

16 December 2019

ASX Announcement & Media Release

Letter to Shareholders

FAR Limited (ASX: FAR) is about to commence the dispatch of the attached Letter to Shareholders which will accompany the Notice of Meeting relating to the General Meeting of Shareholders to be held at 9:00am (AEST) on Thursday, 16 January 2020, and the Share Purchase Plan Booklet which have been lodged with the ASX today and are available on the company's website www.far.com.au.

This ASX announcement was approved and authorised for release by FAR's Disclosure Committee.

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Fellow shareholders,

The documents accompanying this letter relate to a Shareholder Share Purchase Plan offering (**SPP**) to you and a Notice of Meeting to approve the placement of new shares described below.

As we enter 2020 our Senegal joint venture is poised to commence construction and execution works for the development of the Sangomar Oil Field, one of the largest oil discoveries this decade, that will see FAR become a significant oil producer in 2023.

As our Senegal project has approached this key development phase, we have spent considerable time and effort working on various funding alternatives. After exploring many possibilities, we have settled on a traditional mix of equity and bank debt with the sole focus to maximise shareholder returns. We are well advanced with our banking negotiations and have previously announced some of those details.

Equity needs to be in place and the project advanced before we draw bank debt. To facilitate this, we have finalised a \$146 million placement of new shares to major investors both within Australia and globally. This capital raising will require shareholder approval at a General Meeting of the company on 16 January 2020. You can find further details of this capital raising in the accompanying Notice of Meeting documents.

We have been very pleased with the response from our existing shareholders, including our largest shareholder who has subscribed in the placement component of our capital raise to increase their holding in the company substantially. We have also had great support from a number of large Australian and International investors. The intention of the SPP is to enable our smaller shareholders to participate in this capital raising on the same terms and conditions as these large investors. Irrespective of how many shares you own you will be entitled to take up to a maximum of \$30,000 of new shares. The offer closes on Tuesday, 14 January 2020. Please see the enclosed documents for further details.

The Directors have all notified me of their intention to take up their full entitlement in this SPP.

Commencing development of the Sangomar Oil Field, (previously SNE) which was recently renamed by the President of Senegal, is a major milestone in our company's development and one which few junior oil companies have the opportunity to be part of. Developments of this scale are complex and require significant capital and expertise. The joint venture has spent some years evaluating the resource and conducting the extensive engineering planning and design work to prepare for the execution phase of the field development. The operator of the joint venture, Woodside Energy, has advised us and its own investors that a final investment decision is expected to coincide with Presidential approval of the Development and Exploitation Plan by year end with works to commence early in the new year.

I refer you to the front page of our website where we have a link to the investor presentation given to the major investors and I urge you to review this as it will give you an understanding of the immense scale of the project and the potential cash flow it generates for FAR and its shareholders.

In summary, the Sangomar Oil Field development will consist of a Floating Production, Storage and Offtake (FPSO) vessel that will be connected to a subsea infrastructure via oil producing wells and gas and water reinjection wells. The field has a footprint of over 350km² and the joint venture will be developing 640 mmboe in phases.

The equity and debt raising that FAR is undertaking will be directed to the Company's US\$492 million share of the capital expenditure for the first development phase up to the delivery of first oil to market, expected in early 2023. After this time, the project is expected to deliver approximately US\$180 million in free cash flow to the Company per year whilst we are at a peak production of 100,000 bbls of oil per day (*refer to ASX release of investor presentation dated 12 December 2019*).

I am very proud of the team at FAR who have worked extremely hard to bring this ambitious project to this point and enable FAR to become a major Australian enterprise. I hope you will consider this SPP and I look forward to welcoming you at the General Meeting if you are able to attend.

On closing, I wish to apologise for the timing of this SPP so close to the Christmas holiday period. Unfortunately, because we are not the operator, we do not control the project development and financing timeframes and as a result we have had very little flexibility with regard to the timing of our capital raising efforts.

We extend warm wishes and thanks to our shareholders as we enter this next phase of FAR's development in the new year.

Yours sincerely



Nic Limb
Chairman