and calculated at grant date.

(iii) Grants of rights to C M Norman have been approved by shareholders at the Annual General Meeting held on 30 May 2018.

(iv) The performance period for the performance rights granted during the year is from 1 February 2018 to 31 January 2021 (Test date).

The TSR is calculated by comparing the Base Price against the share price on the Test Date plus any dividends paid throughout the Performance Period, which is then computed into an equivalent per annum return. For the purposes of the Absolute TSR test, the Board have elected to set the Base Price of FAR Shares as at 1 February 2018 at \$0.083 per Share, which is the 20-day VWAP preceding 1 February 2018. Performance against this criteria will be measured at the end of the performance period, 31 January 2021 (Test date).

The TSR performance of FAR Shares will be compared to the TSR performance of all other shares in a comparator group, being the S&P/ASX Energy 300 Index, and Performance Rights will vest only if FAR's TSR performance is at least at the 50th percentile. Performance against this criteria will be measured at the end of the performance period, 31 January 2021 (Test date).

	Number of rights granted during the year ^(v)	Grant date	Vesting date ^(vii)	Expiry date	Fair value per right ^(vi)	Exercise Price AU\$	Total value AU\$
2017							
P J Nicholls	2,916,000	31-May-17	31-Jan-20	31-Jan-22	0.0447	-	130,339
P A Thiessen	2,243,000	31-May-17	31-Jan-20	31-Jan-22	0.0447	-	100,257
	5,159,000						230,596

(v) The vesting of rights is conditional upon satisfaction of vesting conditions as described in section 3.4. The Base Price of the Performance Rights granted during the year is 7.8 cents which represents the 20-day VWAP preceding 1 February 2017.

(vi) The fair value per right granted represents the valuation for rights granted and calculated at grant date.

(vii) The performance period for the performance rights granted during the year is from 1 February 2017 to 31 January 2020 (Test date)

The TSR is calculated by comparing the Base Price against the share price on the Test Date plus any dividends paid throughout the Performance Period, which is then computed into an equivalent per annum return. For the purposes of the Absolute TSR test, the Board have elected to set the Base Price of FAR Shares as at 1 February 2017 at \$0.078 per Share, which is the 20-day VWAP preceding 1 February 2017. Performance against this criteria will be measured at the end of the performance period, 31 January 2020 (Test date).

The TSR performance of FAR Shares will be compared to the TSR performance of all other shares in a comparator group, being the S&P/ASX Energy 300 Index, and Performance Rights will vest only if FAR's TSR performance is at least at the 50th percentile. Performance against this criteria will be measured at the end of the performance period, 31 January 2020 (Test date).

The movement during the financial year in the number of Performance Rights held by the Managing Director, Executive Director and Senior Executives is detailed below:

Executive	Opening balance	Granted as remuneration	Exercised	Forfeited/ Cancelled/ Lapsed unexercised	Net Other Change	Closing balance
C M Norman	3,578,000	2,163,000	-	-	-	5,741,000
B J M Clube ⁽ⁱ⁾	3,090,000	1,854,000	-	-	-	4,944,000
P J Nicholls	5,716,000	1,666,000	-	-	-	7,382,000
P A Thiessen	4,166,000	1,081,000	-	-	-	5,247,000
M H J Cowie	-	1,136,000	-	-	-	1,136,000
	16,550,000	7,900,000	-	-	-	24,450,000

(i) B J M Clube employment ceased on 31 August 2018. On 28 February 2019, all 4,944,000 outstanding performance rights issued to Mr Clube lapsed.

5.3.2 Details of Options Granted

No options were exercised or granted during the year. On 1 June 2018, share options on issue expired, therefore there were no outstanding options on issue at the end of the reporting period.

Terms and conditions of the options granted in prior years and affecting remuneration in prior financial years were as follows:

Option	Grant date	Grant date fair value	Exercise price	Expiry date	Vesting percentage	Vesting date
FARAM	1 Jul 2015	8.7 cents	10.0 cents	1 Jun 2018	100%	Vested on 26 October 2016 ⁽ⁱ⁾

(i) The options vested on 26 October 2016 as determined by the board having satisfied itself the vesting condition of an announcement to the effect of potential economic viability of a future development project by the Operator of the Senegal joint operation, was met.

The movement during the year in the number of options held by the executive and non-executive directors and senior executives are detailed below:

For the year ended 31 Dec 2018	Balance 1 Jan 18	Granted as Remuneration	Exercised	Net Other Change ⁽ⁱ⁾	Balance 31 Dec 18
Directors					
C M Norman ⁽ⁱⁱⁱ⁾	10,000,000	-	-	(10,000,000)	-
B J M Clube ⁽ⁱⁱⁱ⁾	8,000,000	-	-	(8,000,000)	-
N J Limb	-	-	-	-	-
R G Nelson	5,000,000	-	-	(5,000,000)	-
T R Woodall	-	-	-	-	-
Key Executives					
P J Nicholls	8,000,000	-	-	(8,000,000)	-
P A Thiessen	8,000,000	-	-	(8,000,000)	-
	39,000,000	-	-	(39,000,000)	-

For the year ended 31 Dec 2017	Balance 1 Jan 17	Granted as Remuneration	Exercised	Net Other Change ⁽ⁱ⁾	Balance 31 Dec 17
Directors					
C M Norman ⁽ⁱⁱⁱ⁾	10,000,000	-	-	-	10,000,000
B J M Clube ⁽ⁱⁱⁱ⁾	8,000,000	-	-	-	8,000,000
N J Limb	-	-	-	-	-
R G Nelson	5,000,000	-	-	-	5,000,000
T R Woodall	-	-	-	-	-
Key Executives					
P J Nicholls	8,000,000	-	-	-	8,000,000
P A Thiessen	8,000,000	-	-	-	8,000,000
G A Ramsay ⁽ⁱⁱⁱ⁾	8,000,000	-	-	(8,000,000)	-
	47,000,000	-	-	(8,000,000)	39,000,000

(i) 'Net change other' represents share options expired/lapsed during the year.

(ii) Grants of options to C M Norman and B J M Clube were approved by shareholders at Annual General Meetings of prior years.

(iii) G A Ramsay ceased employment on 11 April 2017.

5.4 Analysis of movement in shareholdings

The number of shares held, directly, indirectly or beneficially, by parent company directors and senior executives are outlined in the tables below.

For the year ended 31 Dec 2018	Balance 1 Jan 18	Received as remuneration	Received on Exercise of Rights/Options	Net Other Change ⁽ⁱ⁾	Balance 31 Dec 18
Directors					
C M Norman	18,674,090	-	-	5,300,000	23,974,090
B J M Clube ⁽ⁱⁱ⁾	23,732,000	-	-	(23,732,000)	-
N J Limb	39,908,139	-	-	(5,000,000)	34,908,139
R G Nelson	500,000	-	-	-	500,000
T R Woodall	1,500,000	-	-	750,000	2,250,000
Key Executives					
P J Nicholls	9,113,291	-	-	(4,570,000)	4,543,291
P A Thiessen	7,062,500	-	-	-	7,062,500
M H J Cowie	-	-	-	750,000	750,000
	100,490,020	-	-	(26,502,000)	73,988,020

For the year ended 31 Dec 2017	Balance 1 Jan 17	Received as remuneration	Received on Exercise of Rights/Options	Net Other Change ⁽ⁱ⁾	Balance 31 Dec 17
Directors					
C M Norman	18,674,090	-	-	-	18,674,090
B J M Clube	23,732,000	-	-	-	23,732,000
N J Limb	39,908,139	-	-	-	39,908,139
A E Brindal ⁽ⁱⁱⁱ⁾	350,955	-	-	(350,955)	-
R G Nelson	500,000	-	-	-	500,000
T R Woodall ^(iv)	-	-	-	1,500,000	1,500,000
Key Executives					
P J Nicholls	9,113,291	-	-	-	9,113,291
P A Thiessen	7,062,000	-	-	-	7,062,500
G A Ramsay ^(v)	550,000	-	-	(550,000)	-
	99,890,975	-	-	599,045	100,490,020

(i) 'Net Other Change' represents shares purchased or sold on market during the period, shareholdings recognised upon KMP appointment or de-recognised upon retirement or ceasing employment.

(ii) B J M Clube ceased employment on 31 August 2018 and consequently ceased as a KMP member on this date. Mr Clube's shareholding at this date has been de-recognised in 'Net Other Change'.

(iii) A E Brindal retired as a director on 29 May 2017 and consequently ceased as a KMP member on this date. Mr Brindal's shareholding at this date has been de-recognised in 'Net Other Change'.

(iv) T R Woodall was appointed a director on 1 August 2017 and consequently was recognised as a KMP member on this date. Mr Woodall's shareholding at this date has been recognised in 'Net Other Change'.

(v) G A Ramsay ceased employment on 11 April 2017 and consequently ceased as a KMP member on this date. Mr Ramsay's shareholding at this date has been de-recognised in 'Net Other Change'.

6. Non-executive remuneration

The Company’s remuneration policy for non-executive directors considers the following factors when determining levels of remuneration:

- the size, activities and structure of the Company;
- the location and jurisdictions in which the Company operates;
- the responsibilities and work commitment requirements of Board members; and
- the level of fees paid to non-executive directors relative to comparable companies.

Fees paid to non-executive directors are determined by the Board and are subject to an aggregate limit of A\$600,000 per annum in accordance with the Company’s constitution and as approved by shareholders at the Annual General Meeting held in May 2017.

- The non-executive directors remuneration policy is as follows:
- Remuneration includes a fixed fee for their services as directors and statutory superannuation (where applicable).
 - Entitlement to reimbursement of reasonable travel, accommodation and other expenses incurred whilst engaged on Company business.
 - No additional fees are paid for participation on any Board committees.
 - At the Board’s discretion, additional fees may be paid for special duties or extra services performed on behalf of the Company.
 - No provision for retirement benefits other statutory superannuation entitlement.
 - No entitlement to participate in incentive based remuneration schemes from 1 January 2016.

Year ended 31 December 2018	Short-term employee benefits	Post-employment	Total
	Director fees AU\$	Superannuation contributions AU\$	AU\$
Non-Executive Directors			
N J Limb	191,324	8,676	200,000
R G Nelson	91,324	8,676	100,000
T R Woodall ⁽ⁱ⁾	100,000	-	100,000
	382,648	17,352	400,000

Year ended 31 December 2017			
Non-Executive Directors			
N J Limb	200,000	-	200,000
A E Brindal ⁽ⁱⁱ⁾	20,833	-	20,833
R G Nelson	91,324	8,676	100,000
T R Woodall ⁽ⁱ⁾	41,667	-	41,667
	353,824	8,676	362,500


(i) T R Woodall appointed as a director on 1 August 2017. A special exertion fee was paid to T R Woodall during the year ended 31 December 2018. Refer note below.
(ii) A E Brindal retired as a director on 29 May 2017.

Year ended 31 December 2018	Special Exertion fee AU\$
Non-Executive Director	
T R Woodall ⁽ⁱ⁾	337,500

(i) Special exertion fees shown are those received by Tim Woodall for services in relation to Senegal project development financing from 1 January 2018 to 31 December 2018 deemed by the Board to be outside the scope of his duties as Non-Executive Director of the Company.

7. Loans to KMP
- No loans were made to KMP during the year, nor any loans to KMP outstanding.
8. Director related transactions
- 8.1 Loans to related parties
- No loans were made to director related parties during the year.
- 8.2 Transactions with director related entities
- The terms and conditions of transactions with KMP were no more favourable to KMP and their related entities than those available, or which might reasonably be expected to be available, on similar transactions to KMP related entities on an arm’s length basis.

- 8.3 No hedging of remuneration of key management personnel
- No member of the KMP has entered into an arrangement (with anyone) to limit the exposure of the member to risk relating to an element of the members remuneration that has not vested in the member or has vested in the member but remains subject to a holding lock.
- The directors’ report is signed in accordance with a resolution of the directors made pursuant to Section 298(2) of the Corporations Act 2001.
- On behalf of the directors


Nicholas J Limb
Chairman
Melbourne, 14 March 2019

FINANCIAL STATEMENTS

For the financial year ended 31 December 2018



AUDITOR’S INDEPENDENCE DECLARATION

Deloitte.

Deloitte Touche Tohmatsu
ABN 74 490 121 060

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The Board of Directors
FAR Limited
Level 17, 530 Collins Street
Melbourne VIC 3000

14 March 2019

Dear Members of the Board

FAR Limited

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

As lead audit partner for the audit of the financial statements of FAR Limited for the financial year ended 31 December 2018, 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

Ryan Hansen

Ryan Hansen
Partner
Chartered Accountants

Liability limited by a scheme approved under Professional Standards Legislation.

Member of Deloitte Touche Tohmatsu Limited



Deloitte Touche Tohmatsu
ABN 74 490 121 060

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**Independent Auditor’s Report
to the members of FAR Limited**

Report on the Audit of the Financial Report

Opinion

We have audited the financial report of FAR Limited (the “Company”) and its subsidiaries (the “Group”), which comprises the consolidated statement of financial position as at 31 December 2018, 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 then ended, and notes to the financial statements, including a summary of significant accounting policies, and the directors’ declaration.

In our opinion, the accompanying financial report of the Group is in accordance with the *Corporations Act 2001*, including:

- (i) giving a true and fair view of the Group’s financial position as at 31 December 2018 and of its financial performance for the year then ended; and
- (ii) complying with Australian Accounting Standards and the *Corporations Regulations 2001*.

Basis for Opinion

We conducted our audit in accordance with Australian Auditing Standards. Our responsibilities under those standards are further described in the *Auditor’s Responsibilities for the Audit of the Financial Report* section of our report. We are independent of the Group in accordance with the auditor independence requirements of the *Corporations Act 2001* and the ethical requirements of the Accounting Professional and Ethical Standards Board’s APES 110 *Code of Ethics for Professional Accountants* (the Code) that are relevant to our audit of the financial report in Australia. We have also fulfilled our other ethical responsibilities in accordance with the Code.

We confirm that the independence declaration required by the *Corporations Act 2001*, which has been given to the directors of the Company, would be in the same terms if given to the directors as at the time of this auditor’s report.

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

Material Uncertainty Related to Going Concern

We draw attention to Note 3(b) in the financial report, which indicates that the Group incurred a net loss of \$13.1 million, and had a net cash outflow from operating activities of \$24.1 million during the year ended 31 December 2018. As stated in the Note 3(b), these events or conditions, indicate that a material uncertainty exists that may cast significant doubt about the Group’s ability to continue as a going concern. Our opinion is not modified in respect of this matter.

Our procedures in relation to going concern included, but were not limited to:

- Inquiring of management in relation to events and conditions that may impact the assessment on the Group’s ability to continue as a going concern;
- Challenging the assumptions contained in management’s cash flow forecast in relation to the Group’s ability to continue as a going concern;
- Evaluating management’s plans for future actions in relation to its going concern assessment, whether the outcome of these plans is likely to improve the situation and whether management’s plans are feasible in the circumstances;
- Considering whether any additional information has become available since the date on which management made its assessment; and
- Assessing the adequacy of the disclosure related to going concern in Note 3(b).

Key Audit Matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial report for the current period. These matters were addressed in the context of our audit of the financial report as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. In addition to the matter described in the *Material Uncertainty Related to Going Concern* section, we have determined the matters described below to be the key audit matters to be communicated in our report.

Key Audit Matter	How the scope of our audit responded to the Key Audit Matter
Accounting for exploration and evaluation costs	
As at 31 December 2018 the Group incurred \$31.5 million in exploration and evaluation (E&E) costs during the period, of which \$20.1 million has been capitalised, and all other E&E costs were expensed as disclosed in Note 7.	Our audit procedures included, but were not limited to: <ul style="list-style-type: none">• Assessing the key processes and controls associated with the allocation of E&E costs between capital and expense;• Confirming the rights to tenure of the areas of interest are current and challenging management’s consideration of the ability to recoup the capitalised costs through future development or sale of the area of interest;• Confirming whether exploration activities for the area of interest had reached a stage where a reasonable assessment of economically recoverable reserves existed; and• Testing a sample of E&E expenditure to confirm the nature of the costs incurred, and the appropriateness of the classification between asset and expense.
Significant judgement is required by management in determining whether: <ul style="list-style-type: none">• the criteria for capitalisation are met, in particular whether E&E costs are expected to be recouped through successful development and exploitation of the area of interest or by future sale or that the activities in the area of interest have not reached the point that a reasonable assessment of economically recoverable reserves can be made.	

We also assessed the appropriateness of the disclosures in Note 13 to the financial statements.

Recoverability of exploration and evaluation assets

As at 31 December 2018 the carrying amount of E&E assets is \$142.0 million, as disclosed in Note 13.

Significant judgement is applied by management in determining whether ongoing exploration projects or market conditions have changed indicating that the exploration and expenditure assets should be tested for impairment in accordance with the relevant accounting standards.

Our audit procedures included, but were not limited to:

- Assessing management's processes surrounding the evaluation of the facts and circumstances that may suggest the carrying value of E&E assets exceeds the recoverable amount;
- Challenging management's assessment that may suggest E&E assets are not fully recoverable, including but not limited to:
 - Testing licenses for the areas of interest to determine whether the license has expired during the period or will expire in the near future with no expectation to be renewed;
 - Reviewing budgets to determine whether substantive expenditure in an area of interest is neither budgeted nor planned;
 - Obtaining an understanding of management's assessment as to whether the evaluation of mineral resources in a specific area of interest have not led to the discovery of commercially viable quantities of mineral resources and the Company has decided to discontinue further evaluation of the area;
 - Challenging management as to whether sufficient data exists that suggests E&E assets related to a specific area of interest will not be recovered in full from successful development or by sale; and
 - Challenging management to understand the current status and future intention for each asset given the status of technical feasibility and commercial viability of extraction are not yet demonstrable across any exploration assets.

We have also assessed the appropriateness of the disclosures in Note 13 to the financial statements.

Other Information

The directors are responsible for the other information. The other information comprises the information included in the Group's annual report for the year ended 31 December 2018, but does not include the financial report and our auditor's report thereon.

Our opinion on the financial report does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial report, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial report or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of the Directors 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 preparing the financial report, the directors are responsible for assessing the ability of the Group to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

Auditor's Responsibilities for the Audit of the Financial Report

Our objectives are to obtain reasonable assurance about whether the financial report as a whole is free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with the Australian Auditing Standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of this financial report.

As part of an audit in accordance with the Australian Auditing Standards, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial report, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit 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 Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.
- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial report or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the financial report, including the disclosures, and whether the financial report represents the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the financial report. We are responsible for the direction, supervision and performance of the Group audit. We remain solely responsible for our audit opinion.

We communicate with the directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the directors with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with the directors, we determine those matters that were of most significance in the audit of the financial report of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Report on the Remuneration Report

Opinion on the Remuneration Report

We have audited the Remuneration Report included in pages 30 to 41 of the Directors' Report for the year ended 31 December 2018.

In our opinion, the Remuneration Report of FAR Limited, for the year ended 31 December 2018, complies with section 300A of the *Corporations Act 2001*.

Responsibilities

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.



DELOITTE TOUCHE TOHMATSU



Ryan Hansen
Partner
Chartered Accountants
Melbourne, 14 March 2019

The directors declare that:

- 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;
- the attached financial statements are in compliance with International Financial Reporting Standards, as stated in Note 3 to the financial statements;
- 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
- 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 Corporation (Wholly-owned Companies) Instrument 2016/785. 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 Corporation (Wholly-owned Companies) Instrument 2016/785 applies, as detailed in Note 22 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, 14 March 2019

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the financial year ended 31 December 2018

	Note	Year ended 31 Dec 2018 AU\$	Year ended 31 Dec 2017 AU\$
Continuing operations			
Other income	6	2,288,216	614,149
Depreciation and amortisation expense	7	(92,470)	(40,330)
Exploration expense	7	(11,446,685)	(35,200,227)
Corporate administration expenses		(1,113,771)	(854,891)
Employee benefits expense	7	(4,543,521)	(3,266,738)
Corporate consulting expense		(613,222)	(318,905)
Foreign exchange gain/(loss)		5,152,811	(3,367,979)
Provision for doubtful debt	8	(2,400,337)	-
Other expenses		(382,098)	(344,259)
Loss before income tax		(13,151,077)	(42,779,180)
Income tax expense	9	-	-
LOSS FOR THE YEAR		(13,151,077)	(42,779,180)
Other comprehensive income/(loss), net of income tax <i>Items that may be reclassified subsequently to profit or loss</i>			
Exchange differences arising on translation of foreign operations		11,694,056	(7,467,185)
Other comprehensive income/(loss) for the year, net of the income tax		11,694,056	(7,467,185)
TOTAL COMPREHENSIVE LOSS FOR THE YEAR		(1,457,021)	(50,246,365)
Earnings per share: From continuing operations			
Basic loss (cents per share)	18	(0.24)	(0.83)
Diluted loss (cents per share)	18	(0.24)	(0.83)

Notes to the financial statements are included on pages 54 to 82.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2018

	Note	Year ended 31 Dec 2018 AU\$	Year ended 31 Dec 2017 AU\$
CURRENT ASSETS			
Cash and cash equivalents	23	27,753,009	49,926,796
Trade and other receivables	10	4,291,247	2,148,325
Other financial assets	11	125,174	123,489
Total Current Assets		32,169,430	52,198,610
NON-CURRENT ASSETS			
Property, plant and equipment	12	471,491	359,380
Exploration and evaluation assets	13	142,013,395	128,734,644
Total Non-Current Assets		142,484,886	129,094,024
TOTAL ASSETS		174,654,316	181,292,634
CURRENT LIABILITIES			
Trade and other payables	14	3,142,206	8,569,700
Provisions	15	868,408	1,024,985
Total Current Liabilities		4,010,614	9,594,685
NON-CURRENT LIABILITIES			
Provisions	15	55,773	110,378
Total Non-Current Liabilities		55,773	110,378
TOTAL LIABILITIES		4,066,387	9,705,063
NET ASSETS		170,587,929	171,587,571
EQUITY			
Issued Capital	16	374,521,076	374,521,076
Reserves	17	17,657,825	5,506,390
Accumulated losses		(221,590,972)	(208,439,895)
TOTAL EQUITY		170,587,929	171,587,571

Notes to the financial statements are included on pages 54 to 82.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the financial year ended 31 December 2018

	Reserves					
	Share capital AU\$	Share-based payments reserv ⁽ⁱ⁾ AU\$	Foreign currency translation reserve ⁽ⁱⁱ⁾ AU\$	Total Reserves AU\$	Accumulated losses AU\$	Total attributable to equity holders of the parent AU\$
Balance at 1 January 2017	297,933,534	8,445,445	4,081,961	12,527,406	(165,660,715)	144,800,225
Loss for the year	-	-	-	-	(42,779,180)	(42,779,180)
Other Comprehensive income for the year, net of income tax	-	-	(7,467,185)	(7,467,185)	-	(7,467,185)
Total comprehensive loss for the year	-	-	(7,467,185)	(7,467,185)	(42,779,180)	(50,246,365)
Recognition of share-based payments	-	446,169	-	446,169	-	446,169
Issue of ordinary shares	80,000,000	-	-	-	-	80,000,000
Share issue costs	(3,412,458)	-	-	-	-	(3,412,458)
Balance at 31 December 2017	374,521,076	8,891,614	(3,385,224)	5,506,390	(208,439,895)	171,587,571
Loss for the year	-	-	-	-	(13,151,077)	(13,151,077)
Other comprehensive income for the year, net of income tax	-	-	11,694,056	11,694,056	-	11,694,056
Total comprehensive income/(loss) for the year	-	-	11,694,056	11,694,056	(13,151,077)	(1,457,021)
Recognition of share-based payments	-	457,379	-	457,379	-	457,379
Balance at 31 December 2018	374,521,076	9,348,993	8,308,832	17,657,825	(221,590,972)	170,587,929

(i) This comprises the fair value of rights and options recognised as an employee expense.

(ii) Foreign currency translation reserve represents the foreign currency movement on the revaluation of assets and liabilities held in currencies other than AUD.

Notes to the financial statements are included on pages 54 to 82.

CONSOLIDATED STATEMENT OF CASH FLOWS

For the financial year ended 31 December 2018

	Note	Year ended 31 Dec 2018 AU\$	Year ended 31 Dec 2017 AU\$
CASH FLOWS FROM OPERATING ACTIVITIES			
Payments to suppliers and employees		(6,190,923)	(4,461,607)
Payments for exploration and evaluation expensed		(17,974,955)	(30,800,533)
Net cash used in operating activities	23(d)	(24,165,878)	(35,262,140)
CASH FLOWS FROM INVESTING ACTIVITIES			
Interest received		474,105	598,650
Payments for exploration and evaluation capitalised		(21,921,387)	(28,206,395)
Payments for property, plant and equipment		(363,009)	(127,552)
Proceeds from farm-out of exploration and evaluation properties		22,387,838	-
Payment of farm-in costs		-	(7,109,497)
Net cash provided by/(used in) investing activities		577,547	(34,844,794)
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from issue of shares		-	80,000,000
Payment for share issue costs		-	(3,412,458)
Net cash provided by financing activities		-	76,587,542
NET (DECREASE)/INCREASE IN CASH AND CASH EQUIVALENTS		(23,588,331)	6,480,608
Cash and cash equivalents at the beginning of the year		49,926,796	46,978,179
Effects of exchange rate changes on cash and cash equivalents		1,414,544	(3,531,991)
Cash and cash equivalents at the end of the financial year	23(a)	27,753,009	49,926,796

Notes to the financial statements are included on pages 54 to 82.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2018

1. GENERAL INFORMATION

FAR Ltd (the ‘Company’) is an Australian listed public company, incorporated in Australia and operating in Africa and Australia. 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:

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 2018.

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

The directors note that the impact of the initial application of the Standards and Interpretation is not yet known or is not reasonably estimable and is currently being assessed. At the date of authorisation of the financial statements, the Standards and Interpretations that were issued but not yet effective are listed below.

Standard/Interpretation	Effective
AASB 16 <i>Leases</i>	1 Jan 2019
AASB Interpretation 23 <i>Uncertainty over Income Tax treatments</i>	1 Jan 2019
AASB 2017-6 <i>Amendments to Australian Accounting Standards – Prepayment Features with Negative Compensation</i>	1 Jan 2019
AASB 2017-7 <i>Amendments to Australian Accounting Standards – Long-term interests in Associates and Joint Ventures</i>	1 Jan 2019
AASB 2018-1 <i>Amendments to Australian Accounting Standards – Annual Improvements 2015-2017 Cycle</i>	1 Jan 2019
AASB 2018-2 <i>Amendments to Australian Accounting Standards – Plan Amendments, Curtailment or Settlement</i>	1 Jan 2019
AASB 2018-3 <i>Amendments to Australian Accounting Standards – Reduced Disclosure Requirements</i>	1 Jan 2019
AASB 2018-6 <i>Amendments to Australian Accounting Standards – Definition of a Business</i>	1 Jan 2020
AASB 2018-7 <i>Amendments to Australian Accounting Standards – Definition of Material</i>	1 Jan 2020
AASB 17 <i>Insurance Contracts</i>	1 Jan 2021
AASB 2014-10 <i>Amendments to Australian Accounting Standards – Sale or Contribution of Assets between an Investor and its Associate or Joint Vetur</i>	1 Jan 2022

At the date of authorisation of the financial statements, the following IASB Standards and IFRIC Interpretations were also in issue but not yet effective, although Australian equivalent Standards and Interpretations have not yet been issued.

None

The Group’s assessment of new accounting standards and interpretations refer to Note 31.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Statement of compliance

The financial report is a general purpose financial report which has been prepared in accordance with the Corporations Act 2001, Accounting Standards and Interpretations, and complies with other requirements of the law. The financial report comprises the consolidated financial statements of the 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 14 March 2019.

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 fair values, as explained in the accounting policies below. Cost is based on the fair values of the consideration given in exchange for assets.

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

(a) Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Company and entities (including structured 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 reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control listed above.

Consolidation of a subsidiary begins when the Company obtains control over the subsidiary and ceases when the Company loses control of the subsidiary. 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.

(b) Going concern

FAR Ltd’s consolidated financial statements are prepared on the going concern basis which assumes continuity of normal business activities and the realisation of assets and settlement of liabilities and commitments in the normal course of business.

During the year ended 31 December 2018, the Group recognised a loss of \$13,151,077, had net cash outflows from operating activities of \$24,165,878, and had accumulated losses of \$221,590,972 as at 31 December 2018. The continuation of the Group as a going concern is dependent upon its ability to generate sufficient net cash inflows from operating and financing activities and manage the level of exploration and other expenditure within available cash resources. The Directors consider that the going concern basis of accounting is appropriate for the following reasons:

As at 31 December 2018, the Group’s current assets exceeded current liabilities by \$28,158,816 and the Group has cash and cash equivalents of \$27,753,009. The Group will continue to manage its evaluation and operating activities and put in place financing arrangements to ensure that it has sufficient cash reserves for the next twelve months. The Group will require funding within the next twelve months to fund the Group’s budgeted development Operations in Senegal, and exploration Operations in The Gambia, Guinea-Bissau, Australia and any new exploration blocks the Company may acquire. Commitments for expenditure that the Group has legal obligation to fulfil are set out in Note 13. However, given the Group’s planned development and exploration activities, budgeted expenditure is currently expected to significantly exceed these commitments. In the opinion of the Directors, the Group will be in a position to continue to meet its liabilities and obligations for a period of at least twelve months from the date of this report, and the Group believes it has adequate plans in place to be able to secure funding for its planned activities over the same period from one or more of the following sources:

- The ability to issue share capital under the Corporations Act 2001, by a share purchase plan, share placement or rights issue;

- The ability to obtain funding from other sources including, but not limited to:
 - (i) Senior debt in the form of project finance;
 - (ii) Subordinated debt; and
 - (iii) Hybrid capital instruments

- The option of farming out all or part of the Group’s assets;
- The option of selling interests in the Group’s assets; and
- The option of relinquishing or disposing of rights and interests in certain assets.

The Directors are satisfied that the Group 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.

In the event that the Group is unsuccessful in implementing one or more of the funding options listed above, such circumstances would indicate that a material uncertainty exists that may cast significant doubt as to whether the Group will continue as a going concern and therefore whether it will realise its assets and discharge its liabilities in the normal course of business and at the amounts stated in the financial report.

This financial report does not include any adjustments relating to the recoverability and classification of recorded asset amounts or to the amounts and classification of liabilities that might be necessary should the Group not continue as a going concern.

(c) 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 are translated at the closing rate at the date of that statement of financial position;
- Income and expenses 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 in other comprehensive income as a separate component of equity.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2018

(d) 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.

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 and the financial statements, 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

Significant judgements, estimates and assumption made by management in the preparation of these financial statements are found in the following notes:

Note 13 – Exploration and evaluation

5. SEGMENT INFORMATION

The Group's operating segments are 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 exploration for oil and gas in Australia and Africa during the year.

Segment Assets and Liabilities

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

	Assets		Liabilities	
	Year ended 31 Dec 2018 AU\$	Year ended 31 Dec 2017 AU\$	Year ended 31 Dec 2018 AU\$	Year ended 31 Dec 2017 AU\$
Australia	-	-	-	-
The Gambia	6,128,995	10,139,222	1,056,109	597,600
Guinea-Bissau	1,541,341	1,168,431	101,325	30,150
Kenya	817,857	308,155	2,744	6,863
Senegal	142,234,027	120,630,687	1,380,860	7,610,239
Other	9,801	8,842	17,830	14,347
Corporate	23,922,295	49,037,297	1,507,519	1,445,864
Total assets and liabilities	174,654,316	181,292,634	4,066,387	9,705,063

Segment Revenue and Results

The following is an analysis of the Group's revenue and results from operations:

	Revenue		Segment Loss	
	Year ended 31 Dec 2018 AU\$	Year ended 31 Dec 2017 AU\$	Year ended 31 Dec 2018 AU\$	Year ended 31 Dec 2017 AU\$
Australia	-	-	(568,385)	(48,488)
The Gambia	1,839,248	-	(2,528,594)	(7,055,678)
Guinea-Bissau	-	-	(1,281,668)	(985,968)
Kenya	-	-	(113,222)	(568,964)
Senegal	-	-	(6,029,383)	(26,106,643)
Other	-	-	(387,010)	(434,487)
Corporate	448,968	614,149	(2,242,815)	(7,578,952)
Total for continuing operations	2,288,216	614,149	(13,151,077)	(42,779,180)
Income tax expense			-	-
Loss before tax (continuing operations)			(13,151,077)	(42,779,180)

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

Other Segment Information

	Depreciation and Amortisation		Additions to Non-Current Assets	
	Year ended 31 Dec 2018 AU\$	Year ended 31 Dec 2017 AU\$	Year ended 31 Dec 2018 AU\$	Year ended 31 Dec 2017 AU\$
Australia	-	-	-	-
The Gambia	9,800	-	9,481,401	10,139,221
Guinea-Bissau	-	-	167,731	31,565
Kenya	-	-	-	-
Senegal	-	-	10,463,168	24,758,534
Corporate	82,670	40,330	215,707	57,206
Total	92,470	40,330	20,328,007	34,986,526

6. OTHER INCOME

	Year ended 31 Dec 2018 AU\$	Year ended 31 Dec 2017 AU\$
- Interest income	448,968	614,149
- Other – conditional consideration from farm-out activities	1,839,248	-
	2,288,216	614,149

Interest revenue

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

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2018

7. LOSS FOR THE YEAR

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

	Year ended 31 Dec 2018 AU\$	Year ended 31 Dec 2017 AU\$
Depreciation and amortisation:		
- Property, plant & equipment	(128,182)	(83,914)
- Less reallocation to exploration expense	35,712	43,584
	(92,470)	(40,330)
Exploration Expense:		
– Australia	(568,385)	(48,488)
– The Gambia	(3,087,570)	(7,055,678)
– Guinea-Bissau	(1,289,565)	(985,968)
– Senegal	(6,000,933)	(26,106,643)
– Kenya	(113,222)	(568,964)
– Other	(387,010)	(434,486)
	(11,446,685)	(35,200,227)
Employee benefits expense:		
– Remuneration expense	(4,335,825)	(3,142,136)
– Termination benefit expense	(525,242)	(470,138)
– Recharge of remuneration expense to exploration expense	807,554	1,183,067
<i>Post employment benefits:</i>		
– superannuation contributions	(243,811)	(197,441)
– amortisation of performance rights and options	(457,379)	(446,169)
– provision for leave entitlements	211,182	(193,921)
	(4,543,521)	(3,266,738)

8. PROVISION FOR DOUBTFUL DEBTS

	Year ended 31 Dec 2018 AU\$	Year ended 31 Dec 2017 AU\$
– Provision for doubtful debt – Joint Venture receivables ⁽ⁱ⁾	2,400,337	-

(i) During the period the Group provided for in full its share of the Gambia Block A2 and A5 Joint Venture receivable from a joint venture participant relating to outstanding cash contributions due to the Joint Venture.

9. INCOME TAXES

(a) Income tax recognised in profit or loss

	Year ended 31 Dec 2018 AU\$	Year ended 31 Dec 2017 AU\$
Tax (income) comprises:		
Current tax expense	(2,656,978)	(1,490,070)
Tax losses not brought to account	2,656,978	1,490,070
Deferred tax expense relating to the origination and reversal of temporary differences	2,380,968	323,397
Benefit arising from previously recognised tax losses of prior periods used to reduce deferred tax expense	(2,380,968)	(323,397)
Prior year unders/overs	(94,234)	417,281
Utilisation of previously unrecognised tax losses	94,234	(417,281)
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 2018 AU\$	Year ended 31 Dec 2017 AU\$
Loss from operations	(13,151,077)	(42,779,180)
Income tax (income) calculated at 30%	(3,945,323)	(12,833,754)
Non-deductible expenses	3,224,099	11,826,770
Non-assessable gains	(1,452,668)	-
Recognition of previously unrecognised deductible temporary differences	(483,086)	(483,086)
Unused tax losses and tax offsets not recognised as deferred tax assets	2,656,978	1,490,070
Income tax expense recognised in loss	-	-

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 tax has been assessed on its foreign projects due to the projects currently operating in the exploration and evaluation phase and therefore not deriving production revenues.

(b) Income tax recognised directly in equity

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

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2018

(c) Deferred tax balances

Taxable and deductible temporary differences arise from the following:

	Opening balance AU\$	Recognised in income AU\$	Closing balance AU\$
2018			
Property, plant & equipment	(21,004)	20,850	(154)
Receivables	(212,563)	932,664	720,101
Payables	23,265	1,490,809	1,514,074
Provisions	340,608	(63,355)	277,253
Total	130,306	2,380,968	2,511,274
2017			
Property, plant & equipment	(453)	(20,551)	(21,004)
Receivables	(494,228)	281,665	(212,563)
Payables	19,158	4,107	23,265
Provisions	282,432	58,176	340,608
Total	(193,091)	323,397	130,306

	31 Dec 2018 AU\$	31 Dec 2017 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)	2,511,275	130,306
Tax losses in the United States (net)	4,863,853	4,388,161
Tax losses in The Gambia	-	4,534,027
Tax losses in Australia	18,581,831	16,396,521
Capital losses in Australia	99,257	99,257
	26,056,216	21,014,245

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 this date. The Head Entity within the tax consolidated group is FAR Ltd. The members of the tax consolidated group are identified at Note 21

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.

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.

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).

10. TRADE AND OTHER RECEIVABLES

	31 Dec 2018 AU\$	31 Dec 2017 AU\$
Current		
Interest receivable	-	25,281
Other receivables ⁽ⁱ⁾	3,400,364	1,338,588
Prepayments	614,986	657,304
Joint Venture receivables ⁽ⁱⁱ⁾	2,824,074	127,152
	6,839,424	2,148,325
Less: Provision for doubtful debt – Joint Venture receivables ⁽ⁱⁱⁱ⁾	(2,548,177)	-
	4,291,247	2,148,325

(i) includes the conditional consideration from farm-out activities. Refer Note 6 for further details

(ii) includes The Gambia Blocks A2 and A5 joint venture receivable provided for as a doubtful debt.

(iii) represents the provision for The Gambia Blocks A2 and A5 joint venture receivable.

Trade and other receivables are non-interest bearing and the credit period of oil and gas varies between 30 and 60 days. No trade receivable were past due at balance date. The carrying amount of trade and other receivables approximates their fair value.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2018

11. OTHER FINANCIAL ASSETS

	31 Dec 2018 AU\$	31 Dec 2017 AU\$
Current		
Security deposit	-	1,521
Joint operation performance bond	125,174	121,968
	125,174	123,489

The weighted average interest rate on the performance bond is 2.66% (2017: 2.42%)

12. PROPERTY, PLANT AND EQUIPMENT

	31 Dec 2018 AU\$	31 Dec 2017 AU\$
Furniture, Fittings & Equipment Cost		
Balance at 1 January	929,283	839,344
Additions	232,792	126,362
Disposals	-	(36,423)
Net foreign currency exchange differences	14,592	-
Balance at 31 December	1,176,667	929,283
Accumulated depreciation and impairment		
Balance at 1 January	569,903	519,877
Depreciation expense	128,182	83,916
Disposals	-	(33,890)
Net foreign currency exchange differences	7,091	-
Balance at 31 December	705,176	569,903
Net Book Value	471,491	359,380

Plant and equipment are stated at cost less accumulated depreciation and impairment. Cost includes expenditure that is directly attributable to the acquisition of the item. 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 using the diminishing value method over their estimated useful lives, taking into account estimated residual values, to write off the cost to its estimated residual value, as follows: Furniture, fittings and equipment: 10-40%

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.

13. EXPLORATION AND EVALUATION ASSETS

	31 Dec 2018 AU\$	31 Dec 2017 AU\$
Exploration and evaluation expenditure		
Balance at 1 January	128,734,644	101,706,766
Additions ⁽ⁱ⁾	20,095,215	34,860,163
Expensed ⁽ⁱⁱⁱ⁾	(2,949,318)	-
Impairment ⁽ⁱⁱⁱ⁾	(153,565)	(463,231)
Expenditure recouped from Gambia farm-out proceeds	(17,057,673)	-
Net foreign currency exchange differences ^(iv)	13,344,092	(7,369,054)
Balance at 31 December	142,013,395	128,734,644
Exploration and evaluation commitments		
Not longer than 1 year	5,417,547	47,308,527
Longer than 1 year but not longer than 5 years	-	-
	5,417,547	47,308,527

(i) additions during the year predominately Senegal development related costs of \$10,468,168 (2017: \$24,758,534) and The Gambia Blocks A2 and A5 drilling costs of \$9,464,316 (2017: \$3,071,980) substantially recouped from farm-out proceeds.

(ii) exploration and evaluation expensed related to the Samo-1 well in The Gambia written off during the period.

(iii) impairment of Guinea-Bissau long lead inventory.

(iv) net foreign currency exchange difference represents the revaluation of the opening balance of the prior years capitalised Senegal well costs and Guinea-Bissau well planning costs.

Exploration and evaluation costs

Expenditure on exploration and evaluation is accounted for in accordance with the area of interest method. The Group's application of the accounting policy for the cost of exploring and of evaluating discoveries is closely aligned to the US GAAP-based successful efforts method.

Areas of interest are based on a geographical area. All exploration and evaluation expenditure, including general permit activity, geological and geophysical costs and new venture activity costs is expensed as incurred except for the following:

- where the expenditure related to an exploration discovery that, at the reporting date, has not been recognised as an area of interest, because an assessment of the existence or otherwise of economically recoverable reserves is not yet complete; or
- where the expenditure relates to a recognised area of interest and it is expected that the expenditure will be recouped through successful exploitation of the area of interest, or alternatively, by its sale.

The costs of acquiring interest in new exploration and evaluation licences are capitalised. The costs of drilling exploration wells are initially capitalised pending the results of the well. Costs are expensed where the well does not result in the successful discovery of economically recoverable hydrocarbons and the recognition of an area of interest.

Subsequent to the recognition of an area of interest, all further evaluation costs relating to that area of interest are capitalised. Upon approval for the commercial development of an area of interest, accumulated expenditure for the area of interest is transferred to oil and gas properties.

In the statement of cashflows, those cash flows associated with capitalised exploration and evaluation expenditure, including unsuccessful wells, are classified as cash flows used in investing activities.

Exploration commitments

The Group has exploration expenditure obligations which are contracted for, but not provided for in the financial statements. These obligations may be varied from time to time and are expected to be fulfilled in the normal course of operations of the Group.

Critical judgements in applying the Company's accounting policies:

(i) Area of interest

An area of interest is defined by the Group as an individual geographical area whereby the presence of hydrocarbon is considered favourable or proved to exists.

(ii) Impairment of exploration and evaluation assets

The recoverability of the carrying amount of the exploration and evaluation assets is dependent on successful development and commercial exploitation or alternatively, sale of the respective area of interest.

NOTES TO THE FINANCIAL STATEMENTS

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Each potential or recognised area of interest is reviewed half-yearly to determine whether economic quantities of reserves have been found or whether further exploration and evaluation work is underway or planned to support continued carry forward of capitalised costs. Where a potential impairment is indicated, assessment is performed using a fair value less costs to dispose method to determine the recoverable amount for each area of interest to which the exploration and evaluation expenditure is attributed.

This assessment requires management to make certain estimates and apply judgment in determining assumptions as to future events and circumstances, in particular, the assessment of whether economic quantities of reserves have been found. Any such estimates and assumptions may change as new information becomes available. If, after having capitalised expenditure under the policy, the Group concludes that it is unlikely to recover the expenditure by future exploitation or sale, then the relevant capitalised amount will be written off to the income statement.

14. TRADE AND OTHER PAYABLES

	31 Dec 2018 AU\$	31 Dec 2017 AU\$
Current		
Trade payables ⁽ⁱ⁾	1,048,982	553,401
Other payables	436,234	392,381
Joint venture payables ⁽ⁱⁱ⁾	1,656,990	7,623,918
	3,142,206	8,569,700

- (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 payables are paid within the credit timeframe.
- (ii) Includes FAR's share of Senegal joint operation payables and accruals of \$1,038,182 (2017: \$7,267,294) includes FAR's share of Senegal joint operation payables and accruals of \$1,038,182 (2017: \$7,267,294) and WHT payable of \$98,318 in The Gambia.

15. PROVISIONS

	31 Dec 2018 AU\$	31 Dec 2017 AU\$
Current		
Employee benefits ⁽ⁱ⁾	868,408	1,024,985
Non-Current		
Employee benefits	55,773	110,378

- (i) The above provisions for employee benefits represent annual leave and long service leave entitlements accrued by employees.

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.

Employee benefits

Short and long-term employee benefits

A liability is recognised for benefits accruing to employees in respect of wages and salaries, annual leave and sick leave in the period the related service is rendered. Liabilities recognised in respect of short-term employee benefits, are measured at their nominal values using the remuneration rate expected to apply at the time of settlement. Liabilities recognised in respect of long-term employee benefits are measured at the present value of the estimated future cash outflows to be made by the Group in respect of services provided by employees up to reporting date.

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.

16. ISSUED CAPITAL

	31 Dec 2018 AU\$	31 Dec 2017 AU\$	31 Dec 2018 Number	31 Dec 2017 Number
Paid up capital:				
Ordinary fully paid shares at beginning of year	374,521,076	297,933,534	5,461,532,458	4,461,532,458
Shares allotted during the year (a)	-	80,000,000	-	1,000,000,000
Share issue costs	-	(3,412,458)	-	-
Ordinary fully paid shares at end of year	374,521,076	374,521,076	5,461,532,458	5,461,532,458

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

No shares were issued during the current year.

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

- 669,229,868 ordinary fully paid shares were issued at 8.0 cents per share via a placement to institutional and sophisticated investors on 12 April 2017.
- 330,770,132 ordinary fully paid shares were issued at 8.0 cents per share via a placement to institutional and sophisticated investors on 19 May 2017.

Share options and performance rights outstanding at balance date

Refer Note 25 share-based payments for details of share options and performance rights outstanding at 31 December 2018.

17. RESERVES

	31 Dec 2018 AU\$	31 Dec 2017 AU\$
Share-based payments reserve	9,348,993	8,891,614
Foreign currency translation reserve	8,308,832	(3,385,224)
	17,657,825	5,506,390

Share-based payments reserve recognises the fair value of rights and options issued to directors and employees in relation to equity-settled share-based payments. Amounts are transferred out of reserve and into issue capital when vested rights are exercised.

No transfers were made during the current year.

The foreign currency translation reserve records exchange differences arising on translation of the financial statements of foreign subsidiaries and branches from their functional currency to the Company's functional and presentation currency of AUD.

The Groups foreign subsidiaries and branches are predominately held in USD functional currency. The prevailing AUD:USD exchange rate at 31 December 2018 was 0.7041 compared with 0.7804 at 31 December 2017 resulting in a significant increase in the foreign currency translation reserve on translation of foreign operations during the current year.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2018

18. EARNINGS PER SHARE

The Group presents basic and diluted EPS for its ordinary shares. Basic EPS is calculated by dividing the profit or loss attributable to ordinary shareholders of the Company by the weighted average number of ordinary shares outstanding during the year. Diluted EPS is determined by adjusting the profit or loss attributable to ordinary shareholders and the weighted average number of ordinary shares for the dilutive effect, if any, of the outstanding share rights which have been issued to employees.

	31 Dec 2018 Cents per share	31 Dec 2017 Cents per share
From continuing operations		
Basic and diluted loss per share	(0.24)	(0.83)

Basic and diluted loss 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 2018 AU\$	Year ended 31 Dec 2017 AU\$
Loss:		
Loss for the year attributable to members of FAR Ltd	(13,151,077)	(42,779,180)
	Number	Number
Weighted average number of ordinary shares for the purposes of basic and diluted loss per share	5,461,532,458	5,139,066,630

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

	31 Dec 2018 Number	31 Dec 2017 Number
10.0 cents, June 2018, unlisted options	-	60,000,000
0.0 cents, January 2021, unlisted performance rights	18,049,000	18,497,000
0.0 cents, January 2022, unlisted performance rights	10,293,000	10,837,000
0.0 cents, January 2023, unlisted performance rights	11,207,000	-
	39,549,000	89,334,000

19. CONTINGENT LIABILITIES AND CONTINGENT ASSETS

	31 Dec 2018 AU\$	31 Dec 2017 AU\$
Contingent liabilities		
Guinea-Bissau – contingent payment from future production ⁽ⁱ⁾	18,463,968	16,658,167
Guinea-Bissau – contingent withholding tax liability ⁽ⁱⁱ⁾	806,466	727,592
Kenya L6 – Performance Bond ⁽ⁱⁱⁱ⁾	125,174	121,968
	19,395,608	17,507,727

- (i) In 2009, the Company entered into an Agreement to acquire an interest in three blocks offshore of Guinea-Bissau. Under the terms of the Agreement, in the event of future production from the blocks the vendor will be entitled to recover up to US\$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 share of the projects annual net revenue as defined by the Agreement. Refer to Note 20 for further details on equity interest held.
- (ii) During the year ended 31 December 2009, the Group was advised by the operator of its blocks in Guinea-Bissau that the Joint Operation partners have a contingent withholding tax liability which would become payable in the event of the Joint Operation entering the development phase of the licences. The Group's share of the estimated contingent liability as at 31 December 2018 is \$806,466 (2017: \$727,592).
- (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 Kenya branch 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 Group's 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 deposit equal to the contingent liability of \$125,174 is disclosed in current, other financial assets, see Note 11. Flow Energy has also executed a parent company guarantee to the Kenyan Ministry of Energy and Petroleum in respect of Kenya Block L6 for the performance of the minimum work obligations in relation to year 3 of the Second Additional Exploration Period limited to US\$728,450.

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

20. JOINT OPERATIONS

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

Name	Country	Equity Interest	
		31 Dec 2018 %	31 Dec 2017 %
Sinapa/Esperança ⁽ⁱ⁾	Guinea-Bissau	21.4	21.4
L6 ⁽ⁱⁱ⁾	Kenya	60.0	60.0
Rufisque Offshore/Sangomar Offshore/Sangomar Deep Offshore	Senegal	15.0	15.0
Block A2/Block A5 ^{(iii) (iv)}	The Gambia	40.0	80.0

- (i) In April 2017, negotiations concluded with the National Oil Company of Guinea-Bissau, Petroguin to revise the terms of both the Sinapa and Esperanca Licenses to which FAR has interests. Under the revised licence terms, FAR has a 21.43% participating interest in the permit, an increase from 15% and FAR's paying interest remains at 21.43%.
- (ii) Past security events and continued land access issues have hampered FAR's ability to progress with approved work program on the strategically preferred onshore portion of Block L6. FAR is working with the Ministry of Petroleum & Mining to find an amicable solution with relevant landowners and other stakeholders to resolve the situation.
- (iii) Pursuant to the terms of a Sales Agreement with Erin Energy, FAR acquired an 80% interest in The Gambia Blocks A2 and A5 on 29 June 2017.
- (iv) On 28 August 2018, the Company announced the Ministry of Petroleum and Energy of The Gambia approved the assignment of a 40% interest to PETRONAS in Blocks A2 and A5. The Company retained 40% equity in Blocks A2 and A5 and Operatorship and received cash proceeds comprising back cost reimbursements for a consideration totalling \$22,387,8338 (US\$15,906,042) during the year.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2018

The Groups’ interests in assets employed in the above joint venture operations are detailed below. The amounts are included in the financial statements under their respective assets and liability categories.

	31 Dec 2018 AU\$	31 Dec 2017 AU\$
Current Assets		
Cash and cash equivalents	4,653,178	3,200,897
Trade and other receivables	275,897	127,152
Other financial assets	125,174	123,489
	5,054,249	3,451,538
Non-Current Assets		
Property, plant and equipment	83,941	69,156
Exploration and evaluation assets	142,013,395	128,734,644
	142,097,336	128,803,800
Current Liabilities		
Trade and other payables	1,656,991	7,623,918

Contingent liabilities and capital commitments

The capital commitments arising from the Group’s interests in joint operations are disclosed in Note 13.

The contingent liabilities in respect of the Group’s interest in joint operations are disclosed in Note 19.

Interests 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 decisions 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, the 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:

- (i) Its assets, including its share of any assets jointly held;
- (ii) Its liabilities, including its share of any liabilities incurred jointly;
- (iii) Its revenue from the sale of its share of the output arising from the joint operation; and
- (iv) 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.

21. SUBSIDIARIES

Name of Entity	Country of incorporation	Ownership interest	
		2018 %	2017 %
Parent Entity			
FAR Ltd ⁽ⁱ⁾	Australia		
Subsidiaries			
First Australian Resources Pty Ltd ^{(ii) (iii)}	Australia	100	100
Humanot Pty Ltd ^{(iii) (iii)}	Australia	100	100
Flow Energy Pty Ltd ⁽ⁱⁱ⁾	Australia	100	100
Neptune Exploration Pty Ltd ⁽ⁱⁱ⁾	Australia	100	100
Lightmark Enterprises Pty Ltd ⁽ⁱⁱ⁾	Australia	100	100
FAR Holdings 1 Pty Ltd ⁽ⁱⁱ⁾	Australia	100	100
FAR Holdings 2 Pty Ltd ⁽ⁱⁱ⁾	Australia	100	100
FAR Holdings 3 Pty Ltd ⁽ⁱⁱ⁾	Australia	100	100
First Australian Resources, Inc.	USA	100	100
Petrole Investments Group Pty Ltd	Mauritius	100	100
FAR Gambia Ltd ^(iv)	Mauritius	100	100
FAR Mauritius 1 Pty Ltd	Mauritius	100	100
FAR Mauritius 2 Pty Ltd	Mauritius	100	100
FAR Guinea-Bissau	Mauritius	100	100
FAR Kenya L6	Mauritius	100	100
FAR Senegal RSSD SA	Senegal	100	100
FAR Senegal 1 SA ^(v)	Senegal	100	100
FAR Senegal Djiffere SA	Senegal	100	100
FAR Senegal SARL ^(vi)	Senegal	100	100

- (i) FAR Ltd is the ultimate holding company and Head Entity within the tax consolidated group.
- (ii) These companies are members of the tax consolidated group.
- (iii) These wholly-owned controlled Entities have entered into a deed of cross guarantee with FAR Ltd pursuant to ASIC Corporations (Wholly-owned Companies) Instrument 2016/785 and are relieved from the requirements to prepare and lodge an audited financial report.
- (iv) On 17 October 2017 Meridian Minerals Limited changed its name to FAR Gambia Ltd.
- (v) The shares held in FAR Senegal 1 SA held by FAR Mauritius 1 Pty Ltd were transferred to FAR Gambia Ltd on 19 February 2018.
- (vi) On 21 December 2018 the directors of FAR Mauritius 1 Pty Ltd resolved to voluntarily dissolve FAR Senegal SARL.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2018

22. DEED OF CROSS GUARANTEE

The wholly-owned entities detailed in Note 21 have entered into a deed of cross guarantee with FAR pursuant to ASIC Corporations (Wholly-owned Companies) Instrument 2016/785 and are relieved of the requirement to prepare and lodge an audited financial report. The effect of the deed of cross guarantee is that the Company guarantees to each creditor payment in full of any debt in the event of winding up of any of the controlled entities under certain provisions of the Corporations Act 2001.

If a winding up occurs under other provisions of the Act, the Company will only be liable in the event that after six months any creditor has not been paid in full. The controlled entities have also given similar guarantees in the event that the Company is wound up.

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, after eliminating all transactions between parties of the deed of cross guarantee, at 31 December 2018 are:

	Year ended 31 Dec 2018 AU\$	Year ended 31 Dec 2017 AU\$
Statement of profit or loss and other comprehensive income		
Interest income	448,528	613,835
Depreciation and amortisation expense	(82,670)	(40,330)
Impairment of intercompany loans and investments	(8,873,531)	(5,966,149)
Exploration expense	(7,692,436)	(28,728,559)
Administration expense	(839,714)	(686,759)
Employee benefits expense	(4,543,521)	(3,266,738)
Consulting expense	(551,092)	(292,418)
Foreign exchange gain/(loss)	2,701,220	(3,139,034)
Other expenses	(366,384)	(343,134)
Loss before income tax	(19,799,600)	(41,849,286)
Income tax expense	-	-
Loss for the year	(19,799,600)	(41,849,286)
Other comprehensive income/(loss)		
<i>Items that may be reclassified subsequently to profit or loss</i>		
Exchange differences arising on translation of foreign operations	13,349,484	(7,717,023)
Total comprehensive loss	(6,450,116)	(49,566,309)

	31 Dec 2018 AU\$	31 Dec 2017 AU\$
Statement of Financial Position		
CURRENT ASSETS		
Cash and cash equivalents	24,694,750	49,686,816
Trade and other receivables	1,292,762	4,218,087
Total Current Assets	25,987,512	53,904,903
NON-CURRENT ASSETS		
Trade and other receivables	104,031	7,530,424
Other financial assets	145	145
Property, plant and equipment	387,550	290,224
Exploration and evaluation assets	142,013,395	118,664,578
Total Non-Current Assets	142,505,121	126,485,371
TOTAL ASSETS	168,492,633	180,390,274
CURRENT LIABILITIES		
Trade and other payables	2,428,557	8,122,279
Provisions	868,408	1,024,985
Total Current Liabilities	3,296,965	9,147,264
NON-CURRENT LIABILITIES		
Provisions	55,773	110,378
Total Non-Current Liabilities	55,773	110,378
TOTAL LIABILITIES	3,352,738	9,257,642
NET ASSETS	165,139,895	171,132,632
EQUITY		
Issued capital	374,521,076	374,521,076
Reserves	19,749,680	5,942,817
Accumulated losses	(229,130,861)	(209,331,261)
TOTAL EQUITY	165,139,895	171,132,632
Accumulated Losses		
Balance at beginning of financial year	(209,331,261)	(167,481,975)
Net loss for the year	(19,799,600)	(41,849,286)
Balance at end of financial year	(229,130,861)	(209,331,261)

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2018

23. 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 2018 AU\$	31 Dec 2017 AU\$
Cash and cash equivalents	23,099,832	46,725,899
Cash and cash equivalents held in joint operations	4,653,177	3,200,897
	27,753,009	49,926,796

(b) Financing facilities

The Group had no external borrowings at 31 December 2018. Further, the Group has not arranged any financing facilities for use in the future.

(c) Cash balances not available for use

Cash and cash equivalents held in joint operations are not available for use by the Group. There are no other restrictions on cash balances at 31 December 2018.

(d) Reconciliation of loss for the period to net cash flows from operating activities

	31 Dec 2018 AU\$	31 Dec 2017 AU\$
Loss for the year	(13,151,077)	(42,779,180)
Depreciation and amortisation of non-current assets	118,381	83,914
Unrealised Foreign exchange (gain)/loss	(7,417,833)	3,572,514
Equity settled share-based payments	457,378	446,169
Impairment of exploration asset	-	429,518
Write off – other receivables	7,718	-
Interest income	(448,823)	(614,125)
Gain on sale of oil and gas properties	(730,197)	-
Loss on sale of property plant and equipments	-	2,533
(Increase)/decrease in assets:		
Trade and other receivables	(1,851,547)	(162,252)
(Increase)/decrease in liabilities:		
Trade and other payables	(938,697)	3,564,848
Provisions for employee entitlements	(211,181)	193,921
Net cash used in operating activities	(24,165,878)	(35,262,140)

Cash and cash equivalents

Cash and cash equivalents include 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.

24. FINANCIAL AND RISK MANAGEMENT

The Board has overall responsibility for the establishment and oversight of the Company's risk management framework. The Company's risk management policies are established to identify and analyse the risks faced by the Company, to set appropriate, risk limits and controls, and to monitor risks and adherence to limits. Risk management policies and systems are reviewed regularly to reflect changes in market conditions and the Company's activities.

Financial assets

Financial assets at fair value through profit or loss

A financial asset is classified in this category when the asset is either held for trading or it is designated as at fair value through profit or loss. 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.

Loans and receivables

Loans and receivables are included in receivables in the statement of financial position. Loans and receivables are recorded at amortised cost using the effective interest method, less any 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 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.

Financial liabilities

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.

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 below.

Other financial liabilities

Other financial liabilities 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.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2018

Financial Assets and financial liabilities

The following table discloses the carrying value amounts of each category of financial assets and financial liabilities at year end:

	Carrying Amount AU\$	Fair Value through profit or loss AU\$	Fair Value through OCI AU\$	Total AU\$
Year ended 31 Dec 2018				
Financial assets				
Cash and cash equivalents	27,753,009	-	-	27,753,009
Trade and other receivables – current and non-current	3,676,261	-	-	3,676,261
Other financial assets – current and non-current	125,174	-	-	125,174
Total Financial assets	31,554,444	-	-	31,554,444
Other financial liabilities				
Trade and other payables – current	3,142,206	-	-	3,142,206
Year ended 31 Dec 2017				
Financial assets				
Cash and cash equivalents	49,926,796	-	-	49,926,796
Trade and other receivables – current and non-current	1,491,021	-	-	1,491,021
Other financial assets – current and non-current	123,489	-	-	123,489
Total Financial assets	51,541,306	-	-	51,541,306
Other financial liabilities				
Trade and other payables – current	8,569,700	-	-	8,569,700

Fair values

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 in accordance with accounting standards.

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.

	Carrying Amount		Fair Value	
	31 Dec 2018 AU\$	31 Dec 2017 AU\$	31 Dec 2018 AU\$	31 Dec 2017 AU\$
Financial assets				
Cash and cash equivalents	27,753,009	49,926,796	27,753,009	49,926,796
Trade and other receivables – current and non-current	3,676,261	1,491,021	3,676,261	1,491,021
Other financial assets – current and non-current	125,174	123,489	125,174	123,489
Total Financial assets	31,554,444	51,541,306	31,554,444	51,541,306
Financial liabilities				
Trade and other payables	3,142,206	8,569,700	3,142,206	8,569,700

The Directors consider that the carrying amounts of the financial assets and liabilities recorded at amortised costs in the financial statements approximate their fair value. The financial assets and liabilities which are measured at fair value on a regular basis, are categorised as Level 2 measurements.

(a) Capital risk management

The Group manages its capital to ensure that it will be able to continue as a going concern and as at 31 December 2018 has no debt. 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) Foreign currency risk

The Group has certain financial instruments denominated in USD which differs from the Group's functional currency which is denominated in AUD. Consequently, the Group is exposed to the risk that the exchange rate of the AUD relative to the USD may change in a manner which has a material effect on the reported values of the Groups assets and liabilities which are denominated in USD.

The Group predominately holds cash denominated in USD. The Groups Australian entities have AUD functional currencies, while the non-Australian entities have USD functional currencies.

The carrying amounts of the Groups assets and liabilities that are denominated in USD at the reporting date is as follows:

	Consolidated	
	31 Dec 2018 AU\$	31 Dec 2017 AU\$
Financial assets		
Cash and cash equivalents	26,848,682	39,730,343
Trade and other receivables – current and non-current	2,924,244	66,707
Total Financial assets	29,772,926	39,797,050
Other financial liabilities		
Trade and other payables – current	1,804,096	7,611,123

Foreign currency risk sensitivity

At the reporting date, the following summarises the sensitivity of financial instruments, to movement in the exchange rates if the Australia dollar had increased/decreased by 10% against the US dollar the Group's, with all other variables held constant net profit after tax would increase/decrease by:

	Impact on net profit after tax	
	31 Dec 2018 AU\$	31 Dec 2017 AU\$
AUD/USD – 10% increase	(2,542,621)	(2,925,993)
AUD/USD – 10% decrease	3,107,648	3,576,214

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(d) Commodity price risk management

The Group does not currently have any projects in production and has no exposure to commodity price fluctuations.

(e) Liquidity risk management

The Group manages liquidity risk by maintaining adequate reserves 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				Total AU\$
			1-3 months AU\$	3 month to 1 year AU\$	1-5 years AU\$	5+ years AU\$	
2018							
Financial assets:							
Non-interest bearing	-	8,594,545	-	-	-	-	8,594,545
Variable interest rate	1.80	22,834,725	-	-	-	-	22,834,725
Fixed interest rate	2.66	-	125,174	-	-	-	125,174
		31,429,370	125,174	-	-	-	31,554,444
Financial liabilities:							
Non-interest bearing		3,140,737	-	-	1,469	-	3,142,206
2017							
Financial assets:							
Non-interest bearing	-	6,043,397	-	-	-	-	6,043,397
Variable interest rate	1.29	36,433,245	-	-	-	-	36,433,245
Fixed interest rate	1.81	9,600,000	121,968	-	-	-	9,721,968
		52,076,642	121,968	-	-	-	52,198,610
Financial liabilities:							
Non-interest bearing		8,568,231	-	-	1,469	-	8,569,700

(f) 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 \$44,897 (2017: \$61,415).

(g) Credit risk management

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.

25. 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.

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, with a corresponding increase in equity. At the end of each reporting period, the Group revises its estimate of the number of equity instruments expected to vest. The impact of the revision of the original estimates, if any, is recognised in profit or loss such that the cumulative expense reflects the revised estimate, with a corresponding adjustment to the equity-settled employee benefits reserve.

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.

(a) Employee share option plan

The shareholders of the Company approved an Executive Incentive Plan at the annual general meeting held on 15 May 2015, prior to then the Company did not have a formal share-based compensation scheme. In accordance with the provisions of the approved plan, the board at its discretion may grant options to any full-time or permanent part-time employee or officer, or director of the Company to purchase parcels of ordinary shares. All options issued to directors are granted in accordance with a resolution of shareholders.

Each employee option converts into one ordinary share of FAR Ltd on exercise. No amounts are paid or payable by the recipient on receipt of the option. Options may be exercised at the applicable exercise price from the date of vesting to the date of expiry. The options neither carry rights to dividends nor voting rights.

No share options were transferred during the current year.

The following share-based payment arrangements were in existence during the current and prior reporting periods:

Share Options	FARAM
Grant date	01-Jul-15
Share price at grant date	8.7 cents
Fair value	4.9 cents
Expiry date	01-Jun-18
Exercise price	10.0 cents
Vesting conditions (i)	

The options were priced using the Black Scholes pricing model with the following inputs:

Volatility	95%
Dividend yield	-
Risk free interest rate	2.00%
Option life	2.9 years

Movement in share options

The following reconciles the outstanding share options on issue at the end of the financial year:

	31 Dec 2018 No.	31 Dec 2017 No.
Balance as at 1 January	60,000,000	68,000,000
Granted during the year	-	-
Forfeited during the year	-	(8,000,000)
Expired during the year ⁽ⁱⁱ⁾	(60,000,000)	-
Balance at 31 December	-	60,000,000
Avg. share price at date of exercise	n/a	n/a

(i) The options vested on 26 October 2016 as determined by the Board having satisfied itself the vesting conditions of an announcement to the effect of potential economic viability of a future development project by the Operator of the Senegal joint venture was met.

(ii) The above options expired on 1 June 2018 and therefore, there were no outstanding options at 31 December 2018.

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For the financial year ended 31 December 2018

(b) Employee performance rights plan

The shareholders of the Company approved the Performance Rights Plan (PRP) at the annual general meeting held on 13 May 2016, prior to then the Company did not have a PRP. In accordance with the provisions of the approved plan, the board at its discretion may grant performance rights to any full-time or permanent part-time employee or officer, or director

of the Company. All performance rights issued to directors are granted in accordance with a resolution of shareholders. Each Performance Right converts to one Ordinary Share on exercise.

The following share-based payment arrangements were in existence during the current and prior reporting periods:

Unlisted performance rights	Grant date	Vesting date	Expiry date	Exercise price A\$	No. of performance rights on issue 31-Dec-18	No. of performance rights on issue 31-Dec-17
FARAN-16 ⁽ⁱ⁾	20-May-16	31-Jan-19	31-Jan-21	-	18,049,000	18,497,000
FARAN-17	31-May-17	31-Jan-20	31-Jan-22	-	10,293,000	10,837,000
FARAN-18	14-Jun-18	31-Jan-21	31-Jan-23	-	11,207,000	-
				-	39,549,000	29,334,000

(i) On 31 January 2019, the 3 year performance period for performance rights (FARAN-16) lapsed. Due to the share price decreasing by 2 cents over the performance period none of the 18,049,000 performance rights vested. The base price at the beginning of the performance period was 7.8 cents. The share price on 31 Jan 2019 (Test date) was 5.8 cents.

The performance rights are subject to the following vesting conditions:

- Absolute TSR: a measure of the TSR (share value plus dividends) achieved over the Performance Period; and
- Relative TSR: a measure of the achieved over a given time period relative to the TSR return over the same time period for a comparable set of companies.
- Continuous service until the performance expiry date

Absolute TSR

50% of the Performance Rights will be subject to an absolute TSR hurdle over the Performance Period and will be tested at 31 January (**Test Date**), 3 years after the start date. A TSR equal to a Compounded Annual Growth Rate (CAGR) of at least 15% per annum over the Performance Period is required in order for any of the Performance Rights to vest. The TSR is calculated by comparing the Base Price against the share price on the Test Date plus any dividends paid throughout the Performance Period, which is then computed into an equivalent per annum return.

For the purposes of the Absolute TSR test, the Board have elected to set the Base Price of FAR Shares as at 1 February, which is the 20 day VWAP preceding 1 February.

Absolute TSR performance:

- Above 25% CAGR, 50% of the performance rights granted will vest.
- Between 15% and 25% CAGR, pro-rata 25%-50% of the performance rights granted will vest.
- At 15% CAGR, 25% of the performance rights granted will vest.
- Less than 15% CAGR, no performance rights will vest.

Relative TSR

The remaining 50% of the Performance Rights will be subject to a Relative TSR hurdle over the three year Performance Period to 31 January and will be tested at the end of this period. The TSR performance of FAR Shares will be compared to the TSR performance of all other shares in a comparator group, being the S&P/ASX Energy 300 Index, and Performance Rights will vest only if FAR's TSR performance is at least at the 50th percentile.

The Performance Rights also contain other provisions including the ability for the Board at its absolute discretion to determine that that no relative TSR Performance Rights will vest if the Company's TSR performance is negative, change of control events and good and bad leaver provisions relating to unvested Performance Rights.

Relative TSR performance:

- At or above the 75th percentile, 50% of the performance rights granted will vest.
- Between 50th percentile and 75th percentile, pro-rate 25%-50% performances rights granted will vest.
- At 50th percentile, 25% performance rights granted will vest.
- Below 50th percentile, no performance rights will vest.

Valuation of performance rights

Performance rights issued are measure at fair value at the date of grant and are expensed where there are no vesting conditions and in cases where a vesting restriction exists, amortised over the vesting period. In accordance with Australian Standards, fair value is determined using a generally accepted valuation mode.

Fair value of performance rights granted under the Performance Rights Plan

The performance rights were priced using the Monte Carlo pricing model with the following inputs:

	FARAN-16 ⁽ⁱⁱ⁾	FARAN-17	FARAN-18
Grant date	20-May-16	31-May-17	14-Jun-18
Share price at grant date	8.7 cents	7.9 cents	9.5 cents
Base Price	7.8 cents	7.8 cents	8.3 cents
Fair value	5.5 cents	4.5 cents	5.3 cents
Performance period start date	1-Feb 16	1-Feb-17	1-Feb-18
Performance period end date	31-Jan-19	31-Jan-20	31-Jan-21
Expiry date	31-Jan-21	31-Jan-22	31-Jan-23
Exercise price	A\$0.0	A\$0.0	A\$0.0
Volatility	60%	47%	37%
Dividend yield	-	-	-
Risk free interest rate	1.63%	1.65%	2.7%
Total life of performance rights	2.7 years	2.7 years	2.67 years

The fair value of the performance rights as at the date of grant are summarised as follows:

Performance rights	FARAN-16		FARAN-17		FARAN-18	
No. of performance rights	Absolute	Relative	Absolute	Relative	Absolute	Relative
Price per performance rights	10,712,500	10,712,500	5,418,500	5,418,500	5,603,500	5,603,500
Fair value at grant date	AU\$0.047	AU\$0.063	AU\$0.0358	AU\$0.0536	AU\$0.0412	AU\$0.0641
Fair value	\$503,487	A\$674,888	\$193,965	\$290,426	\$230,920	\$358,947

Movement in the number of performance rights issued under the Performance Rights Plan

The following reconciles the outstanding performance rights on issue at the end of the financial year:

	FARAN-16	FARAN-17	FARAN-18
Balance as at 1 Jan 2017	21,425,000	-	-
Granted during the year	-	10,837,000	-
Forfeited during the year	(2,928,000)	-	-
Exercised during the year	-	-	-
Balance at 31 December 2017	18,497,000	10,837,000	-

Balance as at 1 Jan 2017	18,497,000	10,837,000	-
Granted during the year	-	-	11,207,000
Forfeited during the year ⁽ⁱ⁾	(448,000)	(544,000)	-
Exercised during the year	-	-	-
Balance at 31 December 2018	18,049,000	10,293,000	11,207,000

(i) Performance rights that did not vest due to performance conditions not being met lapsed during the year. Further, on 28 February 2019, all 4,944,000 outstanding performance rights issued to Mr Clube lapsed.

(ii) On 31 January 2019, the 3 year performance period for performance rights (FARAN-16) lapsed.

No performance rights were exercised during the period.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2018

26. KEY MANAGEMENT PERSONNEL COMPENSATION

The aggregate compensation of the KMP of the Group and the Company is set out below:

	31 Dec 2018 AU\$	31 Dec 2017 AU\$
Short-term employee benefits	3,059,432	3,235,535
Termination benefits	525,242	-
Post-employment benefits	91,708	129,846
Share-based payment	219,800	275,592
Other long-term benefits	45,767	124,442
Total	3,941,949	3,765,415

27. 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 21 to the financial statements.

Equity interests in associates and joint operations

Details of interests in joint operations are discussed in Note 20.

28. SUBSEQUENT EVENTS

The Directors are not aware of any matters or circumstances, other than those referred to in this report, that have significantly affected or may significantly affect the operations, the results of operations or the state of affairs of the Group in subsequent financial years.

29. PARENT ENTITY

(a) Financial position

	31 Dec 2018 AU\$	31 Dec 2017 AU\$
Assets		
Current assets	25,987,512	53,904,904
Non-current assets	142,505,123	126,485,371
Total Assets	168,492,635	180,390,275
Liabilities		
Current liabilities	3,296,966	9,147,261
Non-current liabilities	55,773	110,378
Total Liabilities	3,352,739	9,257,639
Equity		
Issued Capital	374,521,076	374,521,076
Reserves		
– Share-based payments reserve	9,348,993	8,891,614
– Foreign currency translation reserve	10,400,684	(2,948,797)
Accumulated losses	(229,130,857)	(209,331,257)
Total Equity	165,139,896	171,132,636

(b) Financial performance

	Year ended 31 Dec 2018 AU\$	Year ended 31 Dec 2017 AU\$
Loss for the year	(19,799,600)	(41,849,286)
Other comprehensive income/(loss)	13,349,481	(7,717,023)
Total comprehensive loss	(6,450,119)	(49,566,309)

(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 22, at reporting date the only other guarantees entered into by the Parent Entity in relation to the debts of its subsidiaries are the following:

- a parent company guarantee provided to the Kenyan Ministry of Energy for the performance of the third year of the second additional exploration period limited to US\$728,450 (2017: US\$728,450)

(d) Contingent liabilities of the parent entity

	31 Dec 2018 AU\$	31 Dec 2017 AU\$
Contingent liabilities		
Guinea-Bissau – contingent payment from future production	18,463,968	16,658,167
Guinea-Bissau – contingent withholding tax liability	806,466	727,592
	19,270,434	17,385,759

Refer to Note 19 for further details.

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

	31 Dec 2018 AU\$	31 Dec 2017 AU\$
Exploration and evaluation assets		
Not longer than 1 year	2,406,499	3,869,154
Longer than 1 year and not longer than 5 years	-	-
	2,406,499	3,869,154

30. REMUNERATION OF AUDITORS

	31 Dec 2018 AU\$	31 Dec 2017 AU\$
Auditor of the Parent Entity:		
Audit or review of the financial report	101,095	84,027
Audit of foreign subsidiaries	20,068	19,552
Non-audit services	11,530	9,776
	132,693	113,355

The auditor of the Group is Deloitte Touche Tohmatsu.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2018

31. IMPACT OF NEW ACCOUNTING STANDARDS AND INTERPRETATIONS

New standards and interpretations adopted

(a) Impact of adoption of AASB 9 – Financial Instruments.

Effective date of standard: 1 January 2018

Application date for Group: 1 January 2018

The adoption of AASB 9 has resulted in amendments to the measurement and classification requirements for financial instruments previously accounted for under AASB 139 Financial Instruments: Recognition and Measurement.

Under AASB 9 an entity classifies its financial assets as subsequently measured at either fair value through profit or loss, amortised cost or fair value through OCI. The classification and measurement requirements of AASB 9 did not have a material impact on the Group. The Group continued to measure at fair value all financial assets previously held under AASB 139. The requirements in AASB 139 regarding classification and measurement of financial liabilities continue to be measured at either fair value through profit or loss or amortised cost.

AASB 9 also requires impairment on financial assets to be assessed under the lifetime expected credit loss model. To assess for any expected credit losses under AASB 9, consideration is given to the probability of default upon initial recognition of the asset, and subsequent consideration as to whether there have been any significant increases in credit risk on an ongoing basis at each reporting period. To assess whether there is a significant increase in credit risk, the Group compares the risk of default occurring on the asset as at the reporting date with the risk of default as at the date of initial recognition. The results of this assessment were not material to the Group.

The adoption of AASB 9 has not had any material impact on the Group's financial information and comparatives have not been restated that there is no change in the carrying amount of any of the Group's financial instruments under AASB 9 and AASB 139.

(b) Impact of AASB 15 – Revenue from contracts with customers

Effective date of standard: 1 January 2018

Application date for Group: 1 January 2018

The adoption of AASB 15 has resulted in amendments to the recognition of revenue. Revenue is recognised at an amount that reflects the consideration to which an entity expects to be entitled in exchange for transferring goods and services. That is, the revenue recognition will change from one based on transfer of risk and reward of ownership to the transfer of control of ownership.

The adoption of AASB 15 has not had any material impact on the Group's financial information and comparatives have not been restated and that there is no change to net assets upon adoption.

New standards and interpretations not yet adopted

(a) Impact of AASB 16 – Leases

Effective date of standard: 1 January 2019

Application date for Group: 1 January 2019

AASB 16 introduces a single lessee accounting model, requiring the recognition of assets and liabilities for all leases with a term of more than 12 months, unless the underlying asset is of low value. A lessee is required to recognise a right-of-use asset representing its right to use the asset and a lease liability representing its obligation to make lease payments.

The Group is in the process of identifying which of its contracts will fall within the scope of the new standard, and will likely relate to leases of property, plant and equipment, including office premises and office equipment. However, it is not yet possible to estimate the amount of the right-of-use asset and lease liability that will be recognised.

Adoption of the new lease standard is however, expected to result in lower operating costs and depreciation costs as the accounting of the lease payments changes under the new AASB 16. The statement of financial position will also be impacted with an increase to both non-current 'right-of-use assets' and lease liabilities expected.

The Group is continuing to assess the impact of the new lease standard and will adopt the new standard on the effective date.

(b) Other

There are no other standards and interpretations that are not yet effective and that would be expected to have a material impact on the Group in the current or future reporting periods and on foreseeable future transactions.

SHAREHOLDER INFORMATION

Pursuant to the Listing requirements of the Australian Securities Exchange the following additional information for Listed Companies as at 11 March 2019.

Number of holders of equity securities

Ordinary Shares

The issued capital comprised of 5,461,532,458 ordinary shares held by 10,716 holders.

Unlisted performance rights

There were 34,605,000 unlisted performance rights, with a \$nil exercise price, held by 11 holders, each with a holding of greater than 100,000 performance rights. Each performance right converts to one share. Performance rights do not carry the right to vote.

Spread details as at 11 March 2019 – Ordinary Shares

	Number of Holders	Number of Units	% of Total Issued Capital
1	-	1,000	613
1,001	-	5,000	546
5,001	-	10,000	982
10,001	-	100,000	5,110
100,001 and over			3,465
Total			10,716
Holding less than a marketable parcel			1,650

Substantial Shareholders	Number of shares	% of Issued Capital
Meridian Asset Management	862,438,587	15.79
Farjoy Pty Ltd	514,463,236	9.42

Top Twenty Shareholders as at 11 March 2019	Number of shares	% of Issued Capital
Citicorp Nominees Pty Limited	957,464,532	17.53
Farjoy Pty Ltd	514,463,236	9.42
HSBC Custody Nominees (Australia) Limited	308,387,826	5.65
J P Morgan Nominees Australia Limited	254,938,170	4.67
City Securities Ltd	175,305,677	3.21
CS Fourth Nominees Pty Limited	164,798,540	3.02
Mr Oliver Lennox-King	75,647,869	1.39
Toad Facilities Pty Ltd	68,528,589	1.25
HSBC Custody Nominees (Australia) Limited	51,929,695	0.95
National Nominees Limited	51,057,487	0.93
Fountain Oaks Pty Ltd	34,200,366	0.63
Merrill Lynch (Australia) Nominees Pty Limited	30,465,873	0.56
Floteck Consultants Limited	30,000,000	0.55
RC Capital Investments Pty Ltd	29,183,060	0.53
N & P Superannuation Pty Limited	19,627,689	0.36
Almeranka Superannuation Pty Ltd	19,168,321	0.35
Warbont Nominees Pty Ltd	18,891,744	0.35
Ms Catherine Norman	18,065,883	0.33
Kalan Seven Pty Ltd	18,000,000	0.33
Mr John Daniel Powell	17,791,645	0.33
	2,857,916,202	52.34

Voting rights

Voting rights of members are governed by the Company's constitution. In summary, each member present at general meeting in person or by proxy shall have one vote and, upon a poll, every such attending member shall be entitled to one vote for every ordinary share held.

CORPORATE DIRECTORY

DIRECTORS

Nicholas Limb
(Chairman)

Catherine Norman
(Managing Director)

Timothy Woodall
(Non-Executive Director)

Reginald Nelson
(Non-Executive Director)

COMPANY SECRETARY

Peter Thiessen

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ASX Code: FAR

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