

# *Notice of General Meeting and Explanatory Statement*

For the General Meeting to be held at 10.00am (Melbourne time) on Monday, 21 December 2020. Due to the ongoing COVID-19 related restrictions on gatherings and travel the General Meeting will be held virtually.

**This is an important document. Please read it carefully.**

**If you are unable to attend the virtual General Meeting, please vote online OR complete the form of proxy enclosed and return it in accordance with the instructions set out on that form.**

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## **TIME AND PLACE OF MEETING AND HOW TO VOTE**

### **Participation at the Meeting**

The General Meeting of the shareholders of the Company will be held at 10.00am (Melbourne time) on Monday, 21 December 2020 and will be broadcast by Encore Events Technology. Shareholders can view and participate in the meeting by registering to attend at [www.far.com.au/gm](http://www.far.com.au/gm). We encourage shareholders and their authorised representatives to pre-register in order to receive the meeting details in advance. Shareholders are encouraged to submit their questions prior to the meeting at [info@far.com.au](mailto:info@far.com.au).

### **How to Vote**

You may vote online during the meeting, by proxy or authorised representative. You are encouraged to submit your proxy or vote online prior to the meeting.

### **Voting by Proxy**

- send the completed and signed Proxy Form by post to Computershare, GPO Box 242, Melbourne, Victoria 3001; or by facsimile to Computershare on facsimile number outside Australia +61 (3) 9473 2555 or within Australia 1800 783 447

Or

- for online voting, visit [www.investorvote.com.au](http://www.investorvote.com.au); or
- for intermediary Online subscribers only (custodians), visit [www.intermediaryonline.com](http://www.intermediaryonline.com)

so that it is received not later than 10.00am (Melbourne time) on Saturday, 19 December 2020.

**Proxy Forms received later than this time will be invalid.**

### **Voting online during the meeting**

Voting at the meeting can be accessed directly through <https://web.lumiagm.com/> (meeting ID 317-957-256) using your HIN/SRN and the post code of your registered address. Overseas shareholders should use their country code in place of an Australian post code. Online voting registration will open 30 minutes prior to the meeting. For further information see the Lumi Online Voting Guide at [www.far.com.au/gm](http://www.far.com.au/gm)

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**FAR LIMITED ABN 41 009 117 293**  
**NOTICE OF GENERAL MEETING**

Notice is given that a General Meeting of shareholders of FAR Limited ('Company') will be held at 10.00am (Melbourne time) on Monday, 21 December 2020. Due to the ongoing COVID-19 related restrictions on gatherings and travel the General Meeting will be held virtually.

**AGENDA**

**RESOLUTION 1 – DISPOSAL OF INTEREST IN THE RSSD PROJECT**

To consider and, if thought fit, to pass the following resolution as an ordinary resolution:

"That, for the purposes of ASX Listing Rule 11.2 and for all other purposes, approval is given for the disposal of the Company's interest in the RSSD Project on the terms and conditions set out in the Explanatory Statement accompanying this Notice."

Dated 18 November 2020



**Elisha Larkin, Company Secretary**

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**NOTES**

1. A shareholder of the Company entitled to vote is entitled to appoint not more than two proxies. Where more than one proxy is appointed, each proxy must be appointed to represent a specified proportion of the shareholder's voting rights. If the shareholder appoints two proxies and the appointment does not specify this proportion, each proxy may exercise half of the votes. A proxy need not be a shareholder of the Company.
2. For the purposes of the Corporations Act, securities will be taken to be held by persons who are registered holders as at 10.00 am (Melbourne time) on 19 December 2020.
3. If a proxy is not directed how to vote on an item of business, the proxy may vote or abstain from voting on that resolution if they think fit.
4. If a proxy is instructed to abstain from voting on an item of business, the proxy is directed not to vote on the shareholder's behalf on the poll and the shares that are subject of the proxy appointment will not be counted in calculating the required majority.
5. Shareholders who return their proxy forms with a direction on how to vote but do not nominate the identity of their proxy will be taken to have appointed the chairman of the meeting as their proxy to vote on their behalf.
6. If a proxy form is returned but the nominated proxy does not attend the meeting or does not vote on the resolution, the chairman of the meeting will act in place of the nominated proxy and vote in accordance with any instructions.
7. Proxy appointments in favour of the chairman that do not contain a direction on how to vote will be used where possible to support the resolution proposed in this notice of meeting.
8. The proxy form must be signed by the member or his/her attorney duly authorised in writing or if the shareholder is a corporation in a matter permitted by the Corporations Act or in accordance with the laws of that corporation's place of incorporation.
9. Proxies need to be returned as instructed on the proxy form to be received no later than 48 hours before the commencement of the meeting.
10. Appointed proxies will need to contact Computershare to obtain a username and password to vote online. Further details are available in the Lumi online meeting guide available at [www.far.com.au/gm](http://www.far.com.au/gm)

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**VOTING EXCLUSIONS**

**RESOLUTION 1 – DISPOSAL OF INTEREST IN THE RSSD PROJECT**

The Company will disregard any votes cast in favour of this resolution by or on behalf of a person who is expected to participate in, or who will obtain a material benefit as a result of, the proposed issue (except a benefit solely by reason of being a holder of ordinary shares in the Company) and any associate of any such person.

However, this voting exclusion does not apply to a vote cast in favour of the resolution by:

- a person as a proxy or attorney for a person who is entitled to vote on the resolution, in accordance with the directions given to the proxy or attorney to vote on the resolution in that way;

- the person chairing the meeting as a proxy or attorney for a person who is entitled to vote on the resolution, in accordance with a direction given to the chair to vote on the resolution as the chair decides; or
- a holder acting solely in a nominee, trustee, custodial or other fiduciary capacity on behalf of a beneficiary provided that the beneficiary provides written confirmation to the holder that the beneficiary is not excluded from voting, and is not an associate of a person excluded from voting, on the resolution, and the holder votes on the resolution in accordance with the directions given by the beneficiary to the holder to vote in that way.

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## ENQUIRIES

Shareholders are invited to contact the Company Secretary, Elisha Larkin, on +61 3 9618 2550 if they have any queries in respect of the matters set out in these documents.

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## EXPLANATORY STATEMENT

### GENERAL INFORMATION

This Explanatory Statement has been prepared for the shareholders of the Company in connection with the General Meeting of the Company to be held on Monday, 21 December 2020.

The purpose of this Explanatory Statement is to provide shareholders with information that the Board believes to be material to shareholders in deciding whether to approve the above resolution detailed in the Notice.

This Explanatory Statement is an important document and should be read carefully in full by all shareholders. If you have any questions regarding the matters set out in this Explanatory Statement or the preceding Notice, please contact the Company, your stockbroker or other professional adviser.

### RESOLUTION 1 – DISPOSAL OF INTEREST IN THE RSSD PROJECT

On 11 November 2020, the Company announced that together with its wholly owned subsidiaries FAR Senegal RSSD SA and FAR Holdings 1 Pty Ltd (collectively 'FAR') it had entered into an RSSD Sale and Purchase Agreement (the 'Transaction') with ONGC Videsh Vankorneft Pte Ltd ('ONGC') in respect of FAR's entire interest in the Production Sharing Contract for the Rufisque, Sangomar, and Sangomar Deep Offshore Blocks offshore Senegal and the relevant Joint Operating Agreement (the 'RSSD Project').

The RSSD Project has been the flagship project in the FAR portfolio following the discovery of the Sangomar Field in 2014 and the Final Investment Decision taken by FAR and its co-venturers in January 2020 for the development of the Sangomar Field. As detailed in multiple public statements since March 2020 in the wake of COVID-19 and its impact on global markets, FAR has been actively marketing its stake in the RSSD Project. The sale to ONGC is in line with this strategy.

### ASX Shareholder Approval Requirement

ASX Listing Rule 11.2 requires a listed company to obtain the approval of its shareholders to dispose of its main undertaking. The Transaction is a disposal of the Company's main undertaking for these purposes.

This Resolution sets out the required shareholder approval to the Transaction under the purposes of Listing Rule 11.2:

- Shareholder approval is a condition to the Transaction occurring, and if the Resolution is passed the Company will be able to proceed with the Transaction.
- If the Resolution is not passed the Company will not be able to proceed with the Transaction.

Details in this regard are set out below, including the implications for the Company and its shareholders if shareholder approval is or is not obtained.

Shareholder approval is being sought specifically in relation to the Transaction with ONGC. In addition, shareholder approval is being sought to approve a sale of the Company's interest in the RSSD Project to any joint venture party which exercises a right of pre-emption to purchase this interest on the same terms and conditions. In other words, if shareholders provide their approval, FAR will be authorised to sell its interest in the RSSD Project to a joint venture party as an alternative to ONGC.

For the purposes of ASX Listing Rule 11.2, the following information is provided.

### Transaction Details

As consideration for the Transaction, ONGC will pay FAR US\$45 million at completion. In addition, ONGC will reimburse FAR's share of capital expenditure for the RSSD Project from 1 January 2020 paid to date by FAR totalling US\$66.58 million, payable by ONGC on completion. The Transaction also includes an entitlement to certain contingent payments capped at US\$55 million as outlined below. FAR expects to have approximately US\$130 million in cash at the close of this Transaction.

Under the Transaction, FAR is proposing to sell to ONGC its entire interest in the RSSD Project, being:

- a 13.67% participating interest in the Sangomar exploitation area containing the Sangomar field; and
- a 15% participating interest in the RSSD contract area outside the Sangomar exploitation area.

The Transaction is subject to conditions precedent that are summarised below and are typical for an agreement of this nature.

### Background

The RSSD Project is a world class asset located offshore Senegal and housing the Sangomar Field Development which is targeting first oil in 2023. Woodside Petroleum Limited is operator of the project.

In early 2020, FAR was in the process of finalising financing for its share of the Sangomar Field Development that had reached Final Investment Decision in January 2020. The financing package was planned to be comprised of FAR shareholder equity, and senior and junior debt totalling US\$600 million. FAR completed a US\$100 million equity raise in January 2020, however the planned senior and junior debt financing could not be concluded due to the slump in the oil price and the effect on global markets due to the onset of COVID-19.

FAR's strategy since that time has been to pursue a sale of the RSSD Project, whilst continuing to consider financing options to the extent practicable. Further information and background can be found in FAR's ASX announcements throughout 2020.

To preserve cash, FAR has been in default of its cash call payments in relation to the RSSD Project since June 2020. FAR has now cured this default with respect of the cash calls due for the period up to and including October 2020. All cash calls paid by FAR from 1 January 2020 will be reimbursed to FAR on close of the Transaction. FAR has not paid the November cash call (US\$8.96 million) and FAR will go back into default and anticipates remaining in default until completion of the Transaction at which time ONGC will pay any unpaid cash calls to the operator and/or joint venture parties.

### Contingent Payment

The Transaction contemplates a contingent payment to FAR payable in the future based on various factors relating to the sale of oil from the RSSD Project.

The contingent payment comprises 45% of entitlement barrels (being the share of oil relating to FAR's 13.67% RSSD Project

exploitation area interest) sold over the previous calendar year multiplied by the excess (if any) of the crude oil price per barrel (capped at US\$70) and US\$58 per barrel.

The contingent payment terminates on the earliest of 31 December 2027, 3 years from first oil being sold (excluding any periods of zero production), and a total contingent payment of US\$55 million being reached.

The Operator's most recent estimate for commencement of oil production is mid-2023. The Operator may update timelines to first oil and production targets from time to time.

### Conditions and Timing

The Transaction is subject to various conditions precedent (which the parties need to use reasonable endeavours to satisfy), including the following:

- The written approval of the Minister of Petroleum and Energies for the Republic of Senegal to the transfer of the Transferring Interest to the Purchaser being obtained. FAR hopes that such approval would be obtained in January 2021.
- RSSD Project Pre-Emptive Rights – The Transaction is conditional on the waiver or non-exercise of pre-emption rights available to FAR's co-venturers in the RSSD Project. FAR issued the pre-emption notice to co-venturers on 11 November 2020, and the co-venturers have 30 days to advise if they wish to exercise their right to pre-empt the Transaction on the same terms and conditions as ONGC. In the event of pre-emption, FAR will receive the same consideration as from ONGC.
- FAR Shareholder Approval - ASX Listing Rule 11.2 requires that FAR obtains shareholder approval in relation to the Transaction and is the subject of this Notice of General Meeting.
- Third Party Agreement Termination - The Transaction is subject to the termination or satisfactory resolution of an agreement between FAR and a third party, details of which are currently commercial in confidence. ONGC has the discretion to waive this condition.

The Transaction does not require FIRB approval since it does not involve the sale of an Australian asset.

The Transaction agreement includes other provisions which are customary for a sale and purchase agreement of its type, such as vendor warranties, vendor and purchaser indemnities and certain rights for the purchaser to terminate following the occurrence a material adverse event that cannot be remedied.

FAR is presently contemplating completion of the Transaction at the end of January 2021. However, the timing of completion cannot be definitively determined at this time.

As a matter of prudence, the Transaction allows for up until May 2021 for satisfaction of the conditions, although this length of time is not expected to be needed.

### Cairn Sale

FAR notes the recent sale of Cairn's RSSD interest to LUKOIL and subsequent pre-emption by Woodside. Cairn has sold a 36.44% interest in the Sangomar exploitation area and a 40% interest in the remaining PSC contract area. Completion of that sale is due shortly. That sale was priced at US\$300 million plus contingent payment of up to US\$100 million plus working capital adjustments from 1 January 2020. While that sale represents a premium to the price payable under the Transaction, the Cairn interest is sufficient to influence joint venture voting results under the Joint Operating Agreement, whereas FAR's interest is not.

### Financial Position

Details in relation to FAR's financial position as at 30 June 2020 is contained in its 30 June 2020 accounts which were released to ASX on 11 September 2020. Updated information in relation to FAR was contained in FAR's Quarterly Activities and Cashflow Report which were released to ASX on 20 October 2020. Shareholders should have regard to this information for details about FAR's financial position.

On completion (currently estimated to be end January 2021), the Transaction would have the following impacts on the Company's financial position in comparison to 30 June 2020:

- Cash and cash equivalents of approximately US\$130 million, arising from the following movements:
  - proceeds from the Transaction of US\$111.58 million
  - other cash on hand of approximately US\$19 million (following payments for cash calls of \$29.6 million and actual and forecast corporate, exploration and other costs of US\$15.2 million)
- Assets held for sale of US\$166.0 million reduced to \$Nil
- Liabilities associated with assets held for sale of US\$17.4 million reduced to \$Nil.
- Loss on disposal of asset of \$66.50 million
- Nil tax payable expected in Australia or Senegal due to loss on disposal

FAR does not currently generate revenue or profits, and the Transaction will not have any impact on EBITDA or annual profit (except that FAR will record a loss on the sale of its interest). Aside from the expected cash position as stated above if the Transaction completes, FAR is expected to have consolidated total assets in the order of US\$5 million relating to exploration and evaluation assets associated with its interests in The Gambia and Guinea-Bissau. FAR would have no debt. This would position FAR to continue its exploration in its highly prospective Gambian and Guinea-Bissau acreage and execute a new long-term strategy.

### Impact if the Transaction is Not Approved

If the Transaction does not complete, FAR is not likely to be able to meet its obligations in relation to the RSSD Project beyond December 2020 in the absence of an alternative source of funding.

No break fee is payable by FAR to ONGC if shareholders decline to provide their approval.

### Additional Information

The Company has over recent months engaged with various potential purchasers of its interest in the RSSD Project. At this time the Transaction represents the best offer open to the Company.

The Company has been reducing its staff in recent months as part of a cost cutting exercise. No changes to the Board of Directors is anticipated as a direct result of the Transaction, however the Board will consider its future composition as it develops its new long-term strategy.

Trading in the Company's shares was suspended on 14 September 2020 following a disclaimer of audit opinion with respect to the 30 June 2020 accounts. Details in this regard are obtained in the Company's response to ASX query letter dated 2 October 2020, and the Company's subsequent update announcement dated 5 October 2020.

ASX has advised the Company that trading in the company's shares should remain suspended until a clean audit opinion is obtained.

ASX takes no responsibility for the contents of this notice.

The Directors unanimously recommend that shareholders vote in favour of this Resolution 1.