

FAR LIMITED

ABN 41 009 117 293

**FINANCIAL REPORT
FOR THE HALF YEAR ENDED
30 JUNE 2012**

FAR LIMITED
HALF-YEAR FINANCIAL REPORT 2012
CONTENTS

Directors' report	3
Auditor's independence declaration	5
Independent auditor's report	6
Directors' declaration	8
Condensed consolidated statement of comprehensive income	9
Condensed consolidated statement of financial position	10
Condensed consolidated statement of changes in equity	11
Condensed consolidated cash flow statement	12
Notes to the condensed consolidated financial statements	13

FAR LIMITED DIRECTORS' REPORT

The directors of FAR Limited submit herewith the Financial Report of FAR Limited and its subsidiaries ("the Consolidated Entity") for the half-year ended 30 June 2012. In order to comply with the provisions of the Corporations Act 2001, the directors report as follows:

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

Mr N J Limb
Ms C M Norman
Mr A E Brindal
Mr C L Cavness
Mr M J Evans (resigned 19 April 2012)

All directors held office during and since the end of the period unless otherwise stated.

REVIEW OF OPERATIONS

The loss of the Consolidated Entity for the half-year after income tax was \$345,943 (half-year ended 30 June 2011: \$6,331,531).

During the half-year the Consolidated Entity successfully raised \$15 million through a placement and share purchase plan. As at 30 June 2012 the Consolidated Entity had a cash balance of \$33.7 million.

During the half-year the principal activities of the Consolidated Entity continued to be the exploration for and production of oil and gas and the acquisition and sale of oil and gas exploration and production interests.

A summary of the Consolidated Entity's operations during the period is provided below:

Kenya

FAR has completed a 3D seismic survey over the L6 permit offshore Kenya. The permit lies in the Lamu Basin, north of recent, world scale, natural gas discoveries totaling around 100 trillion cubic feet off the coasts of Mozambique and Tanzania.

FAR operates the L6 block with 60% equity. The completion of the seismic survey fulfills the work program for the current period with the Kenyan Ministry of Energy. Final data delivery is expected in mid January 2013 and FAR is currently negotiating a timetable for delivery of early products so that the drill location can be finalised ahead of drilling in 2013.

The highly anticipated and large Mbawa prospect in neighbouring Block L8 was spudded by Apache in August and the partners have reported the discovery of 52 net metres (approximately 170 feet) of natural gas pay.

Anadarko Petroleum Corporation has announced plans to drill the first of its wells before year end (Blocks L5, L7, L12, L11A, L11B) and BG is also preparing to drill its first well offshore Kenya (Blocks L10A and L10B). The well planned for Block L6 in 2013 will be FAR's first well in Kenya.

Ophir Energy operates the L-9 Joint Venture, also in the Lamu Basin, in which FAR has a 30% interest. The JOA and Deeds of Assignment remain in the process of being finalised.

Senegal

FAR is the operator of the Rufisque, Sangomar and Sangomar Deep blocks offshore Senegal and has a 100% paying interest. The process of bringing in a partner to drill a well with FAR in Senegal is underway and the company looks forward to providing updates as they become available.

FAR LIMITED DIRECTORS' REPORT

FAR notes an important well to be drilled by African Petroleum on the Alhamdulillah Prospect in the Gambia that straddles FAR's Senegal acreage (est 600mmbbls recoverable oil) is scheduled for the end of 2012 or early 2013. This prospect adds to the inventory of prospects that FAR has in the Senegalese acreage on offer to potential partners.

Guinea Bissau

FAR has a 21.43% paying interest in three blocks offshore Guinea Bissau which are operated by Svenska. The permits are currently in Phase 1 of the exploration term, which has been extended for two years to 25 November 2012. A further optional four year Phase 2 exploration period has a work commitment that includes a single exploration well.

AGC

FAR has a 10% interest in the AGC Profond block which is operated by Ophir. During the half-year work continued on evaluating leads in the block in readiness for entering a new exploration period in September 2012.

Australia

During the half-year work continued on compiling the regional data and reprocessing existing 2D and 3D seismic data ahead of planning a 3D seismic survey in blocks WA-457-P and WA-458-P for early 2013. FAR is the operator and holds 100% of both blocks.

North America

Sales revenues from oil and gas sales were \$306,148 for the half-year compared to \$399,356 in the previous corresponding six monthly period.

No exploration activity was undertaken in North America in the current period.

AUDITOR'S INDEPENDENCE DECLARATION

In order to comply with Section 306 (2) of the Corporations Act 2001, the directors' report includes the auditor's independence declaration on page 5 of the half year financial report.

Signed in accordance with a resolution of the directors made pursuant to Section 306(3) of the Corporations Act 2001.

On behalf of the Directors



**Mr N J Limb
Chairman**

Melbourne, 12 September 2012

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

12 September 2012

Dear Board Members

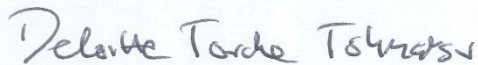
FAR Limited

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

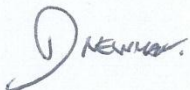
As lead audit partner for the review of the financial statements of FAR Limited for the half-year ended 30 June 2012, I declare that to the best of my knowledge and belief, there have been no contraventions of:

- (i) the auditor independence requirements of the Corporations Act 2001 in relation to the review; and
- (ii) any applicable code of professional conduct in relation to the review.

Yours sincerely



DELOITTE TOUCHE TOHMATSU



David Newman
Partner
Chartered Accountant

Independent Auditor's Review Report to the members of FAR Limited

We have reviewed the accompanying half-year financial report of FAR Limited, which comprises the condensed statement of financial position as at 30 June 2012, and the condensed statement of comprehensive income, the condensed cash flow statement and the condensed statement of changes in equity for the half-year ended on that date, selected explanatory notes and, the directors' declaration of the consolidated entity comprising the company and the entities it controlled at the end of the half-year or from time to time during the half-year as set out on pages 8 to 17.

Directors' Responsibility for the Half-Year Financial Report

The directors of the company are responsible for the preparation of the half-year financial report that gives a true and fair view in accordance with Australian Accounting Standards and the *Corporations Act 2001* and for such internal control as the directors determine is necessary to enable the preparation of the half-year financial report that is free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express a conclusion on the half-year financial report based on our review. We conducted our review in accordance with Auditing Standard on Review Engagements ASRE 2410 *Review of a Financial Report Performed by the Independent Auditor of the Entity*, in order to state whether, on the basis of the procedures described, we have become aware of any matter that makes us believe that the half-year financial report is not in accordance with the *Corporations Act 2001* including: giving a true and fair view of the consolidated entity's financial position as at 30 June 2012 and its performance for the half-year ended on that date; and complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*. As the auditor of FAR Limited, ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

A review of a half-year financial report consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Australian Auditing Standards and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

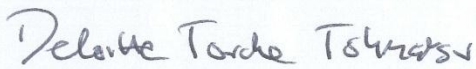
Auditor's Independence Declaration

In conducting our review, we have complied with the independence requirements of the *Corporations Act 2001*. We confirm that the independence declaration required by the *Corporations Act 2001*, which has been given to the directors of FAR Limited, would be in the same terms if given to the directors as at the time of this auditor's review report.

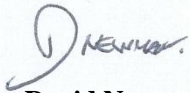
Conclusion

Based on our review, which is not an audit, we have not become aware of any matter that makes us believe that the half-year financial report of FAR Limited is not in accordance with the *Corporations Act 2001*, including:

- (a) giving a true and fair view of the consolidated entity's financial position as at 30 June 2012 and of its performance for the half-year ended on that date; and
- (b) complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*.



DELOITTE TOUCHE TOHMATSU



David Newman

Partner

Chartered Accountants

Perth, 12 September 2012

**FAR LIMITED
DIRECTORS' DECLARATION**

The directors declare that:

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

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

Signed in accordance with a resolution of the directors made pursuant to s.303(5) of the Corporations Act 2001.

On behalf of the Directors



Mr N J Limb
Chairman
Melbourne, 12 September 2012

FAR LIMITED
CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
for the half-year ended 30 June 2012

	Note	Half-year ended	
		30 June 2012	30 June 2011
		\$	\$
Revenue	3	977 840	1 301 832
Other income	4	2 821 231	-
Direct operating costs		(168 541)	(157 442)
Depreciation and amortisation expense		(125 393)	(237 794)
Exploration expense		(303 789)	(4 656 154)
Abandonment expense		(454)	-
Finance costs		(39 192)	(301 492)
Administration expenses		(546 995)	(332 506)
Employee benefits expense		(2 297 188)	(847 523)
Consulting expense		(539 998)	(320 226)
Foreign exchange gain / (loss)		24 784	(672 803)
Other expenses		(148 248)	(107 423)
Loss before income tax		(345 943)	(6 331 531)
Income tax expense		-	-
Loss attributable to members of FAR Limited		(345 943)	(6 331 531)
Other comprehensive income			
Exchange differences arising on translation of foreign operations		1 709	(50 237)
Total comprehensive income for the period attributable to members of FAR Limited		(344 234)	(6 381 768)
Earnings per share:			
Basic and diluted loss per share (cents per share)		(0.01)	(0.51)

Notes to the financial statements are included on pages 13 to 17.

FAR LIMITED
CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION
as at 30 June 2012

	Notes	30 June 2012 \$	31 December 2011 \$
CURRENT ASSETS			
Cash and cash equivalents		33 676 639	23 803 920
Trade and other receivables	5	1 530 792	3 324 928
Other financial assets		357 699	305 780
Other		45 550	120 874
Total Current Assets		35 610 679	27 555 502
NON CURRENT ASSETS			
Trade and other receivables	5	2 943 774	-
Other financial assets		-	71 924
Property, plant and equipment		137 625	205 804
Oil and gas properties		58 110 395	49 777 465
Total Non-Current Assets		61 191 794	50 055 193
TOTAL ASSETS		96 802 473	77 610 695
CURRENT LIABILITIES			
Trade and other payables		8 094 253	1 040 570
Borrowings		-	2 927 885
Provisions		316 813	519 026
Other financial liabilities		26 529	-
Total Current Liabilities		8 437 596	4 487 481
NON-CURRENT LIABILITIES			
Trade and other payables		176 626	-
Deferred tax liabilities		4 187 577	4 187 577
Provisions		18 135	68 907
Other financial liabilities		-	26 529
Total Non-Current Liabilities		4 382 337	4 283 013
TOTAL LIABILITIES		12 819 933	8 770 494
NET ASSETS		83 982 540	68 840 201
EQUITY			
Issued Capital		143 384 588	129 137 015
Reserves		3 180 772	1 940 063
Accumulated losses		(62 582 820)	(62 236 877)
TOTAL EQUITY		83 982 540	68 840 201

Notes to the financial statements are included on pages 13 to 17.

FAR LIMITED
CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
for the half-year ended 30 June 2012

	Share capital	Reserves				Accumulated losses	Total attributable to equity holders of the parent
		Option reserve	Equity component on convertible notes	Foreign currency translation reserve	Total		
	\$	\$	\$	\$	\$	\$	\$
Balance at 1 January 2011	103 879 103	1 996 955	674 085	(894 141)	1 776 899	(50 082 460)	55 573 542
Loss for the period	-	-	-	-	-	(6 331 531)	(6 331 531)
Exchange differences arising on translation of foreign operations	-	-	-	(50 237)	(50 237)	-	(50 237)
Total comprehensive income for the period	-	-	-	(50 237)	(50 237)	(6 331 531)	(6 381 768)
Issue of shares	37 459	-	-	-	-	-	37 459
Issue of options	-	178 000	-	-	178 000	-	178 000
Transfer from equity component on convertible notes reserve	2 589	-	(2 589)	-	(2 589)	-	-
Balance at 30 June 2011	103 919 151	2 174 955	671 496	(944 378)	1 902 073	(56 413 991)	49 407 233
2012							
Balance at 1 January 2012	129 137 015	2 174 955	671 496	(906 388)	1 940 063	(62 236 877)	68 840 201
Loss for the period	-	-	-	-	-	(345 943)	(345 943)
Exchange differences arising on translation of foreign operations	-	-	-	1 709	1 709	-	1 709
Total comprehensive income for the period	-	-	-	1 709	1 709	(345 943)	(344 234)
Issue of shares	15 039 947	-	-	-	-	-	15 039 947
Share issue costs	(792 374)	-	-	-	-	-	(792 374)
Issue of options	-	1 239 000	-	-	1 239 000	-	1 239 000
Balance at 30 June 2012	143 384 588	3 413 955	671 496	(904 679)	3 180 772	(62 582 820)	83 982 540

Notes to the financial statements are included on pages 13 to 17.

FAR LIMITED
CONDENSED CONSOLIDATED CASH FLOW STATEMENT
for the half-year ended 30 June 2012

	Half-year ended	
	30 June 2012	30 June 2011
Note	\$	\$
CASH FLOWS FROM OPERATING ACTIVITIES		
Receipts from customers	401 699	446 835
Payments to suppliers	(3 010 302)	(1 438 465)
Interest and other costs of finance paid	(39 157)	(230 516)
Net cash (used in)/provided by operating activities	(2 647 760)	(1 222 146)
CASH FLOWS FROM INVESTING ACTIVITIES		
Interest received	527 830	988 615
Payments for oil and gas properties	(2 407 758)	(4 972 835)
Payments for property, plant and equipment	(30 988)	(78 004)
Proceeds from sale of property, plant and equipment	48 747	-
Proceeds from sale of oil and gas properties	2 898 949	-
Net cash provided by/(used in) investing activities	1 036 780	(4 062 224)
CASH FLOWS FROM FINANCING ACTIVITIES		
Repayment of borrowings	(2 927 889)	-
Proceeds from issue of shares	15 039 947	-
Payment for share issue costs	(792 375)	-
Net cash (used in)/provided by financing activities	11 319 683	-
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS	9 708 703	(5 284 370)
Cash and cash equivalents at the beginning of the period	23 803 920	38 092 132
Effects of exchange rate changes on cash and cash equivalents	164 016	(527 032)
Cash and cash equivalents at the end of the financial period	33 676 639	32 280 730

Notes to the financial statements are included on pages 13 to 17.

FAR LIMITED
NOTES TO THE FINANCIAL STATEMENTS
for the half-year ended 30 June 2012

1. Significant Accounting Policies

Statement of compliance

The half-year financial report is a general purpose financial report prepared in accordance with the *Corporations Act 2001* and Accounting Standard AASB 134 *Interim Financial Reporting*. Compliance with AASB 134 ensures compliance with International Financial Reporting Standard IAS 34 *Interim Financial Reporting*. The half-year financial report does not include notes of the type normally included in an annual financial report and shall be read in conjunction with the most recent annual financial report.

Basis of preparation

The condensed consolidated financial statements have been prepared on the basis of historical cost except, where applicable, for the revaluation of certain non-current assets and financial instruments. All amounts are presented in Australian dollars, unless otherwise noted.

The accounting policies and methods of computation adopted in the preparation of the half-year financial report are consistent with those adopted and disclosed in the company's annual financial report for the year ended 31 December 2011, unless otherwise described herein.

Adoption of new and revised Accounting Standards

In the current period, the Consolidated Entity has adopted all of the new and revised Standards and Interpretations issued by the Australian Accounting Standards Board (the AASB) that are relevant to its operations and effective for annual reporting periods beginning on or after 1 January 2012. The adoption of these new and revised Standards and Interpretations has not resulted in any changes to the Consolidated Entity's accounting policies or in the amounts reported in the current or prior financial years.

2. Segment Information

AASB 8 requires operating segments to be identified on the basis of internal reports about components of the entity that are regularly reviewed by the Managing Director (chief operating decision maker) in order to allocate resources to the segments and to assess its performance.

The consolidated entity undertakes exploration for and the production of oil and gas in Australia, Africa, Jamaica and North America. The identification of the Consolidated Entity's reporting segments remains consistent with prior periods, with management allocating resources to segments on a geographical basis with the inclusion of a 'corporate' segment which captures all head office and administrative income, expenses and assets.

Information regarding these segments is presented below. The accounting policies of the reportable segments are the same as those of the Consolidated Entity.

Segment Assets and Liabilities

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

	Assets		Liabilities	
	30 June 2012 \$	31 December 2011 \$	30 June 2012 \$	31 December 2011 \$
AGC	131 324	-	380 196	295 009
Australia	1 395 096	125 628	1 321 430	-
Guinea Bissau	5 691 781	5 469 126	-	-
Jamaica	6 961 308	6 923 178	-	-
Kenya	36 672 331	22 611 046	10 098 367	4 187 577
Senegal	15 046 404	14 670 052	-	-
USA	450 100	593 383	231 819	260 502
Corporate	30 454 129	27 218 282	788 121	4 027 406
Total assets and liabilities	96 802 473	77 610 695	12 819 933	8 770 494

FAR LIMITED
NOTES TO THE FINANCIAL STATEMENTS
for the half-year ended 30 June 2012

Segment Revenue and Results

The following is an analysis of the Consolidated Entity's revenue and results by reportable segment for the period under review:

	Revenue		Segment Profit/(Loss)	
	30 June 2012 \$	30 June 2011 \$	30 June 2012 \$	30 June 2011 \$
AGC	-	-	-	(4 549 335)
Australia	-	-	(115 567)	(106 819)
Canada	-	-	-	-
Guinea Bissau	-	-	-	-
Jamaica	-	-	-	-
Kenya	-	-	-	-
Senegal	-	-	-	-
USA	306 306	399 684	(78 552)	(94 628)
Other exploration	-	-	(188 222)	-
Corporate	671 534	902 148	36 398	(1 580 749)
Consolidated segment revenue and (loss)/ profit before tax for the period	977 840	1 301 832	(345 943)	(6 331 531)
Income tax expense			-	-
Consolidated segment revenue and (loss)/ profit after tax for the period	977 840	1 301 832	(345 943)	(6 331 531)

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

3. Revenue

	Half-year ended	
	30 June 2012 \$	30 June 2011 \$
Sales Revenue:		
Oil and gas revenues	306 148	399 356
Interest Revenue:		
Bank deposits	610 643	872 689
Other Revenue	61 049	29 787
	977 840	1 301 832

4. Other income

	Half-year ended	
	30 June 2012 \$	30 June 2011 \$
Gain on sale of oil and gas properties	2 820 729	-
Miscellaneous other income	501	-
	2 821 230	-

FAR LIMITED
NOTES TO THE FINANCIAL STATEMENTS
for the half-year ended 30 June 2012

Gain on sale of oil and gas properties includes the gain from the current period recognition of the US\$3 million third and final tranche receivable in respect of the sale in 2009 of the Consolidated Entity's interest in the Beibu Gulf Block 22-12 Joint Venture (through the disposal of a wholly owned subsidiary). This amount is receivable on satisfaction of conditions stipulated in the sale and purchase agreement, being the production from the project of 1 million barrels of oil.

At the date of sale only the first two tranches were recognised due to uncertainty over the satisfaction of the conditions precedent in respect of this final tranche. Based on the most recent information available from the operator of the Beibu Gulf Joint Venture, the directors now expect the conditions precedent to be met and have recognised this final tranche in the current period together with the associated costs that will become payable on receipt of this amount.

5. Trade and other receivables

	30 June 2012	31 December 2011
	\$	\$
Current:		
Trade receivables	66 405	98 872
Advance payments on contracts	883 132	-
Interest receivable	171 674	85 235
China sale receivable – tranche 2	-	2 953 919
Other receivables	745 564	682 148
Less allowance for doubtful debts	(335 983)	(495 246)
	1 530 792	3 324 928
Non-current:		
China sale receivable – tranche 3	2 943 774	-
	2 943 774	-

Included in non-current receivables is an amount of US\$3million due in respect of the third tranche payment from the 2009 sale of the Consolidated Entity's interest in the Beibu Gulf Block 22-12 Joint Venture. Refer to note 4 for further details.

The second tranche payment, payable on formal approval of an Oilfield Development Plan for the project, was received in full during the current period.

Other receivables include amounts totalling \$335 983 (2011: \$495,246) which were past due at balance date. These amounts have been provided against in full.

6. Borrowings

	30 June 2012	31 December 2011
	\$	\$
Current		
Unsecured loans – convertible notes	-	2 927 885
	-	2 927 885

The convertible notes matured on 31 January 2012 and were repaid in full.

FAR LIMITED
NOTES TO THE FINANCIAL STATEMENTS
for the half-year ended 30 June 2012

7. Issued capital

	30 June 2012 Number	30 June 2012 \$	31 December 2011 Number	31 December 2011 \$
Paid up capital:				
Ordinary fully paid shares at beginning of year	2 150 080 157	129 137 015	1 244 439 464	103 879 103
Shares allotted during the year (a)	349 766 585	15 039 947	905 640 693	25 305 521
Share issue costs	-	(792 374)	-	(50 198)
Transfer from equity component on convertible notes reserve	-	-	-	2 589
Ordinary fully paid shares at end of year	2 499 846 742	143 384 588	2 150 080 157	129 137 015

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

- (i) A placement of 280,000,000 shares at 4.3 cents per share on 5 April 2012 raising \$12,040,000 before costs.
- (ii) An allotment of 69,766,585 shares at 4.3 cents under a Share Purchase Plan on 24 April 2012 raising \$2,999,947 before costs.

(b) At balance date the Company had the following options available to be exercised:

- 4,750,000 unlisted options to subscribe for ordinary shares at 10 cents on or before 31 March 2013
- 1,500,000 unlisted options to subscribe for ordinary shares at 18 cents on or before 30 April 2014
- 59,000,000 unlisted options to subscribe for ordinary shares at 6 cents on or before 30 June 2015

8. Share Based Payments

On 31 May 2012, the Company granted 59,000,000 unlisted incentive options exercisable at 6 cents on or before 30 June 2015 to employees and contractors. All options vested on grant date.

The options packages to employees and contractors have been valued at \$850,500 and \$388,500 respectively using the Black Scholes model and the financial effect has been recognised in 'Employee Benefits Expense' and 'Consulting Expense' in the current financial period statement of comprehensive income.

The following inputs have been used to calculate the fair value of these options at grant date:

Option pricing inputs	
Number granted	59 000 000
Grant date	31 May 2012
Grant date share price	3.8 cents
Exercise price	6 cents
Expected volatility	100%
Option life	1,125 days
Risk-free interest rate	3.75%
Fair value per option	2.1 cents

9. Contingencies and commitments

As disclosed in notes 4 and 5 above, during the period, the Consolidated Entity has recognised a US\$3 million receivable in respect of the third tranche payment from the sale in 2009 of the Consolidated Entity's interest in the Beibu Gulf Block 22-12 Joint Venture. At 31 December 2011 this amount was included as a contingent asset.

Other than the above, there have been no other changes to the contingent assets and contingent liabilities reported in the annual financial report for the year ended 31 December 2011.

FAR LIMITED
NOTES TO THE FINANCIAL STATEMENTS
for the half-year ended 30 June 2012

10. Subsequent events

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