

31 May 2023

## *ASX Announcement & Media Release*

### **Chair's Address**

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FAR Limited (ASX:FAR) is pleased to attach a copy of the Chair's Address that will be made at the Company's 2023 Annual General Meeting to be held today.

*This announcement has been approved for release by the FAR Board of Directors.*

#### **For further information, please contact:**

##### **Investors:**

Patrick O'Connor  
Chairman  
[p.oconnor@far.com.au](mailto:p.oconnor@far.com.au)  
P: +61 412 026 812

Craig Sainsbury  
Market Eye  
[craig.sainsbury@marketeye.com.au](mailto:craig.sainsbury@marketeye.com.au)  
P: +61 428 550 499

##### **Media:**

Tristan Everett  
Market Eye  
[tristan.everett@marketeye.com.au](mailto:tristan.everett@marketeye.com.au)  
P: +61 403 789 096

## 2023 Annual General Meeting Chairman's Address

### 2022 in review

The 2022 year saw the Company continue to execute against its strategy of delivering value to shareholders through a combination of cost reduction, capital returns, exploration and new business assessment.

Key activities over the year included:

- Continued to pursue the realisation of value from our investment in The Gambia including obtaining 100% ownership of the asset, completing evaluation of data from the 2021 drilling campaign and negotiating with the Government of The Gambia to defer our drilling commitments.
- Returned capital of approximately US\$3.4 million via a buy-back of unmarketable parcels and commenced an on-market share buy-back.
- Assessed a range of new business initiatives in the oil and gas and the energy transition sectors with the aim of creating shareholder value.
- Continued to reduce our corporate overheads such that the Company's target corporate and administration baseline costs for 2023 is approximately US\$1.7 million, excluding restructuring costs and share buy-back payments.

As we now meet in 2023, we do so with a position of financial strength via the potential up to US\$55m from the Woodside Contingent Payment and our cash balance at 31 March 2023 of US\$30.7 million.

The Board of Directors of FAR continue to see considerable upside in our share price based upon our assets and cash position and we will continue to advance strategies to seek to maximise the value of our share price.

### Extracting value from The Gambia

During the year we continued to execute against our strategy of determining how to realise value from our investment in The Gambia.

Key actions undertaken included:

- Completed the evaluation of data from the 2021 drilling of the Bambo-1 and the sidetrack Bambo-1ST1 wells in offshore The Gambia
- Obtained 100% ownership in The Gambia Blocks A2 and A5 by acquiring the interest held by PC Gambia Ltd, a subsidiary of Petroliam Nasional Berhad ("PETRONAS"), and negotiated with the Government of The Gambia to remove the obligation to drill an exploration well in the next two-year licence term.
- Elected to enter the First Extension Exploration Period for Blocks A2 & A5 commencing on 1 October 2022 for a two-year period on the revised work program terms.
- Undertook a marketing effort that included a data room opened for suitable qualified parties to seek a Joint Venture to undertake the geoscience review and ultimately to drill additional exploration wells.

- Subsequent to the marketing effort, the Company is in discussions with the Government of The Gambia
  - for an extension to the permit term for an additional 12 months to 30 September 2025.
  - for a substantial reduction in the annual fixed permit statutory costs; and
  - no obligation for FAR to incur expenditure on the licences for a 12-month period commencing 1 April 2023.

Our actions have reduced the cost of maintaining our position in The Gambia and maintained the optionality of delivering returns from the investment we have made in the region.

It is expected that in 2023 an additional US\$0.5 million will be incurred, substantially statutory cost related.

We will continue to progress strategies to monetise the permits optionality and FAR plans to revisit the marketing of The Gambian Blocks closer to the commencement of first production from the nearby Senegal Sangomar Field in late 2023.

### **Woodside Contingent Payment**

FAR retains a future contingent payment from Woodside of up to US\$55 million as part of the sale of the Senegal RSSD Project to Woodside in 2021.

The size of the future payment is based upon the oil price and volumes from the Sangomar Field. In their full-year 2022 results, Woodside indicated that the Sangomar Field Development Phase 1 was on target to start producing oil in late 2023.

Based on the Woodside update, annual payments under the Contingent Payment are likely to commence in early 2025 and based on current oil prices, the Board expects that the full US\$55 million will be received prior to the transaction long stop date in 2027.

It is the intention of the Board to consider opportunities for the monetisation of the Woodside Contingent Payment nearer the commencement of first production from the Sangomar Field in late 2023.

### **Overheads and Capital Management**

Through 2022, the Company continued to focus on cost saving initiatives to preserve our cash balance and ensure we are right sized for our strategy and outlook.

We have substantially reduced the head count. The corporate overheads have reduced such that the Company's target corporate and administration baseline costs for 2023 is approximately US\$1.7 million, excluding restructuring costs and share buy-back payments.

Corporate costs in the second half of 2023 are expected to be an annualised baseline below US\$1.5 million.

On capital management, we continued to return capital to the market. Key initiatives have focused on:

- In 2022, FAR undertook a buy-back of unmarketable parcels of 900,611 shares from 4,382 shareholders at a cost of US\$0.5 million, representing approximately 50% of then shareholders, which has reduced FAR's administration cost.

- Commenced an on-market share buy-back which has to date acquired approximately 6% of the issued capital, for a cost of US\$2.9 million.

The buy-back will continue until the earlier of acquiring the full 10% of the issued capital or 30 November 2023.

The Board will continue to seek to have the value of the underlying financial assets ultimately reflected in the Company's share price. We will continue to return capital to shareholders through ongoing prudent capital management strategies.

### **Assessing New Business Opportunities**

Since the 2022 Annual General Meeting, your Board has sought to explore a broad range of new business initiatives in both the oil and gas sector and across the energy transition sector.

This effort has been undertaken on a cost-effective basis by using the Board's and internal executive skills with only limited external consulting support when considered necessary and appropriate.

The Board seeks to ensure that any significant new business initiative must have the potential to offer significantly better returns to shareholders than share buybacks or capital returns.

To date, no new business initiative has matured to a stage that would require Board approval or a shareholder vote.

### **Outlook and Strategy for 2023**

The focus for FAR and your Board for 2023 will be on:

- Maintaining our financial and capital discipline
- Assessing the monetisation of the Woodside Contingent Payment and farm-out of the Gambian Blocks; and
- Evaluating the optimal way to return our surplus capital position to our shareholders in the most effective manner, in the absence of a new business opportunity being undertaken.

The Company will be in a position by the end of this year to have sought offers for its Woodside Contingent Payment and for the farm out of future work activities associated with its remaining assets in The Gambia. Dependent on the commercial consideration of both those matters, the return of excess capital to shareholders will be a matter to be addressed at that time.

Should any new business proposal be presented to the Company, it will be evaluated on the basis it must show the potential to offer significantly better returns to shareholders than share buybacks or capital returns.

### **FAR Board**

I would like to take this opportunity to thank Alan Stein, who in January 2023 resigned as a director, for his valuable contribution towards restructuring the business and his evaluation of a number of new business opportunities across the whole energy sector.

Garth Campbell-Cowan was appointed as a director during the year, in addition to his continuing role as Chief Financial Officer. Both Garth Campbell-Cowan and I are subject to re-election resolutions at today's meeting.

I would like to thank all of our shareholders for your support and patience as we as a remain committed to ensuring we maximise shareholder value from our asset base.

**Patrick O'Connor**

Chairman