

23 February 2022

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**By:** E-lodgement

### **Target's Statement Reject Recommendation**

**Attached**, as required by item 14 of section 633(1) of the Corporations Act, is a copy of the Target's Statement of FAR Limited (ASX: FAR) in response to the off-market takeover bid by Samuel Terry Asset Management Pty Ltd as trustee for Samuel Terry Absolute Return Active Fund (STAM) for all of the issued shares in FAR.

**The FAR Directors unanimously recommend that FAR shareholders REJECT the inadequate and opportunistic offer that materially undervalues the FAR shares.**

The Directors unanimously recommend that FAR Shareholders **REJECT** the STAM offer for the following reasons:

- The takeover offer price of 45 cents per FAR share is substantially less than the price at which FAR shares are trading on the ASX;
- The takeover offer price is materially lower than the underlying value of a FAR share; and
- The takeover offer is conditional and may not actually complete.

Shareholders are encouraged to read the Target's Statement in full when considering the FAR Directors' recommendation.

The Target's Statement has today been lodged with the Australian Securities & Investments Commission and sent to STAM. Dispatch of the Target's Statement to FAR shareholders will occur shortly.

Yours faithfully

FAR Limited

*This announcement was authorised for release by the FAR Board of Directors.*

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**TARGET'S STATEMENT  
ISSUED BY  
FAR LIMITED**

ACN: 009 117 293

in response to the takeover bid made by  
Samuel Terry Asset Management Pty Ltd as trustee for Samuel Terry  
Absolute Return Active Fund for all of the ordinary shares in FAR  
Limited

**The Directors unanimously recommend  
that FAR Shareholders**

**REJECT**

**the inadequate and opportunistic Offer  
that materially undervalues your FAR  
Shares **by taking NO ACTION****

Legal Adviser

**Baker  
McKenzie.**

Financial Adviser

 **RFC Ambrian**

**This document contains important information and requires your immediate attention.**  
You should read this document in its entirety. If you are in any doubt as to how to deal with this document,  
you should consult your legal, financial or other professional advisers as soon as possible.

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## Information about this Target's Statement

This document is a Target's Statement dated 23 February 2022 and is issued by FAR under Part 6.5 Division 3 of the Corporations Act. This Target's Statement sets out FAR's formal response to the Offer made by STAM under its Bidder's Statement.

A copy of this Target's Statement was lodged with ASIC and given to the ASX on 23 February 2022. Neither ASIC, ASX nor any of their respective officers take any responsibility for the content of this Target's Statement.

This Target's Statement does not take into account your investment objectives, financial situation or particular needs. It does not contain personal advice. The Directors of FAR encourage you to seek independent financial and taxation advice before making a decision whether or not to accept the Offer.

### Forward looking statements

Some statements in this Target's Statement are in the nature of forward-looking statements. You should be aware that these statements are predictions only and are subject to inherent risks and uncertainties. Those risks and uncertainties include factors and risks specific to FAR as well as general economic conditions and conditions in the financial markets, exchange rates, interest rates and the regulatory environment, many of which are outside the control of FAR and its Directors. Actual events or results may differ materially from the events or results expressed or implied in any forward-looking statement.

None of FAR, any of its officers or any person named in this Target's Statement with their consent or anyone involved in the preparation of this Target's Statement makes any representation or warranty (either express or implied) as to the accuracy or likelihood of fulfilment of any forward looking statement or any events or results expressed or implied in any forward looking statement, except to the extent required by law. You are cautioned not to place undue reliance on those statements.

The forward-looking statements in this Target's Statement reflect views held only as at the date of this Target's Statement. FAR has no obligation to disseminate any updates or revisions to any statements to reflect any change in expectations in relation to those statements or any change in events, conditions or circumstances on which any of those statements are based unless it is required to do so under Division 4 of Part 6.5 of the Corporations Act to update or correct this Target's Statement (i.e. for certain matters that are material from the point of view of a Shareholder) or under its continuous disclosure obligations under the Corporations Act and the ASX Listing Rules.

### Disclaimer as to information

The information on the Offer contained in this Target's Statement has been prepared by FAR using publicly available information (including information contained in the Bidder's Statement) and has not been independently verified by FAR. Accordingly, subject to the Corporations Act, FAR does not make any representation or warranty (express or implied) as to the accuracy or completeness of such information.

### Privacy

FAR has collected your information from the register of Shareholders for the purpose of providing you with this Target's Statement. The type of information FAR has collected about you includes your name, contact details and information on details of your shareholding in FAR. Your information may be disclosed on a confidential basis to FAR's related bodies corporate and external service providers (such as the share registry of FAR and print and mail providers) and may be required to be disclosed to regulators such as ASIC and ASX. If you would like to obtain details of the information held about you by FAR, please contact Computershare Investor Services, whose contact details are set out in the Corporate Directory to this Target's Statement.

### Defined terms

A number of defined terms are used in this Target's Statement. Unless the contrary intention appears, the context requires otherwise, or words are defined in section 7 of this Target's Statement, words and phrases in this Target's Statement have the same meaning and interpretation as in the Corporations Act.

FAR maintains a website (<https://www.far.com.au>). Information contained in, or otherwise accessible through, this website does not form part of this Target's Statement. All references in this Target's Statement to the FAR website are inactive textual references and are for your information only.

**Currency disclosures in this Target's Statement**

All dollar amounts recoded in this Target's Statement are presented in Australian dollars unless specially denoted otherwise.

**Shareholder information**

Should FAR Shareholders have any queries about the Offer or this document, they should contact FAR by email on [takeoverenquiries@far.com.au](mailto:takeoverenquiries@far.com.au) or they can call the FAR company secretary on (03) 9618 2550.

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## Chairman's Letter

23 February 2022

Dear FAR Shareholder,

### **TAKEOVER OFFER (OFFER) BY SAMUEL TERRY ASSET MANAGEMENT PTY LTD AS TRUSTEE FOR SAMUEL TERRY ABSOLUTE RETURN ACTIVE FUND (STAM)**

STAM has made an off-market takeover offer for all of the FAR Shares at 45 cents cash per Share.

This document is our Target's Statement, which sets out the unanimous recommendation of your Directors to REJECT the unsolicited, inadequate and opportunistic Offer.

Each of the Directors who holds FAR Shares intends to REJECT the Offer in respect of their own holding of FAR Shares.

To REJECT the Offer, simply ignore all communications from STAM and do nothing.

Your Directors believe there are three key reasons to REJECT the Offer:

- The Offer price of 45 cents per FAR Share is substantially less than the current price at which FAR Shares are trading on the ASX;
- The Offer materially undervalues FAR given FAR's current cash, contingent payment of up to US\$55 million from Woodside and FAR's exploration assets; and
- The Offer is conditional and may not actually complete.

This Target's Statement includes an independent valuation of the future contingent payment from Woodside to be made to FAR as part of the consideration received from the sale of FAR's interest in the Sangomar Oil Field Development to Woodside in 2021. FAR is investigating convening a shareholders meeting to consider a pro-rata distribution of rights to this contingent payment. We look forward to providing an update to shareholders in due course once this investigation is complete.

In recognition of FAR's activity following the sale of the Sangomar project and the return of 80 cents per Share in cash in 2021, FAR has continued to work to optimise value for shareholders, including creating savings by reducing personnel numbers and salary levels during 2021 and a move to smaller, lower cost office premises which will be completed later this month. Furthermore, as the Operator of the Gambian project interests, we are recommending a reduction to the project exploration spend for 2022 and are commencing a farm down of our interest in Blocks A2 and A5, seeking a carried interest on future work program, including a well in late 2023 and a contribution to FAR's past expenditure.

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Based on the current cash and the value of the contingent payment from Woodside alone, the value of your FAR Shares is over double the 45 cent per Share price offered by STAM. Furthermore, given the prevailing price of FAR Shares on ASX is substantially higher than the 45 cent offer price, FAR shareholders wishing to sell their FAR Shares at this time would be substantially better off selling their Shares on market through the ASX compared with accepting the STAM Offer.

I encourage you to read this Target's Statement carefully and we will advise you promptly if circumstances change. If you are in any doubt about how to deal with this document, please contact your broker, financial or legal adviser who is able to take account of your individual circumstances.

Yours sincerely,



**Patrick O'Connor**  
**Chairman**  
**FAR Limited**

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## KEY DATES

<b>STAM Takeover Offer announced</b>	31 January 2022
<b>Bidder's Statement lodged with ASX</b>	31 January 2022
<b>STAM Takeover Offer opened</b>	14 February 2022
<b>Date of this Target's Statement</b>	23 February 2022
<b>The earliest that the STAM takeover Offer Period can close (which is subject to extension)</b>	7.00 pm (Sydney time) on 14 March 2022

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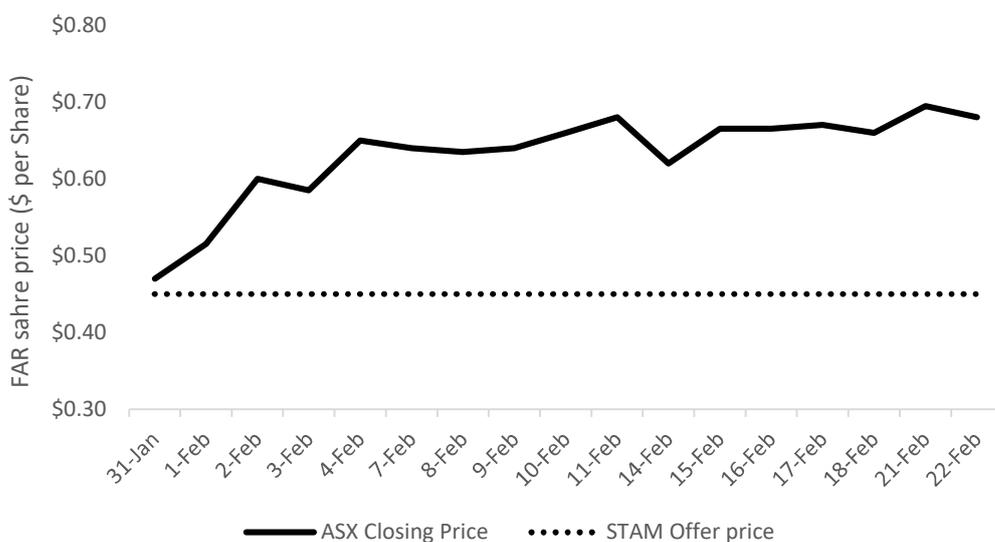
## 1 Directors' Recommendation

Your Directors unanimously recommend that Shareholders REJECT the STAM Offer.

The key reasons to REJECT the Offer are:

### 1. The Offer Price is substantially less than the current market price of FAR Shares on ASX

As at 22 February 2022 being the last available date for lodgment of this Target's Statement, the FAR share price on ASX was 68 cents per Share. This is well in excess of the Offer of 45 cents per Share. The FAR share price has consistently traded above the Offer Price since announcement of the Offer.



Source: Bloomberg

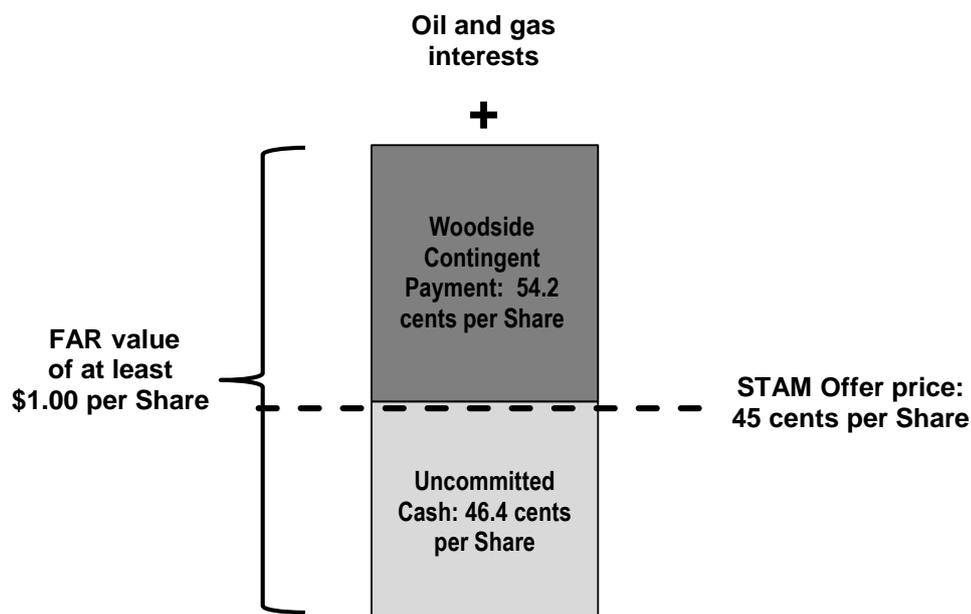
Presently, FAR Shareholders wishing to dispose of their FAR Shares would be substantially better off selling their Shares through the ASX rather than accepting the Offer.

### 2. The Offer Price is materially lower than the underlying value of a FAR Share

Based on the prevailing US\$ to A\$ exchange rate, the value of FAR is at least \$100 million, being equal to at least \$1.00 per FAR Share, which is significantly higher than the 45 cents per Share Offer Price.

This assessment is based upon the aggregation of FAR's Uncommitted Cash at the end of 2021 of US\$33.4 million and the valuation of the contingent payment which FAR is entitled to from Woodside Energy (Senegal) BV ("Woodside") under the terms of the settlement of the sale of FAR's interest in the Sangomar oil project in Senegal ("Woodside Contingent Payment") as has been independently assessed by PKF Melbourne Corporate Pty Ltd ("Independent Valuation Expert").

The assessed value of at least \$1.00 per FAR Share significantly exceeds the 45 cents per share Offer price.



As at 31 December 2021 FAR has Uncommitted Cash of US\$33.4 million which is equal to A\$46.4 million (see section 4.6 of this Target’s Statement for details), which is equivalent to 46.4 cents per FAR Share.

The value of the Woodside Contingent Payment (see section 4.4 of the Target’s Statement) has been assessed independently by the Independent Valuation Expert as being US\$39.0 million<sup>1</sup> which is equal to A\$54.2 million (see the report included at Annexure 2 of this Target’s Statement).

Shareholders should note that this assessment of a FAR Share being worth at least \$1.00 does not attribute any value to either the benefits which may arise from FAR’s Anticipated 2022 Cash Outflows of US\$6.8 million or any of its oil and gas project area interests. FAR has not sought to provide any valuation analysis on these assets in the context of the Offer since the value of the Company based on the Uncommitted Cash and the Woodside Contingent Payment alone significantly exceeds the 45 cent per Share Offer price.

For the purposes of the assessment within this section USD\$ have been converted to AUD\$ using a rate of US\$0.72 for A\$1.00, which represents the approximate market exchange rate at the date of this Target’s Statement.

<sup>1</sup> Independent Valuation Expert selected reasonable valuation, being the mid-point of the assessed range of US\$37.9 million to US\$40.1 million.

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### **3. The Offer is conditional and may not actually complete**

The Offer is conditional including obtaining a minimum 50.1% acceptance level. Accordingly, there is no certainty that the Offer will complete.

As announced on 4 February 2022 Meridian Capital International Fund which is a 19.28% shareholder in FAR has rejected the Offer (subject to any variation which STAM may make and subject to Meridian's ability to change its position after 14 March 2022).

If you accept the Offer, you will generally be unable to accept any other offer which may arise if you change your mind even if the other offer is at a higher price. The consequences of accepting the Offer are discussed in section 5.5 of this Target's Statement.

Furthermore:

- any sale of Shares the ASX will provide a certain outcome for the shareholders seeking to sell their Shares. Whilst the Offer remains conditional there can be no certainty that acceptance of the Offer by a Shareholder will result in the completion of a sale of the relevant Shares; and
- any Shareholder selling their shares through the ASX will receive payment for their Shares promptly in accordance with ASX settlement procedures, whereas a Shareholder who accepts the Offer will only receive payment for the Shares once the Offer becomes unconditional. Section 7.8 of the Bidder's Statement contains further details on when you will be sent your Offer Consideration.

## 2 What do you need to do?

In considering whether to reject the Offer, the Directors encourage you to:

- read the whole of this Target's Statement;
- consider the reasons for the Directors' recommendations set out in this Target's Statement;
- consider the choices available to you outlined below;
- have regard to your individual risk profile, portfolio strategy, tax position and financial circumstances; and
- consider the future prospects of FAR.

If in any doubt, consult your financial, legal, taxation or other professional adviser. Shareholders should also consider the key risks faced by FAR which are set out in section 4.9 of this Target's Statement.

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### 3 Frequently Asked Questions

This section answers some frequently asked questions about the Offer. It is not intended to address all issues relevant to Shareholders. This section should be read together with all other parts of this Target's Statement.

Question	Answer	Further information
<b>What is the Offer?</b>	STAM is making an off-market takeover offer for all of the ordinary Shares in FAR at 45 cents cash per Share.	Section 5
<b>Who is STAM?</b>	STAM is a boutique investment management company based in Sydney, established in April 2004.	Section 1.1 of the Bidder's Statement
<b>How many Shares does STAM hold in FAR?</b>	STAM currently holds 4,889,734 Shares in FAR, representing a 4.9% interest.	Refer FAR ASX release dated 31 January 2022
<b>What choices do I have as a Shareholder?</b>	<p>As a Shareholder you can:</p> <ul style="list-style-type: none"><li>• <b><u>REJECT</u> the Offer by doing nothing;</b></li><li>• accept the Offer for your Shares by following the instructions on the STAM acceptance form; or</li><li>• consider selling your FAR Shares through the ASX, which at the date of this Target's Statement would be expected to deliver you a higher price for your FAR Shares than you would obtain through accepting the Offer. Furthermore, a sale through the ASX would provide you a certain outcome, whereas, as the Offer is conditional there is no certainty that it will complete.</li></ul>	A summary of the implications for these choices is set out below
<b>What are the Directors of FAR recommending?</b>	<p><b>Your Directors recommend that Shareholders <u>REJECT</u> the Offer.</b></p> <p>If there is a change to this recommendation or any material developments in relation to the Offer, FAR will issue a supplementary Target's Statement.</p>	Refer above

Question	Answer	Further information
<b>What do the Directors of FAR intend to do with their Shares?</b>	Each of the Directors presently intend to <b>REJECT</b> the Offer in respect of all FAR Shares which they hold or control.	Chairman's Letter
<b>How do I reject the Offer?</b>	If you do not wish to accept the Offer or sell your Shares, you should take no action.	Refer above
<b>What happens if the Offer Price is increased?</b>	If you have already accepted the Offer and STAM offers additional consideration, then you are entitled to the increased cash value.	N/A
<b>What are the consequences of accepting the Offer now?</b>	<p>If you accept the Offer now for your Shares:</p> <ul style="list-style-type: none"> <li>• you relinquish control of those Shares to STAM;</li> <li>• you grant STAM a power of attorney to exercise all voting rights in respect of those Shares from the time you accept the Offer;</li> <li>• you will not be able to sell those Shares through the ASX or deal with them in any other manner, unless any withdrawal rights apply at the applicable time and you withdraw your acceptance of the Offer, or the Offer lapses; and</li> <li>• you will not be able to accept a superior offer for those Shares from any other bidder if such an offer is made, unless any withdrawal rights apply at the applicable time and you withdraw your acceptance of the Offer, or the Offer lapses.</li> </ul>	Section 5.5
<b>What are the risks of not accepting the Offer?</b>	If you do not accept the Offer you will be exposed to the risks associated with being a continuing Shareholder in FAR. Some of these risks are described in section 4.9.	Section 4.9

Question	Answer	Further information
<p><b>If I accept the Offer now, can I withdraw my acceptance?</b></p>	<p>Under the terms of the Offer, you cannot withdraw your acceptance unless a withdrawal right arises under the Corporations Act.</p> <p>You may withdraw your acceptance if STAM postpones the Offer closing date by more than one month and the Offer is still subject to conditions. Note that the limited circumstances for withdrawal may not apply at the time you wish to withdraw your acceptance.</p> <p>Further details on your ability to withdraw your acceptance are set out in section 5.6.</p>	<p>Section 5.6</p>
<p><b>Can I be forced to sell my Shares?</b></p>	<p>Only in circumstances where STAM (together with its Associates) has a relevant interest in at least 90% (by number) of the FAR Shares, will it be entitled to compulsorily acquire pursuant to the Corporations Act any outstanding FAR Shares on the same terms as the Offer.</p>	<p>Section 5.9 and 5.10</p>
<p><b>Can I accept the Offer in respect of part of my holding?</b></p>	<p>Yes. You may accept the Offer for part of the FAR Shares held by you, however, the Directors recommend that you do not accept the Offer for any of your FAR Shares.</p>	<p>Section 7.1 of the Bidder's Statement</p>
<p><b>When does the Offer close?</b></p>	<p>The Offer is presently scheduled to close at 7.00 pm (Sydney time) on 14 March 2022 at the earliest. See section 5.4 for details of the circumstances in which the Offer Period can be extended by STAM.</p>	<p>Section 5.4</p>
<p><b>When will I be paid the Offer Consideration if I accept the Offer?</b></p>	<p>You will be paid the Offer Consideration for the FAR Shares for which you have accepted the Offer by the later of:</p> <ul style="list-style-type: none"> <li>- 15 Business Days after the date that the Offer becomes unconditional; or</li> <li>- 10 Business Days after the date that you accept the Offer,</li> </ul> <p>but in any case not later than 21 calendar days after the end of the Offer Period.</p>	<p>Section 7.8 of the Bidder's Statement</p>

Question	Answer	Further information
<p><b>What are the tax implications of accepting the Offer?</b></p>	<p>A general outline of the tax implications for certain Australian resident Shareholders of accepting the Offer is set out in Section 5 of the Bidder's Statement.</p> <p>You should not rely on either outline as advice on your own taxation affairs. It does not deal with the position of individual Shareholders. You should therefore seek your own personal, independent financial and taxation advice before making a decision as to whether or not to accept the Offer for your Shares. If you accept, you may for example, be liable for capital gains tax.</p>	<p>Section 5 of the Bidder's Statement</p>
<p><b>What if I have any questions in relation to the Offer?</b></p>	<p>Should FAR Shareholders have any queries about the Offer or this document, they should contact FAR by email on <a href="mailto:takeoverenquiries@far.com.au">takeoverenquiries@far.com.au</a> or they can call the FAR company secretary on (03) 9618 2550.</p> <p>If you are in any doubt about how to deal with this document, you are encouraged to seek independent advice from your professional adviser, as necessary</p>	

## **4 Overview of FAR**

### **4.1 Summary**

FAR Limited (ASX: FAR) is an independent, Africa focused, ASX-listed oil and gas exploration and development company.

In West Africa, FAR holds a portfolio of exploration licences in The Gambia and Guinea-Bissau and has a contingent payment due from Woodside Energy (Senegal) BV in respect of anticipated oil production from the Sangomar project in Senegal (the Woodside Contingent Payment).

Details about FAR's assets are contained in this Target's Statement and in the public announcements issued by FAR on the ASX.

### **4.2 The Gambia summary**

In 2017, FAR acquired a working interest and operatorship in two highly prospective offshore blocks, A2 and A5, offshore The Gambia, located on trend with and adjacent to the giant Sangomar Oil Field offshore Senegal. Blocks A2 and A5 have been assessed to contain substantial prospective resources. FAR is Operator and holds a 50% paying and beneficial interest in blocks A2 and A5, with co-venturer, Petronas.

During the quarter ending 31 December 2021, FAR concluded the drilling and formation evaluation operations for the Bambo-1 well and Bambo-1ST1 sidetrack well in Block A2, offshore The Gambia.

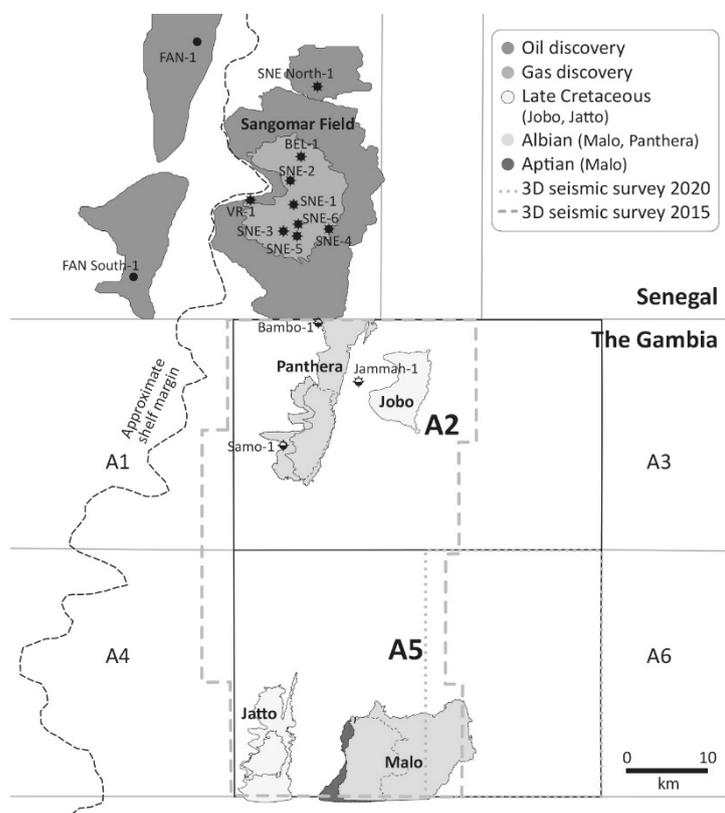
Bambo-1 was initially drilled to a depth of 3216m MDBRT (measured depth below rotary table) and wireline logging data was obtained. The Bambo-1 well was then plugged and the Bambo-1ST1 (side-track) well drilled to a depth of 3317m MDBRT after which wireline logging was conducted.

The drilling and logging data obtained on the main well (Bambo-1) and the side-track well (Bambo-ST1) confirmed both the presence of a prolific oil source in the area and that oil shows encountered whilst drilling were persistent over several hundred metres, confirming key reservoirs had access to this oil-generative kitchen.

The Soloo prospect S440 and S410 objectives in the Bambo drilling campaign were found to have indications of hydrocarbons, but no significant oil volumes have been interpreted in the southern extension of the Sangomar Field in the A2 Block.

However, oil shows in the Bambo prospect S390 and S400 reservoirs, encountered in the Bambo-1 and Bambo-ST1 wells have highlighted updip potential at both those levels in the A2 Block. These prospective target intervals form the new Panthera prospect.

Further mapping of the potential oil-bearing reservoirs has opened additional, material exploration opportunities and FAR has high-graded three of the four mapped prospects for potential drilling: Panthera, Jatto and Malo. These three high-graded prospects each house multiple potential oil-bearing reservoir targets. The location and size of these prospects are shown below.



Block A2 and A5 prospect map

Prospect	Low estimate P90 (mmbbl)	Best estimate P50 (mmbbl)	High estimate P10 (mmbbl)	CoS%
Panthera	209	459	864	29
Jatto	249	464	811	26
Malo	128	389	885	22
Jobo	135	282	505	29
<b>TOTAL PROSPECTS</b>	<b>721</b>	<b>1,594</b>	<b>3,065</b>	

Gambia Block A2 and A5 Prospective Resource volumes (unrisked, recoverable resources, 100% equity basis)<sup>2</sup>

<sup>2</sup> The total volume for each prospect has been calculated as the arithmetic sum of the volumes for each target level. These volumes have been derived by FAR and have not yet been reviewed by the Joint Venture. The CoS (geological Chance of Success) for each prospect are a pro-rated average of each internal target CoS for that prospect. Refer to ASX announcement of 21 February 2022.

Evaluation of samples taken from the drilling program remain under laboratory analysis and further work on mapping the deeper oil-bearing reservoirs is ongoing.

FAR will now commence a farm-down of its interest in blocks A2 and A5 and in doing so, seek a carry on the cost of a well for drilling in late 2023 and a contribution to FAR's past cost.

The drilling operations of the Bambo-1 well and Bambo-1ST1 side-track well were conducted safely and within the amended budget. The well and side-track have subsequently been plugged and abandoned consistent with the planned well abandonment program.

The well fulfils the minimum work obligation of drilling one exploration well for the Initial Exploration Periods for both the A2 and A5 Licences and hence FAR and its co-venturer have the right to enter the next period (First Exploration Period) for each of the licences on expiry on 30 September 2022.

#### **4.3 Guinea-Bissau summary**

The contiguous Sinapa and Esperanca permits are located within the Casamance salt sub-basin offshore Guinea-Bissau. FAR retains a non-operating 21.43% paying and beneficial interest in these two permits, which comprises three blocks (2, 4A and 5A) covering an area of almost 5,000km<sup>2</sup>. Over 70% of the acreage lies above a water column of less than 100m with a maximum water depth approaching 1,500m outboard west.

FAR has impaired US\$2.7 million of capitalised costs associated with the Guinea-Bissau project in the 2021 year.

FAR and its joint venture partner PetroNor have commenced a joint farmout of the three blocks in advance of drilling a well before the end of the current licence period in October 2023.

#### **4.4 Senegal summary**

In July 2021, FAR completed the sale of its entire interest in the Senegal RSSD Project to Woodside in a transaction approved at a general meeting of shareholders held on 28 April 2021 (For: 97.25%, Against: 2.75%).

FAR received US\$126 million cash from Woodside (sale completion announced 7 July 2021), as well as the rights to the Contingent Payment, as consideration for the sale of its interest in the RSSD Project and following shareholder approval made a capital return to shareholders of 80 cents per Share on 15 September 2021.

The Contingent Payment obligations are contained in the Woodside RSSD Sale Agreement, and contemplate a potential Contingent Payment by

Woodside to FAR of up to US\$55 million 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. The crude oil price per barrel as at the date of this Target's Statement is approximately US\$97.
- 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 most recent announcement by Woodside's holding company, Woodside Petroleum Limited, on the progress of the Sangomar project development was released on 18 February 2022, which indicated the development is on track for first oil in 2023, with 2022 activities to comprise the following:
  - Commencement of subsea installation;
  - Arrival of second drillship in Senegal to support the drilling campaign;
  - Progress of FPSO conversion activities; and
  - Continue to work on developing local capability, training initiatives and employment opportunities.

The operator may update timelines to first oil and production targets from time to time.

As announced by FAR to ASX on 4 February 2022, FAR is investigating convening a shareholders meeting to consider a pro-rata distribution of rights to the Woodside Contingent Payment and will provide an update to Shareholders in due course once this investigation is complete.

#### 4.5 FAR Directors

##### **Patrick O'Connor**

Non-Executive Director; Non-Executive Chairman

Mr O'Connor is an experienced non-executive director and Chief Executive across a range of industries including mining, oil and gas exploration, biotechnology and utilities. Mr O'Connor is currently a Non-Executive Director of Metals X Limited (ASX: MLX). Mr O'Connor was appointed Non-Executive Director on 1 July 2021 and Non-Executive Chairman of FAR on 8 July 2021.

**Catherine Norman**  
Managing Director

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 has served as the Managing Director of FAR since 28 November 2011.

**Robert Kaye SC**  
Non-Executive Director

Mr Kaye is a barrister, mediator and professional non-executive Director with a strong focus on Board governance. Mr Kaye is currently Non-Executive Chairman of Collins Food Limited (ASX:CKF), Non-Executive Director of Magontec Limited (ASX:MGL) and the former Chairman of the Macular Disease Foundation of Australia. Mr Kaye was appointed Non-Executive Director of FAR on 30 June 2021.

#### **4.6 Cash position**

At 31 December 2021, FAR held cash of US\$55.6 million and liabilities associated with the Bambo drilling of US\$15.4 million, for a net position of US\$40.2 million.

Of this US\$40.2 million, US\$6.8 million is presently budgeted to be spent during the year ending 31 December 2022 on FAR's project interests, Gambia farm down costs, corporate and administration costs ("Anticipated 2022 Cash Outflows"). This includes the implementation of salary reductions during 2021 and the move to smaller, lower cost office premises which will occur at the end of this month.

As such, an estimated US\$33.4 million of FAR's cash holding is considered uncommitted to through to the 31 December 2022 calendar year ("Uncommitted Cash"). This budgeted expenditure may be amended subject to operating and other decisions made during the period, and the actual cash expenditure may differ from this.

The FAR Board is continually reviewing costs in the business to deliver the best value for the company.

## 4.7 Unaudited Statement of Financial Position

Set out below is the unaudited Statement of Financial Position of FAR as at 31 December 2021. The statutory accounts of FAR may differ from this following the conclusion of the audit process and will be subject to a number of notes and details.

	31 Dec 2021 US\$ Unaudited
<b>CURRENT ASSETS</b>	
Cash and cash equivalents	55,634,209
Trade and other receivables	1,336,786
Other financial assets	6,933
Assets held for sale	-
	<hr/>
<b>Total Current Assets</b>	<b>56,977,928</b>
	<hr/>
<b>NON-CURRENT ASSETS</b>	
Property, plant and equipment	196,033
Right-of-use assets	48,630
Exploration and evaluation assets	-
	<hr/>
<b>Total Non-Current Assets</b>	<b>244,663</b>
	<hr/>
<b>TOTAL ASSETS</b>	<b>57,222,591</b>
	<hr/>
<b>CURRENT LIABILITIES</b>	
Trade and other payables	16,873,825
Lease liabilities	66,678
Provisions	512,027
Liabilities associated with assets held for sale	-
	<hr/>
<b>Total Current Liabilities</b>	<b>17,452,530</b>
	<hr/>
<b>NON-CURRENT LIABILITIES</b>	
Lease liabilities	4,737
Provisions	13,985
	<hr/>
<b>Total Non-Current Liabilities</b>	<b>18,722</b>
	<hr/>
<b>TOTAL LIABILITIES</b>	<b>17,471,252</b>
	<hr/>
<b>NET ASSETS</b>	<b>39,751,339</b>
	<hr/>
<b>EQUITY</b>	
Issued Capital	381,826,933
Reserves	4,585,205
Accumulated losses	(346,660,799)
	<hr/>
<b>TOTAL EQUITY</b>	<b>39,751,339</b>
	<hr/>

## 4.8 Further information

FAR is a 'disclosing entity' under the Corporations Act and is subject to regular reporting and disclosure obligations under the Corporations Act and the Listing Rules. FAR is obliged to notify ASX of any information about specific matters and events and, in particular, those matters which a reasonable person would expect to have a material effect on the price or value of FAR Shares.

A list of the continuous disclosure announcements given to the ASX by FAR after the lodgment with ASIC of FAR's Annual Report for the period ending 31 December 2020 and before lodgment of this Target's Statement with ASIC is provided in Annexure 1.

Shareholders seeking further information on FAR are directed to the list of publicly available announcements on the ASX website ([www.asx.com.au](http://www.asx.com.au), company code 'FAR') or on the FAR website (<https://www.far.com.au/>).

## 4.9 Key risks faced by FAR

The price of FAR Shares and the future performance of FAR are influenced by a range of factors and risks. Whilst some of these risks can be mitigated by the use of safeguards and appropriate systems and actions, some are outside the control of FAR and cannot be mitigated. The principal risks include, but are not limited to, those detailed below. FAR does not give any form of assurance or guarantee of future performance, profitability, dividends, return of capital, or the price at which the FAR Shares might trade in the future on the ASX.

FAR Shareholders should carefully read and consider these risks together with the Bidder's Statement and this Target's Statement prior to accepting or rejecting the Offer.

### (a) Government and regulator risk

FAR'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 a government which accordingly could materially impact on FAR's rights and commercial arrangements adversely. Furthermore, due to the evolving nature of exploration work programs (as new technical data becomes available) and due to the fluctuating availability of petroleum equipment and services, FAR 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.

FAR manages government and regulator risk through careful government and regulator relationship management. Failure to maintain mutually acceptable

arrangements between FAR and government and regulator could have a material impact on FAR's business including forfeit or relinquishment of permits or commercially less advantageous terms being imposed on permits.

The renewal or extension of licence or contract terms with the regulator in the countries in which FAR operates is an ongoing risk.

**(b) Sovereign risk**

FAR's strategy is focused on exploration in Africa. Some countries within which FAR 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. FAR manages sovereign risk by closely monitoring political developments and events in country. For countries where FAR has a large investment, FAR has regional offices, staffed to ensure close monitoring and feedback. FAR manages and amends its investment profile within a country by taking into consideration developments in the security and business environment.

**(c) Environmental risk**

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 FAR operates within the prevailing environmental laws and regulations, such laws and regulations are continually changing and as such, FAR could be subject to changing obligations or unanticipated environmental incidents that, as a result, could impact costs, provisions and other facets of FAR's operations.

FAR aims to comply with all environmental laws and regulations and, where laws and regulations do not exist, it aims to operate at industry standard for environmental compliance. FAR seeks to identify risks, threats, hazards and other environmental considerations and implement 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 FAR'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.

**(d) Climate change risks**

FAR considers that oil and gas will remain a large part of the global energy mix into the future and recognises its responsibility to support national greenhouse gas emissions reduction initiatives where it can. FAR supports governments in their efforts to take action on these emissions whilst maintaining a secure and affordable energy supply during a transition to a lower emissions future. FAR acknowledges its own responsibilities in this

context and its commitment to be part of a combined approach of a reduction in greenhouse gas emissions. FAR's greenhouse gas emissions are currently negligible. Accordingly, there is limited scope to reduce these further at present. At the same time, FAR undertakes prudent, practical and cost-effective actions to be energy efficient to support emission reductions. Given that FAR is not currently an oil or gas producer, nor does it hold an interest in an oil or gas production project, it considers that it is not currently materially exposed to physical, regulatory, oil market, cost or legal risks related to climate change.

FAR intends to monitor climate change matters as it moves closer to oil or gas production in order to assess whether such matters might become a material risk. This will continue as Paris Agreement climate change commitments from various organisations throughout the world evolve, technology advances and FAR comes closer to oil or gas production. FAR recognises that the climate change landscape continues to evolve and commits to regularly reviewing and updating its climate change policy in order to consider ongoing developments, including regulatory developments, community expectations and peer approaches to climate change.

FAR and its partner's recent Bambo drilling campaign was expected to be carbon neutral.

**(e) Macro-economic risks**

Material macro-economic risks that could impact FAR's results and performance include oil and gas commodity prices, exchange rates and global factors affecting capital markets and the availability of financing. Material business risks that could impact FAR's performance are described below. FAR updates the corporate risk register on a quarterly basis and maintains and regularly updates risk registers for key projects. Group risk is reviewed at all meetings of the Board of Directors.

The market price of the securities may fall as well as rise and may be subject to varied and unpredictable influences on the market for securities in general and oil and gas stocks in particular.

**(f) Exploration risks**

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.

**(g) Operational risks**

In addition to the risks listed above, FAR's operations are potentially subject to other industry operating risks including but not limited to 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 FAR 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 FAR.

**(h) Project development and cost risks**

Successful project development is subject to a range of risks and uncertainties. These risks and uncertainties in part relate to the estimated quantities of petroleum that may potentially be recovered. They also relate to the costs involved of project development and subsequent production, which are subject to a range of qualifications, assumptions and limitations. They also relate to the timing of project development and subsequent production, which is subject to a range of factors many of which are not within FAR's control.

**(i) COVID-19**

The spread of COVID-19 has caused significant volatility in local and global markets. There is significant uncertainty around the breadth and duration of business disruptions related to COVID-19, as well its impact on local and international economies.

## **5 Information about the Offer**

### **5.1 The Offer**

STAM is offering to acquire your Shares at 45 cents cash per Share. For full details of the terms of the Offer, please refer to section 7 of the Bidder's Statement.

### **5.2 Conditions to the Offer**

The Offer is subject to a number of conditions. These are set out in full in section 7.6 of the Bidder's Statement. In summary, the conditions include:

- The Offer results in STAM having Relevant Interests in at least 50.1% of FAR Shares on a fully diluted basis;
- No material acquisitions or disposals or new commitments are made by FAR;
- No regulatory action restrains, prohibits, or threatens to restrain or prohibit or other materially adversely impacts upon the Offer;
- No material adverse change in relation to FAR having occurred;
- The S&P ASX 200 index is not below 5,500 at any time on any ASX trading day;
- The Brent Crude Futures Price for any quoted day is not below \$65 per barrel;
- No prescribed occurrences have occurred; and
- FAR not making or declaring any distribution.

### **5.3 Offer Period**

The Offer is scheduled to close at 7.00 pm (Sydney time) on 14 March 2022 unless extended.

### **5.4 Extension of the Offer Period**

STAM may extend the Offer Period at any time before the end of the Offer Period.

In addition, there will be an automatic extension of the Offer Period if, within the last seven days of the Offer Period:

- STAM increases the Offer Price of 45 cents per Share (or otherwise improves the Offer Consideration); or
- STAM's voting power in FAR increases to more than 50%.

In either of these circumstances, the Offer Period is automatically extended in accordance with section 624(2) of the Corporations Act so that it ends 14 days after the occurrence of the relevant event.

## **5.5 Effect of accepting the Offer**

If you accept the Offer for your Shares, you will:

- give up your right to sell the accepted Shares to anyone else, including selling them on ASX or accepting any superior proposal that may emerge;
- give up your right to otherwise deal with the accepted Shares; and
- lose any rights attaching to the accepted Shares from the date of your acceptance.

The effect of acceptance of the Offer is set out in more detail in section 7 of the Bidder's Statement. You should read those provisions in full to understand the effect that acceptance will have on your ability to exercise the rights attaching to your Shares and the representations and warranties that you are deemed to give to STAM by accepting the Offer.

## **5.6 Your ability to withdraw your acceptance**

If you accept the Offer for your Shares, you will have limited rights to withdraw your acceptance of the Offer. You will only have statutory rights to withdraw your acceptance if the Offer is varied in such a way as to postpone for more than one month, the time by which STAM has to meet its obligations under the Offer.

In such circumstances, you will be sent a notice at the relevant time explaining your rights to withdraw your acceptance of the Offer.

If the conditions of the Offer have not been satisfied or waived by STAM before the end of the Offer Period your acceptance will be avoided and STAM must return your FAR Shares to you.

## **5.7 Effect of an improvement in consideration on Shareholders who have already accepted the Offer**

If STAM improves the Offer Consideration under its Offer, all Shareholders, regardless of whether or not they have accepted the Offer before that improvement in offer Consideration, will be entitled to receive that improved consideration.

## **5.8 Timing of payment to Shareholders who accept the Offer**

You will be paid the Offer Consideration for the FAR Shares for which you have accepted the Offer by the later of:

- 15 Business Days after the date that the Offer becomes unconditional; or
- 10 Business Days after the date that you accept the Offer,

but in any case not later than 21 calendar days after the end of the Offer Period.

Details of the timing of the payment by STAM of the Offer Consideration is set out in detail in section 7.8 of the Bidder's Statement.

## **5.9 Compulsory acquisition following takeover offer**

If STAM acquires a relevant interest in at least 90% of the Shares then, pursuant to Part 6A.1 Division 1 of the Corporations Act, it will be entitled to compulsorily acquire any Shares in respect of which it has not received acceptance of the Offer.

Shareholders should be aware that, if their Shares are compulsorily acquired, they are not likely to receive payment until at least one month after the compulsory acquisition notices are dispatched to them.

STAM has indicated in section 3.3 of the Bidder's Statement that it currently intends to proceed to compulsory acquisition of the outstanding Shares if it meets the required thresholds.

## **5.10 General compulsory acquisition**

Even if STAM does not become entitled to compulsorily acquire Shares in accordance with Part 6A Division 1 of the Corporations Act, it may nevertheless become entitled to exercise general compulsory acquisition rights under Part 6A.2 Division 1 of the Corporations Act.

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## **6 Additional Information**

### **6.1 Directors' recommendation and intentions**

Please refer to the Chairman's Letter set out above for details of the Directors' recommendation and intentions. Shareholders may wish to accept or reject depending on their perspectives.

### **6.2 Directors' interests in FAR securities**

As at the date of this Target's Statement, the Directors of FAR had the following relevant interests in FAR securities:

<b>Director</b>	<b>Number</b>
Catherine Norman	253,201 Shares
Patrick O'Connor	100,000 Shares
Robert Kaye	Nil

All descriptions of Directors' interests in securities and dealings in Shares which are contained in this Target's Statement are based entirely on representations which have been made by the individual Directors concerned. The Board of Directors has not verified the accuracy of any such representations.

### **6.3 Dealings of the Board in FAR Shares**

In the four months immediately preceding 31 January 2022, being the date STAM announced its proposed Offer, no Director of FAR provided or agreed to provide, or received or agreed to receive, consideration for any marketable securities of FAR under a sale, purchase or agreement for sale or purchase of such securities.

### **6.4 Dealings of the Board in STAM shares**

As at the date of this Target's Statement, the Directors of FAR held no shares or other interests in STAM. In the four months immediately preceding 31 January 2022, being the date STAM announced its proposed Offer, no Director of FAR provided or agreed to provide, or received or agreed to receive, consideration for any marketable securities of STAM or any Related Entity or Associate of STAM under a sale, purchase or agreement for sale or purchase of such securities.

### **6.5 Agreements or arrangements conditional upon the Offer**

No Director of FAR is party to any agreement or arrangement with any other person in connection with or conditional on the outcome of the Offer.

## 6.6 Interests of the Board in contracts entered into by STAM

Other than as described in this Target's Statement, no Director of FAR has any interest in any contract entered into by STAM.

## 6.7 Benefits for retirement or loss of office

Except as set out in this Target's Statement, no benefit (other than a benefit permitted by section 200F or 200G of the Corporations Act) will or may be given to a Director of FAR in connection with:

- their retirement from office in FAR or a related body corporate of FAR; or
- the transfer of the whole or any part of the undertaking or property of FAR.

## 6.8 Potential impact of the offer on FAR agreements

FAR is not aware of any agreement that has been entered into by FAR that contains a change of control provision which will be triggered if STAM acquires more than 50% of Shares as a result of its Offer.

## 6.9 Litigation

Except as previously disclosed to ASX or in this Target's Statement, there is no other current litigation against FAR, and the Directors have no knowledge of any potential litigation which is material in the context of FAR.

## 6.10 FAR capital structure

As at the date of this Target's Statement, FAR has 99,790,492 Shares on issue. FAR has no other securities on issue and has no agreement to issue any securities or Shares as at the date of this Target's Statement.

## 6.11 Substantial holders

As at the date of this Target's Statement, the following persons had notified ASX that they had voting power of 5% or more of FAR Shares on issue:

Name	Number of FAR Shares in which they have voting power	% of FAR Shares
Meridian Capital International Fund	19,244,082	19.28
Farjoy Pty Ltd	5,155,222	5.17

## 6.12 Financial information

Copies of FAR's Annual Reports and its announcements to the market may be obtained from ASX's website ([www.asx.com.au](http://www.asx.com.au), code 'FAR').

## 6.13 Historical trading prices

As at 22 February 2022, being the last practicable date prior to the date of this Target's Statement:

- the last recorded trading price of the Shares was 68.0 cents; and
- the lowest and highest closing prices of the Shares during the preceding three months were 34.0 cents and 79.0 cents.

As at 28 January 2022, being the last trading date before the Offer was announced:

- the last recorded trading price of the Shares was 36.5 cents;
- the one-month VWAP of the Shares was 37.9 cents;
- the three-month VWAP of the Shares was 50.7 cents; and
- the lowest and highest closing prices of the Shares during the preceding three months were 34.0 cents and 87.0 cents, respectively.

## 6.14 Taxation considerations for Shareholders

Acceptance of the Offer by you is likely to have tax consequences. You may be eligible for a capital gain or loss if you accept the Offer. The tax consequences for you will depend on your individual circumstances.

Section 5 of the Bidder's Statement sets out a general overview of the Australian tax implications of a Shareholder accepting the Offer and disposing of their Shares to STAM. You should not rely on it as advice on your own affairs. It does not deal with the position of all Shareholders. You should seek your own independent financial and taxation advice, which takes into account your personal circumstances, before making a decision as to whether or not to accept the Offer for your Shares.

## 6.15 Material change in financial position of FAR

FAR's last published financial statements are for the half year ended 30 June 2021, as announced to ASX on 13 September 2021. Except as disclosed in this Target's Statement and in any announcement made by FAR to ASX since that time, your Directors are not aware of any material change to the financial position of FAR since 30 June 2021.

## 6.16 Disclaimers regarding responsibility

Each person or organisation named above as having given consent to the inclusion of a statement in this Target's Statement (or who is otherwise named in this Target's Statement as acting in a professional capacity for FAR in relation to the Offer):

- For personal use only
- does not make, or purport to make, any statement in this Target's Statement or any statement on which a statement in this Target's Statement is based other than, in the case of a person referred to above as having given their consent to the inclusion of a statement, a statement included in this Target's Statement with the consent of that person; and
  - to the maximum extent permitted by law, expressly disclaims and takes no responsibility for any part of this Target's Statement, other than, in the case of a person referred to above as having given their consent to the inclusion of a statement, any statement or report which has been included in this Target's Statement with the consent of that party.

#### **6.17 Legislative instrument relief – reference to statements**

ASIC has published various legislative instruments providing for modifications and exemptions that apply generally to all persons, including FAR, in relation to the operation of Chapter 6 of the Corporations Act. FAR may rely on this legislative instrument relief.

FAR may have relied on the modification to section 638(5) of the Corporations Act set out in paragraph 5(e) of ASIC Class Order [CO 13/521] to include references to certain statements by STAM and other persons in this Target's Statement without obtaining the consent of STAM or those other persons.

FAR will make available a copy of these documents (or of relevant extracts from these documents), free of charge, to Shareholders who request them during the Offer Period. To obtain a copy of these documents (or the relevant extracts), Shareholders may contact the Company Secretary on (03) 9618 2555.

#### **6.18 No other material information**

This Target's Statement is required to include all the information that Shareholders and their professional advisers would reasonably require to make an informed assessment whether to accept the Offer, but only:

- to the extent to which it is reasonable for Shareholders and their professional advisers to expect to find such information in this Target's Statement; and
- if the information is known to any of the Directors.

The Directors are of the opinion that the information that Shareholders and their professional advisers would reasonably require to make an informed assessment whether to accept the Offer is the information:

- contained in the Bidder's Statement;
- contained in FAR's releases to the ASX prior to the date of this Target's Statement; and
- contained or referred to in this Target's Statement.

Copies of documents lodged with ASX by FAR may be obtained from ASX's website (www.asx.com.au) using the code 'FAR', or you may obtain a copy free of charge during the Offer Period by writing to FAR (Attention: Company Secretary, Level 17, 530 Collins Street, Melbourne VIC 3000).

## **6.19 Consents**

Baker McKenzie has consented to being named in this Target's Statement as the legal adviser to FAR and has not withdrawn that consent at the date of this Target's Statement.

RFC Ambrian Limited has consented to being named in this Target's Statement as the financial adviser to FAR and has not withdrawn that consent at the date of this Target's Statement.

PKF Melbourne Corporate Pty Ltd has consented to being named in this Target's Statement as the Independent Valuation Expert and has not withdrawn that consent at the date of this Target's Statement.

Computershare Investor Services Pty Limited has consented to being named in this Target's Statement as FAR's share registry and has not withdrawn that consent at the date of this Target's Statement.

Each person named in this Section 6.19 of this Target's Statement as having given its consent to the inclusion of a statement or to being named in this Target's Statement:

- has not authorised or caused the issue of this Target's Statement;
- does not make, or purport to make, any statement in this Target's Statement or any statement on which a statement in this Target's Statement is based other than a statement included in this Target's Statement with the consent of that person; and
- to the maximum extent permitted by law, expressly disclaims and takes no responsibility for any part of this Target's Statement, other than a reference to its name and, in the case of a person referred to above as having given their consent to the inclusion of a statement, any statement or report which has been included in this Target's Statement with the consent of that party.

## **6.20 Approval of this Target's Statement**

Signed for and on behalf of FAR Limited by Patrick O'Connor who is authorised so to sign pursuant to a resolution passed at a meeting of Directors held on 23 February 2022.



Patrick O'Connor  
Chairman

## 7 Definitions and Interpretation

### 7.1 Definitions

In this Target's Statement the following words have these meanings unless the contrary intention appears or the context otherwise requires:

<b>\$ or dollar</b>	Australian dollars
<b>Anticipated 2022 Cash Outflows</b>	The US\$6.8 million presently budgeted to be spent during the year ending 31 December 2022 on FAR's project interests and corporate and administration costs
<b>ASIC</b>	Australian Securities and Investments Commission
<b>Associate</b>	The meaning given to that term for the purposes of Chapter 6 of the Corporations Act (as modified by ASIC from time to time)
<b>ASX</b>	ASX Limited (ABN 98 008 624 691) or, as the context requires, the financial market known as the "Australian Securities Exchange" operated by that entity
<b>ASX Listing Rules or Listing Rules</b>	The official listing rules of the ASX as amended or varied from time to time
<b>ASX Settlement Operating Rules</b>	The rules of the ASX Settlement Corporation as amended or varied from time to time
<b>Bidder's Statement</b>	The bidder's statement dated 14 February 2022 relating to the Offer
<b>Board</b>	The board of directors of FAR
<b>Business Day</b>	Any day that is each of the following: (a) a 'Trading Day' within the meaning given in the ASX Listing Rules; and (b) a day that is not a Saturday, Sunday or a public holiday or bank holiday in Sydney, New South Wales.
<b>Corporations Act</b>	The Corporations Act 2001 (Cth)
<b>Directors</b>	The members of the Board
<b>FAR</b>	FAR Limited ACN 009 117 293
<b>FAR Share or Share</b>	A fully paid ordinary share in the capital of FAR and all rights attaching to those shares
<b>FAR Shareholder or Shareholder</b>	Person registered in the register of members of FAR as a holder of one or more Shares
<b>Independent Valuation Expert</b>	PKF Melbourne Corporate Pty Ltd
<b>Offer</b>	The offers by STAM for all of the Shares in FAR dated 14 February 2022 made under the Bidder's Statement

<b>Offer Period</b>	The period during which the Offer remains open for acceptance in accordance with the terms set out in the Bidder's Statement
<b>Offer Price or Offer Consideration</b>	The consideration under the Offer for each of the Shares to which the Offer applies, being 45 cents per Share as at the date of this Target's Statement
<b>Related Entity</b>	The meaning given to that term in section 9 of the Corporations Act
<b>RFC Ambrian</b>	RFC Ambrian Limited
<b>RSSD Project</b>	The Production Sharing Contract for the Rufisque, Sangomar, and Sangomar Deep Offshore Blocks offshore Senegal and the relevant Joint Operating Agreement
<b>STAM</b>	Samuel Terry Asset Management Pty Ltd (ACN 108 611 785) as trustee for Samuel Terry Absolute Return Active Fund (ABN 67 302 926 069)
<b>Target's Statement</b>	This document, being the statement of FAR pursuant to the Corporations Act relating to the Offer
<b>Uncommitted Cash</b>	The amount which FAR presently estimates it will have available at the end of the 2022 calendar year subject to changes to FAR's present operating budgets.
<b>Woodside</b>	Woodside Energy (Senegal) B.V.
<b>Woodside Contingent Payment</b>	The contingent payment which FAR is entitled to from Woodside under the terms of the settlement of the sale of FAR's interest in the Sangomar oil project in Senegal as detailed in section 4.4 of this Target's Statement

## 7.2 General Interpretation

The following rules of interpretation apply unless the contrary intention appears or the context requires otherwise:

- (a) a reference to time is a reference to Australian Eastern Daylight Time;
- (b) headings are for convenience only and do not affect interpretation;
- (c) the singular includes the plural and conversely;
- (d) a reference to a section is to a section of this Target's Statement;
- (e) a gender includes all genders;
- (f) where a word or phrase is defined, its other grammatical forms have a corresponding meaning;
- (g) \$, dollar or cents is a reference to the lawful currency in Australia, unless otherwise stated;
- (h) a reference to a person includes a body corporate, an unincorporated body or other entity and conversely;
- (i) a reference to a person includes a reference to the person's executors, administrators, successors, substitutes (including persons taking by novation) and assigns;

- (j) a reference to any legislation or to any provision of any legislation includes any modification or re-enactment of it, any legislative provision substituted for it and all regulations and statutory instruments issued under it;
- (k) a reference to any instrument or document includes any variation or replacement of it;
- (l) a term not specifically defined in this Target's Statement has the meaning given to it (if any) in the Corporations Act or the ASX Settlement Operating Rules, as the case may be;
- (m) a reference to a right or obligation of any two or more persons confers that right, or imposes that obligation, as the case may be, jointly and individually; and
- (n) the words 'include', 'including', 'for example' or 'such as' are not used as, nor are they to be interpreted as, words of limitation, and, when introducing an example, do not limit the meaning of the words to which the example relates to that example or examples of a similar kind.

## 8 Corporate Directory

### Directors

Patrick O'Connor (Non-Executive Chairman)

Catherine Norman (Managing Director)

Robert Kaye (Non-Executive Director)

### Company Secretary

Elisha Larkin

### Share Registry

Computershare Investor Services

Yarra Falls

452 Johnston Street

Abbotsford VIC 3067

Phone: (03) 9415 4000

### Registered Office

Level 17

530 Collins Street

Melbourne VIC 3000

info@far.com.au

### Website

<https://www.far.com.au/>

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## Annexure 1

### FAR's announcements to ASX

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21/2/2022	Gambian project update
14/02/2022	Dispatch of Bidder's Statement
10/02/2022	STAM Takeover offer - letter to shareholders
04/02/2022	Meridian Rejection of Samuel Terry Takeover
31/01/2022	FAR response to takeover announcement
19/01/2022	Quarterly Activities/Appendix 5B Cash Flow Report
23/12/2021	Bambo Well Results
06/12/2021	Bambo-1 well update
15/11/2021	Bambo-1 well drilling commences offshore The Gambia
18/10/2021	Quarterly Activities/Appendix 5B Cash Flow Report
13/10/2021	Capital Return - ATO Class Ruling Published
21/09/2021	Investor Presentation
15/09/2021	Return of Capital - FAR
15/09/2021	Results of Meeting
13/09/2021	Half Yearly Report and Accounts
08/09/2021	FAR General Meeting to be fully virtual
06/09/2021	Investor Presentation
06/08/2021	Capital Return - Notice of General Meeting
05/08/2021	Change of Director's Interest Notice
30/07/2021	Change of Director's Interest Notice
22/07/2021	Reinstatement to Official Quotation
22/07/2021	Pre-reinstatement disclosure
22/07/2021	Quarterly Activities and Cashflow Report
22/07/2021	Investor Presentation
22/07/2021	Anticipated Reinstatement to Official Quotation 23 July 2021
14/07/2021	Suspension Update

08/07/2021	FAR Board Update
07/07/2021	FAR completes sale of Senegal RSSD project to Woodside
07/07/2021	WPL: Woodside Completes Sangomar Acq From FAR
05/07/2021	Initial Director's Interest Notice
05/07/2021	Final Director's Interest Notice
02/07/2021	Completion of Share Consolidation
01/07/2021	FAR Board Changes
24/06/2021	Final Director's Interest Notice
22/06/2021	Results of Meeting
22/06/2021	Annual General Meeting Presentation
21/06/2021	Consolidation/Split - FAR
21/06/2021	Director Resignation
16/06/2021	Gambia Drilling on Target for Q4
31/05/2021	Update on FAR RSSD project sale
21/05/2021	Notice of Annual General Meeting/Proxy Form
12/05/2021	ASX Suspension Update
07/05/2021	Executive Director Tim Woodall to return to NED role
04/05/2021	Chief Financial Officer Departure and Appointment
30/04/2021	Annual Report to shareholders

## Annexure 2

### Independent Valuation Expert Valuation Report on the Woodside Contingent Payment

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22 February 2022

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

Dear Directors

Re: Valuation of FAR Limited's entitlement to the RSSD Contingent Payment

#### 1. Introduction

The Directors of FAR Limited ("FAR" or the "Company") have engaged PKF Melbourne Corporate Pty Ltd ("PKF Corporate") to prepare an independent valuation report (the "Report") setting out our opinion as to the current fair market value in respect of FAR's entitlement to a certain contingent amount.

On 7 July 2021, FAR's subsidiary FAR Senegal RSSD S.A. (also referred to as "FAR") completed the sale to Woodside Petroleum Limited's subsidiary Woodside Energy (Senegal) BV (collectively referred to as "Woodside"), of its interest in the Production Sharing Contract for the Rufisque, Sangomar and Sangomar Deep joint venture (the "RSSD Project") located offshore Senegal (collectively referred to as the "Transaction").

As reflected in the terms of the Transaction, FAR is entitled to an additional payment of up to US\$55 million contingent on the future oil price and the timing of the sale of crude oil from the RSSD Project (collectively referred to as the "RSSD Contingent Payment").

On 31 January 2022, FAR received an off-market takeover offer from Samuel Terry Asset Management Pty Ltd as trustee for Samuel Terry Absolute Return Active Fund (collectively referred to as "STAM") to acquire all of the issued capital in FAR for AU\$0.45 cash per share (the "Offer").

The Directors of FAR wish to present FAR shareholders with the Report as part of its Target's Statement to be released as part of its response to the Offer.

#### 2. Summary opinion

In Section 6 of this report, we assessed the current fair market value of the RSSD Contingent Payment to be in a range of **US\$37.9 million to US\$40.1 million**. There is no evidence to suggest whether the most likely value is towards the high or low end of the valuation range and, as such, we consider it reasonable to use the mid-point of this valuation range of US\$39.0 million.

In assessing the value of the RSSD Contingent Payment, we have had regard to the occurrence of certain future factors that are likely to affect the timing and quantum of the future cash flows of the RSSD Contingent Payment.

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### 3. Structure of this report

The remainder of this report is divided into the following sections:

<u>Section</u>		<u>Page</u>
4	Purpose of the report	3
5	RSSD Contingent Payment	3
6	Assessment of the value of the RSSD Contingent Payment	4
7	Financial Services Guide	11
 <u>Appendix</u>		
A	Sources of Information	13
B	Declarations, Qualifications and Consents	14
C	Valuation methodologies	15
D	Weighted average cost of capital	16
E	Comparable companies	17

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4. Purpose of the report

The Report has been prepared at the request of the Directors of FAR Limited and in accordance with our engagement letter to provide an independent valuation opinion of the current fair market value of the RSSD Contingent Payment and to accompany the Target’s Statement to be released by FAR to the FAR shareholders in response to the Offer.

5. RSSD Contingent Payment

The RSSD Contingent Payment is payable to FAR in the future based on the occurrence of various factors relating to the sale of oil from the RSSD Project and the then prevailing crude oil price per barrel.

In summary, the RSSD Contingent Payment amount is to be calculated as follows:

*45% of an amount equal to the number of entitlement barrels sold over the preceding year. The entitlement barrels represent the share of oil relating to FAR’s previous interest of 13.67% held in the RSSD Project in respect to the exploitation area (the “Entitlement Barrels”).*

*multiplied by*

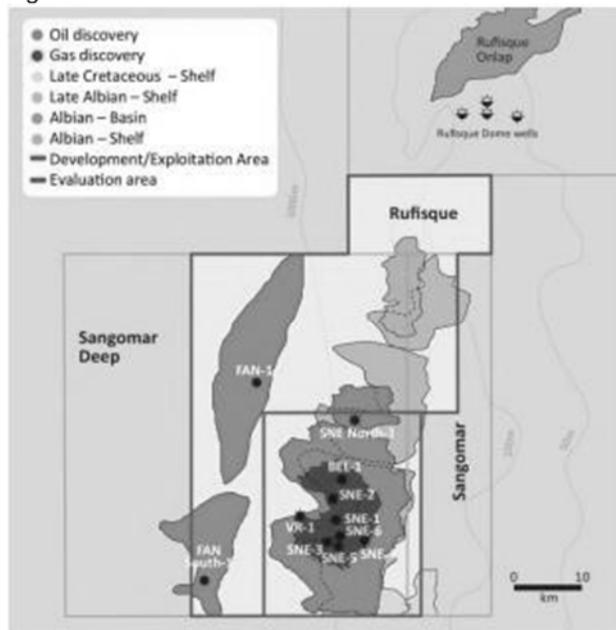
*the difference between the Crude Oil Price per Barrel in each calendar year and US\$58 per Barrel. If the Crude Oil Price per Barrel in any calendar year exceeds US\$70 per Barrel, then the Crude Oil Price to be used in the calculation will be US\$70 per Barrel.*

The RSSD Contingent Payment terminates at the earliest of:

- 31 December 2027; or
- 3 years from the date on which the first cargo of Crude Oil is sold (“First Oil”); or
- a total cumulative payment of US\$55 million is made to FAR.

The RSSD Project includes the near-term producing ‘Sangomar Field Development’ (the “Sangomar Field”). Below is a map showing the profile of the RSSD Project.

Figure 1



Source: ASX

Woodside confirmed in its Full Year 2021 Results announced to the Australian Securities Exchange (“ASX”) on 17 February 2022 that the time of First Oil production from the Sangomar Field is targeted and on track for the 2023 calendar year.

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## 6. Assessment of the value of the RSSD Contingent Payment

### 6.1 Value definition

PKF Corporate's valuation of the RSSD Contingent Payment is on the basis of 'fair market value', defined as:

*'the price that could be realized in an open market over a reasonable period of time given the current market conditions and currently available information, assuming that potential buyers have full information, in a transaction between a willing but not anxious seller and a willing but not anxious buyer acting at arm's length'.*

### 6.2 Valuation methodologies

In selecting appropriate valuation methodologies to assess the value of the RSSD Contingent Payment, we considered the applicability of a range of generally accepted valuation methodologies. Each methodology is described in detail in Appendix C of the Report.

### 6.3 Share price history

We do not consider that it is possible to assess the value of the RSSD Contingent Payment by reference to the share price history of FAR as the share price of FAR also represents the value of its interest in the offshore petroleum assets located in West African countries (The Gambia and Guinea-Bissau) and in Australia as well as FAR's cash position.

### 6.4 Capitalisation of future maintainable earnings

As the RSSD Contingent Payment has a finite life and is payable to FAR in the future based on the occurrence of various factors relating to the sale of oil from the RSSD Project and the crude oil price per barrel, we consider that the capitalisation of maintainable earnings methodology is not an appropriate methodology to use to value future projected amounts to be received by FAR over a finite period.

### 6.5 Net present value of future cash flows

6.5.1 This valuation methodology requires the projection of the future cash flows of the RSSD Contingent Payment and the determination of an appropriate discount rate that reflects the risks specific to the future cash flows over the period in which the RSSD Contingent Payment is payable. Accordingly, we consider that this methodology can be applied.

#### 6.5.2 Future cash flows

In projecting the future cash flows of the RSSD Contingent Payment we have prepared a forecast model in accordance with the calculation of the RSSD Contingent Payment as set out in Section 5 of the Report and we have considered the following factors:

- the expected timing of oil production from the Sangomar Field and the expected timing of First Oil;
- the expected production profile of the Sangomar Field;
- the current crude oil spot price and the outlook for the crude oil price; and
- the impact of taxes payable on receipt of the RSSD Contingent Payment.

The future cash flows of the RSSD Contingent Payment are a function of the saleable crude oil production (referred to as First Oil) in respect to the Sangomar Field and the crude oil price. The achievability of the projections used in our calculations are based on predictions of future events that cannot be assured and beyond the control of FAR and, as such, are based on assumptions. Accordingly, we have explained below the assumptions adopted in our assessment of these two inputs.

### Saleable crude oil production

Woodside announced in its Full Year 2021 Results (released to the ASX on 17 February 2022) that the time of First Oil production from Phase 1 of the Sangomar Field is targeted and on track for the 2023 calendar year. However, at this stage there is no disclosure as to the timing of when First Oil production is expected during the 2023 calendar year.

We have reviewed the initial production profile of the Sangomar Field provided by FAR (the “**FAR Production Profile**”) which anticipated First Oil during the second quarter of the 2023 calendar year. FAR disclosed in its Financial Report for the half year ended 30 June 2021 that the most recent estimate for commencement of oil production at the Sangomar Field was mid-2023.

Woodside disclosed that the targeted production from the Sangomar Field is estimated at 231 million barrels of oil (“**MMbbl**”). This is consistent with the FAR Production Profile of 231.3 MMbbl.

For the purpose of our projections and calculations, we provide the following comments:

- we have assumed the timing of First Oil production at the Sangomar Field occurring during the second half of the 2023 calendar year;
- the production rate of oil typically tapers off over the life of an oil well, with a higher flow rate occurring in the earlier years. However, it is difficult to assume with any confidence the life of the Sangomar Field and the flow rate of oil production on a period-by-period basis. Accordingly, we have relied on the monthly production as disclosed in the FAR Production Profile and assumed commencement of First Oil during the third quarter of the 2023 calendar year; and
- we have assumed the timing of the RSSD Contingent Payment will be received in the first quarter of each calendar year for the production of oil from the preceding year.

In accordance with the RSSD Contingent Payment termination terms (refer to Section 5 of the Report), we have calculated the Entitlement Barrels for three years from First Oil to be 12.47MMbbl based on FAR’s former interest of 13.67% in the RSSD Project.

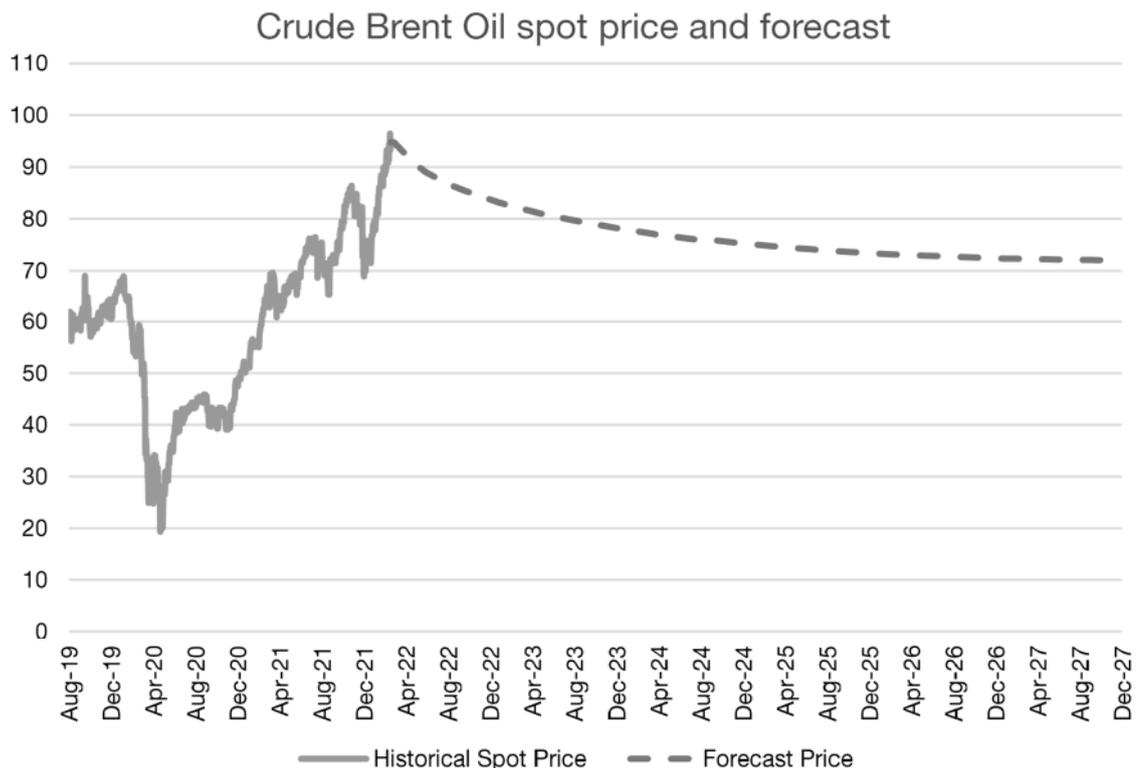
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### Crude oil price

We are not aware of any offtake agreements for crude oil produced at the Sangomar Field having been secured or whether the oil quality would demand a premium or discount to market oil prices at the time of production. For the purpose of our projections, we have assumed the crude oil produced at the Sangomar Field would be priced with reference to global crude oil prices.

In considering an appropriate price to apply to the future sales of oil produced at the Sangomar Field, we have considered the historical spot price and future prices (based on future contracts) of Brent crude oil quoted by the New York Mercantile Exchange (“NYMEX”) and the Intercontinental Exchange Inc (“ICE”). We have set out these prices in the table below.

Figure 2



Source: S&P Capital IQ

The calculation of the RSSD Contingent Payment is based on the difference between the price of crude oil per barrel and US\$58 per barrel. However, if the price of crude oil per barrel exceeds US\$70 per barrel, then the price to be used in the calculation will be US\$70 per barrel.

Having regard to the above future prices of crude oil and for the purpose of calculating the RSSD Contingent Payment we have assumed that the future prices of crude oil over the term of the RSSD Contingent Payment will remain above US\$70 per barrel. Accordingly, we have assumed the price of US\$70 per barrel for the purpose of our calculations.

### RSSD Contingent Payment termination

Based on the above assumptions and our forecast model projecting the future cash flows of the RSSD Contingent Payment, the payment is projected to terminate upon receipt of the cumulative total of US\$55 million being received during the first quarter of the 2026 calendar year. This represents the earliest date in accordance with the termination terms of the RSSD Contingent Payment (refer to Section 5 of the Report).

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### **Taxation**

Having considered FAR's Australian accumulated tax losses balance and the taxation that may be payable on the RSSD Contingent Payment cap of US\$55 million based on the corporate tax rate expected to be applicable at the time of the receipts of the RSSD Contingent Payment, we do not consider that any corporate tax would be payable upon receipt of amounts in respect to the RSSD Contingent Payment, should such amounts be taxable in Australia.

Whilst a hypothetical buyer of the RSSD Contingent Payment may face a different tax outcome, we have considered the value of the future cash flows of the RSSD Contingent Payment from the perspective of FAR.

Having regard to the above and in the current circumstances, we have assumed a nil tax rate in our assessment of the future cash flows of the Contingent Payment.

### **6.5.3 Discount rate**

In order to arrive at the net present value of the future cash flows of the RSSD Contingent Payment, the future cash flows need to be discounted using a discount rate which reflects the time value of money and the risks inherent in the future cash flows.

As we have considered the future cash flows of the RSSD Contingent Payment on an after tax and before debt basis, we have adopted the weighted average cost of capital ("WACC") as an appropriate discount rate. The formula used to calculate WACC is set out in Appendix D of the Report. We have set out below our comments in respect to each of the inputs into the WACC formula set out in Appendix D of the Report.

#### **Risk-free rate of return**

The risk-free rate of return should be for a period that corresponds to the cash flows being valued. As the cash flows of the RSSD Contingent Payment are earned in US dollars and are projected to terminate during the first quarter of the 2026 calendar year, we have considered the current nominal yield on a 3-year and a 5-year United States Government Bond.

Based on the above, we have adopted a risk-free rate of 1.90%.

#### **Beta**

In estimating an appropriate beta for the RSSD Contingent Payment, we have considered the nature of the RSSD Contingent Payment in order to identify listed companies with a risk profile that is comparable to the RSSD Contingent Payment. In order to assess an appropriate beta for the RSSD Contingent Payment, we consider that the most relevant comparable companies are those which operate as royalty and/or streaming companies.

We have considered the beta of comparable companies that are listed on major global exchanges who operate as royalty and/or streaming companies. We have considered companies that hold royalty and/or streaming contracts in respect to resource assets (such as metals and energy). We have set out our research and calculations of the ungeared betas of the comparable companies in Appendix E of the Report.

There are significant measurement issues with beta and, as such, only limited reliance can be placed on such statistics. It should also be noted that the calculations of ungeared betas of the comparable companies are calculated at a point in time and therefore change over time as they are based on the most recent released financial results and market capitalisations. Accordingly, the gearing ratio of the comparable companies and the subsequent calculation of the ungeared betas may not reflect the long term target or optimal capital structures of the comparable companies. Accordingly, the selection of a beta requires a considerable degree of judgement.

In selecting an appropriate beta for the RSSD Contingent Payment, we have considered the following:

- the risks associated with the RSSD Contingent Payment in particular the underlying projected production profile and production timing of the Sangomar Field as well as the future price of Crude Oil in respect to the overall performance of the Oil industry;
- there are a limited number of directly comparable companies with assets similar to the RSSD Contingent Payment;
- the comparable companies selected have multiple projects with different characteristics when compared to the RSSD Contingent Payment which is specific to the RSSD Project, such as the portfolio of projects across various commodities/resources, the size of reserves and other resources, the geographical location of reserves and other resources including whether the resource is located onshore or offshore, and the stage of projects (e.g. exploration, development or production); and
- the ungeared beta of those comparable companies that have an equity gearing above 95% are on average higher than those that have a lower equity gearing.

Having regard to the above, we have selected an ungeared beta range of 0.80 to 0.90.

#### **Market risk premium**

The MRP is not readily observable in the market and therefore represents an estimate based on available data. In order to select a MRP, we have considered academic studies and empirical evidence as well as the average MRP calculated over the longer term.

Based on the above, we have adopted a MRP of 6.0%.

#### **Specific risk premium**

Specific risk factors to the asset being valued are considered as an adjustment to the calculation of the cost of equity. In addition to the specific risk factors relevant to the RSSD Contingent Payment as part of the selection of a beta, we have considered the specific risk associated with the RSSD Contingent Payment being reliant solely on the production of a single project based asset, being the RSSD Project, and its location being offshore Senegal. We have also considered the country specific risk of Senegal (3.56%)<sup>1</sup>.

Having regard to the above, we have adopted a specific risk premium 2.0% to 2.5%.

#### **Debt and equity mix**

The debt and equity mix (gearing ratio) should reflect the ratio of market value of debt and market value of equity. We have considered the nature of the RSSD Contingent Payment and the capacity to borrow against these future cash flows. We have also observed the gearing of the comparable companies set out in Appendix E of the Report. We have concluded a reasonable gearing for the RSSD Contingent Payment of 100% equity and 0% debt. Accordingly, we have not proceeded to assess the cost of debt.

<sup>1</sup> [https://pages.stern.nyu.edu/~adamodar/New\\_Home\\_Page/datafile/ctryprem.html](https://pages.stern.nyu.edu/~adamodar/New_Home_Page/datafile/ctryprem.html)

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## WACC

Using the WACC formula and the relevant inputs of cost of equity, cost of debt and gearing ratio, we have set out our calculations in the table below.

Table 1

Calculation of WACC		
	Low	High
Beta	0.80	0.90
Market risk premium	6.0%	6.0%
Risk-free rate	1.9%	1.9%
Specific risk premium	2.0%	2.5%
<b>Cost of equity</b>	<b>8.7%</b>	<b>9.8%</b>
<b>Cost of debt</b>	<b>0.0%</b>	<b>0.0%</b>
Equity proportion	100.0%	100.0%
Debt proportion	0.0%	0.0%
<b>WACC</b>	<b>8.7%</b>	<b>9.8%</b>

Source: PKF Corporate analysis

The determination of an appropriate discount rate requires a degree of judgement. We have also reviewed the discount rates adopted for impairment testing purposes of the comparable companies in Appendix E of the Report.

Having regard to the above calculations and the specific risk factors considered relevant to the RSSD Contingent Payment, we have adopted a discount rate (WACC) range of **9.0% to 10.0%**.

### 6.5.4 Net present value

In order to assess the value of the RSSD Contingent Payment, we have applied the discount rate range of 9.0% to 10.0% to the future cash flows projected. We have assessed the net present value ("NPV") of the RSSD Contingent Payment to be in a range of US\$39.55 million to US\$40.81 million.

The adoption of the net present value of future cash flows should consider a range of scenarios in respect to the key valuation assumptions of the asset being valued as such precision in projecting future cash flows does not reflect the uncertainty inherent in such projections. Accordingly, we have considered the sensitivity of value to changes in key assumptions in respect to production (such as the timing of First Oil) and pricing (such as the future spot price of Crude Oil). We have set out in the table below the NPV results of various pricing scenarios and assuming First Oil occurring during the second half of the 2023 calendar year and adopting a discount rate of 9.50%.

Table 2

RSSD Contingent Payment - NPV					
Sensitivity analysis					
		Production scenarios			Risk weighted <sup>1</sup>
		Low	Base	High	
		-10%		+10%	
		US\$ m	US\$ m	US\$ m	US\$ m
Pricing scenarios	US\$66MMbbl	28.79	31.99	35.19	31.99
	US\$68MMbbl	35.99	39.29	39.81	38.60
	US\$70MMbbl	39.70	40.18	40.45	40.13
<b>Average</b>		<b>34.83</b>	<b>37.15</b>	<b>38.48</b>	<b>36.90</b>

Source: PKF Corporate analysis

<sup>1</sup> calculated based on 25% of the low scenario, 50% of the base scenario and 25% of the high scenario.

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Having regard to the above and after considering a number of additional factors, including:

- the production flow rate and the contingent level of resource at the Sangomar Field that may not be known until after commencement of production;
- tax that may be payable on the future cash flows attributed to the RSSD Contingent Payment by a hypothetical buyer; and
- the risk that the production process at the Sangomar Field may be disrupted in some way,

we have estimated the current value of the RSSD Contingent Payment to be in a range of **US\$37.9 million to US\$40.1 million**.

## 6.6 Asset based methods

This methodology is based on the realisable value of the RSSD Contingent Payment. Accordingly, the underlying value of the RSSD Contingent Payment can be assessed in accordance with the net present value of future cash flows methodology set out in Section 6.5 of the Report.

## 6.7 Comparable market transactions

On 23 December 2020, Woodside completed the acquisition of Capricorn Senegal Limited's ("Cairn") participating interest in the RSSD Project (the "Cairn Transaction"). The Cairn Transaction also included an additional payment of up to US\$100 million contingent on the future oil price and the timing of first oil from the RSSD Project. Under the Cairn Transaction Woodside acquired a much larger interest compared to the Transaction (with FAR) and, as such, this increased Woodside's interest in the RSSD Project above 50% to a position of control. Set out below is an extract from Woodside's announcement to the ASX on 23 December 2020 which shows Woodside's interest prior to and after completion of the Cairn Transaction.

Figure 3

Woodside's participating interest	Before completion of Cairn acquisition	After completion of Cairn acquisition	After completion of FAR acquisition (targeted for Q1 2021)
Sangomar exploitation area	31.89%	68.33%	82%
Remaining RSSD evaluation area	35%	75%	90%

Source: ASX

As the RSSD Contingent Payment is exclusive to FAR, specific to the terms of the Transaction and specific to the interest previously held by FAR in the RSSD Project, we do not consider that the Cairn Transaction is a directly comparable market transaction. Accordingly, we have not used the comparable market transaction valuation methodology to value the RSSD Contingent Payment.

## 6.8 Alternate acquirer

We are not aware of any alternative proposals received to acquire the RSSD Contingent Payment and we can see no reason as to why an offer would be initiated at this time.

## 6.9 Conclusion

Under the net present value of future cash flows methodology, we have concluded that the current value of the RSSD Contingent Payment is in a range of **US\$37.9 million to US\$40.1 million**.

## 7. Financial Services Guide

This Financial Services Guide provides information to assist retail and wholesale investors in making a decision as to their use of the general financial product advice included in the above report.

### 7.1 PKF Corporate

PKF Corporate holds Australian Financial Services Licence No. 222050, authorizing it to provide general financial product advice in respect of securities to retail and wholesale investors.

### 7.2 Financial Services Offered by PKF Corporate

PKF Corporate prepares reports commissioned by a company or other entity (“Entity”). The reports prepared by PKF Corporate are provided by the Entity to its members.

All reports prepared by PKF Corporate include a description of the circumstances of the engagement and of PKF Corporate’s independence of the Entity commissioning the report and other parties to the transactions.

PKF Corporate does not accept instructions from retail investors. PKF Corporate provides no financial services directly to retail investors and receives no remuneration from retail investors for financial services. PKF Corporate does not provide any personal retail financial product advice directly to retail investors nor does it provide market-related advice to retail investors.

### 7.3 General Financial Product Advice

In the report, PKF Corporate provides general financial product advice. This advice does not take into account the personal objectives, financial situation or needs of individual retail investors.

Investors should consider the appropriateness of a report having regard to their own objectives, financial situation and needs before acting on the advice in a report. Where the advice relates to the acquisition or possible acquisition of a financial product, an investor should also obtain a product disclosure statement relating to the financial product and consider that statement before making any decision about whether to acquire the financial product.

### 7.4 Independence

At the date of this report, none of PKF Corporate, Mr Steven Perri, Mr Paul Lom nor Mr Stefan Galbo have any interest in the outcome of the Report, nor any relationship with FAR, STAM, and associated entities or any of their directors. Fees for this report are not contingent on the outcome, content or future use of this report.

Drafts of this report were provided to and discussed with the management of FAR and its advisers. Certain changes were made to factual statements in this report as a result of the reviews of the draft reports. There were no alterations to the methodology, valuations or conclusions that have been formed by PKF Corporate.

PKF Corporate and its related entities do not have any shareholding in or other relationship with FAR that could reasonably be regarded as capable of affecting its ability to provide an unbiased opinion in relation to the current fair market value in respect of FAR’s entitlement to the RSSD Contingent Payment.

PKF Corporate had no part in the formulation of the Target’s Statement. Its only role has been the preparation of this report.

PKF Corporate considers itself to be independent in terms of Regulatory Guide 112 issued by ASIC on 30 March 2011.

## 7.5 Remuneration

PKF Corporate is entitled to receive a fee of approximately AU\$20,000 for the preparation of this report. With the exception of the above, PKF Corporate will not receive any other benefits, whether directly or indirectly, for or in connection with the making of this report.

## 7.6 Complaints Process

As the holder of an Australian Financial Services Licence, PKF Corporate is required to have suitable compensation arrangements in place. In order to satisfy this requirement PKF Corporate holds a professional indemnity insurance policy that is compliant with the requirements of Section 912B of the Act.

PKF Corporate is also required to have a system for handling complaints from persons to whom PKF Corporate provides financial services. All complaints should be in writing and sent to the Complaints Officer, PKF Corporate at level 12, 440 Collins Street, Melbourne Vic 3000.

PKF Corporate will make every effort to resolve a complaint within 45 days of receiving the complaint. If the complaint has not been satisfactorily dealt with, the complaint can be referred to the Australian Financial Complaints Authority – GPO Box 3, Melbourne Vic 3000.

Yours faithfully

PKF Melbourne Corporate Pty Ltd

**Steven Perri**  
Director

**Paul Lom**  
Director

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**FAR Limited****Sources of Information**

The key documents we have relied upon in preparing this report are:

- RSSD Sale and Purchase Agreement between FAR and Woodside dated 19 January 2021;
- Monthly projected production profile of the Sangomar Field prepared by FAR;
- FAR's draft Target's Statement;
- Research data from publicly accessible web sites in particular ASX announcements by FAR and Woodside; and
- Discussions with the management of FAR and its advisors.

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**FAR Limited**

**Declarations, Qualifications and Consents**

**1. Declarations**

This report has been prepared at the request of the Directors of FAR Limited to accompany the Target's Statement. It is not intended that this report should serve any purpose other than as an expression of our opinion as to the current fair market value in respect of FAR's entitlement to the RSSD Contingent Payment.

In the preparation of this report, we have relied upon information concerning the RSSD Contingent Payment and the RSSD Project provided to us and available in the public domain, which we believe, on reasonable grounds, to be reliable and not misleading.

The procedures that we performed and the enquiries that we made in the course of the preparation of this report do not include verification work nor constitute an audit in accordance with Australian Auditing Standards.

The statements and opinions included in this report are given in good faith and in the belief that such statements are not false and misleading.

To the extent that this report relies on prospective information, actual results may be different from the prospective information referred to in this report since the occurrence of anticipated events frequently do not occur as expected and the variation may be material. The achievement of the prospective information is dependent on the outcome of the assumptions. Accordingly, we express no opinion as to whether the prospective information will be achieved.

This report has also been prepared in accordance with the Accounting Professional and Ethical Standards Board Limited professional standard APES 225 – Valuation Services.

**2. Qualifications**

Mr Steven Perri, director of PKF Corporate, and Mr Stefan Galbo, prepared this report. They have been responsible for the preparation of expert reports and are involved in the provision of advice in respect of valuations, takeovers, capital reconstructions and reporting on all aspects thereof.

Mr Perri is a Member of Chartered Accountants Australia and New Zealand (CAANZ) and an Accredited Business Valuation Specialist (CA BV Specialist).

Mr Galbo is a Member of Chartered Accountants Australia and New Zealand (CAANZ) and an Accredited Business Valuation Specialist (CA BV Specialist).

Mr Paul Lom, a director of PKF Corporate reviewed this report. Mr Lom is a Fellow of Chartered Accountants Australia and New Zealand (CAANZ) and an Accredited Business Valuation Specialist (CA BV Specialist) with more than 35 years experience in the accounting profession. He was a partner of KPMG and Touche Ross between 1989 and 1996, specialising in audit. He has extensive experience in business acquisitions, business valuations and privatisations in Australia and Europe.

**3. Consent**

PKF Corporate consents to the inclusion of this report in the form and context in which it is included in the Target's Statement.

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## Valuation methodologies

### Share price history

The share price history valuation methodology values a company based on the past trading in its shares.

### Capitalisation of future maintainable earnings

Capitalisation of earnings is a method commonly used for valuing manufacturing and service companies and, in our experience, is the method most widely used by purchasers of such businesses. This method involves capitalising the earnings of a business at a multiple which reflects the risks of the business and its ability to earn future profits.

There are different definitions of earnings to which a multiple can be applied. The traditional method is to use net profit after tax. Another common method is to use Earnings Before Interest and Tax (EBIT) or Earnings Before Interest, Tax, Depreciation and Amortisation (EBITDA). One advantage of using EBIT or EBITDA is that it enables a valuation to be determined which is independent of the financing and tax structure of the business. Different owners of the same business may have different funding strategies and these strategies should not alter the fundamental value of the business.

### Net present value of future cash flows

An analysis of the net present value of the projected cash flows of a business and/or asset (or discounted cash flow technique) is based on the premise that the value of the business and/or asset is the net present value of its future cash flows. This methodology requires an analysis of future cash flows, the capital structure, the costs of capital and an assessment of the residual value of the business and/or asset remaining at the end of the forecast period.

### Asset Based Methods

This methodology is based on the realisable value of a company's identifiable net assets. Asset based valuation methodologies include:

(a) Net assets

The net asset valuation methodology involves deriving the value of a company or business by reference to the value of its assets. This methodology is likely to be appropriate for a business whose value derives mainly from the underlying value of its assets rather than its earnings, such as property holding companies and investment businesses that periodically revalue their assets to market. The net assets on a going concern basis method estimates the market values of the net assets of a company but does not take account of realisation costs.

(b) Orderly realisation of assets

The orderly realisation of assets method estimates the fair market value by determining the amount that would be distributed to shareholders, after payment of all liabilities including realisation costs and taxation charges that arise, assuming the company is wound up in an orderly manner.

(c) Liquidation of assets

The liquidation method is similar to the orderly realisation of assets method except the liquidation method assumes that the assets are sold in a short time frame.

### Comparable market transactions

Industry specific methods estimate market values using rules of thumb for a particular industry. Generally, rules of thumb provide less persuasive evidence of the market value of an asset than other valuation methods because they may not account for specific factors.

### Alternative acquirer

This methodology considers the value that an alternative bidder may be prepared to pay to acquire the business, asset or a company.

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### Weighted Average Cost of Capital

A calculation of WACC incorporates two components - the cost of equity and the cost of debt. WACC is calculated by adopting the following formula.

$$WACC = (K_e \times \frac{E}{(D + E)}) + (k_d \times \frac{D}{(D + E)})$$

where:

$K_e$  = cost of equity

$E$  = market value of equity (gearing ratio)

$D$  = market value of debt (gearing ratio)

$K_d$  = cost of debt

The cost of equity ( $K_e$ ) is calculated in accordance with the Capital Asset Pricing Model (CAPM), using the following formula.

$$K_e = R_f + (\beta \times R_p) + \alpha$$

where:

$K_e$  = cost of equity

$R_f$  = risk-free rate of return

The risk-free rate of return reflects the level of return that an investor can achieve with no associated risk attached to the investment. The risk-free rate of return should be for a period that corresponds to the cash flows being valued, however, where a terminal value is calculated, a risk-free rate for a longer period of time should be considered.

$\beta$  = beta

Beta measures the sensitivity of the stock price to fluctuations of the market as a whole. A beta greater than one indicates greater volatility, and a beta of less than one indicates lower volatility, than the market. The volatility of the overall market is 1.0.

The beta is measured on the cash flows returned to equity holders and is therefore after interest. A company's beta also reflects its capital structure and since the gearing is likely to alter between companies, it is difficult to make comparisons of betas.

$R_p$  = market risk premium

The market risk premium (MRP) is the difference between the return that investors require from an investment in equity and the return investors accept from a risk-free investment in order to compensate them for the volatility (risk) of the market. The market risk premium needs to be observed over an extended period of time.

$\alpha$  = specific risk premium

When applying the CAPM to a specific investment, it is common to consider applying a specific risk premium or "alpha" factor. The reason a specific risk premium is applied is because the required return the CAPM model produces doesn't capture unsystematic risk specific to the asset, which cannot be reflected in the cash flows.

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## Comparable Companies - Beta

Comparable companies Company name	Stock code	Market capitalisation <sup>1</sup> (US\$ m)	Equity proportion	Debt proportion	Gearred beta	Ungearred beta <sup>2</sup>
Franco-Nevada Corporation	TSX:FNV	28,292.3	100.00%	0.00%	0.56	0.56
Royal Gold, Inc.	NasdaqGS:RGLD	7,878.2	99.90%	0.10%	0.65	0.65
Osisko Gold Royalties Ltd	TSX:OR	2,051.7	85.90%	14.10%	0.59	0.36
Sandstorm Gold Ltd.	TSX:SSL	1,307.7	99.80%	0.20%	0.94	0.94
Maverix Metals Inc.	TSX:MMX	687.7	96.70%	3.30%	0.55	0.53
Altius Minerals Corporation	TSX:ALS	669.0	87.73%	12.27%	1.23	1.11
Anglo Pacific Group plc	LSE:APF	414.8	77.06%	22.94%	0.83	0.63
Metalla Royalty & Streaming Ltd.	TSXV:MTA	307.2	99.01%	0.99%	1.06	1.05
Uranium Royalty Corp.	TSXV:URC	286.3	98.25%	1.75%	1.54	1.53
Trident Royalties Plc	AIM:TRR	200.2	100.00%	0.00%	0.54	0.54
High Peak Royalties Limited	ASX:HPR	7.3	83.09%	16.91%	0.63	0.52
<b>Average</b>			<b>93.40%</b>	<b>6.60%</b>	<b>0.83</b>	<b>0.77</b>
<b>Median</b>			<b>98.25%</b>	<b>1.75%</b>	<b>0.65</b>	<b>0.63</b>

Source: S&P Capital IQ, PKF Corporate analysis

<sup>1</sup> share prices used to determine the market capitalisation of each of the comparable companies were closing prices as at 18 February 2022

<sup>2</sup> ungeared beta calculated based on the market capitalisation, debt, earnings before interest and income tax as sourced from S&P Capital IQ

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