RAPER CAPITAL

Patrick O'Connor, Chairman
Far Limited
Level 17, 530 Collins Street
Melbourne VIC 3000
Australia

February 21, 2022

Dear Mr O'Connor,

Entities I manage are beneficially interested in 1.5% of the issued capital of Far Limited (hereafter 'FAR', or 'the Company'). I noted FAR's lack of engagement with the recent Samuel Terry Asset Management ('STAM') takeover bid[1], and as a result feel compelled to express my deep concern with the state of affairs at our Company. As a new Board member, you are no doubt aware that long-suffering shareholders have endured a decade of maladministration under its current leadership – a period that has seen over A$300m in shareholders' funds obliterated; a negative 65% total shareholder return; and ultimately punctuated by the surrendering of our share in the Sangomar field - one of the world's greatest oil discoveries - for cents on the dollar. Unbelievably, even after the spectacular failure of the recent Bambo well[2], current management wants to keep drilling – at huge cost to shareholders, but at almost no financial risk to management themselves.[3]

This blundering dissipation of shareholder capital must end, today. As I will demonstrate, there remains ample and realizable value in our Company – *as much as two to three times recent traded prices* – if FAR's remaining assets can be responsibly liquidated and wasteful overhead expenses cut. It still beggars belief, for example, that a company of FAR's limited scale, with zero operating businesses or revenues, spends ~US$500,000 per year on office rents in Collins Street, Melbourne.[4] Such frittering away of valuable resources has gone on far too long. It is now time for a new direction.

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[1] See Bidder's Statement here: https://far.live.irmau.com/irm/PDF/ad2044fa-f44b-4f22-b6bf-43ad8c7f4d63/Bidder39sStatement

[2] See, for example, 'FAR shares smashed on Gambia wildcat failure,' Australian Financial Review, December 23, 2021. https://www.afr.com/companies/energy/far-shares-smashed-on-gambia-wildcat-failure-20211223-p59js7#:~:text=Shares%20in%20junior%20oil%20explorer,more%20than%201%20billion%20barrels

[3] Total Board stock ownership is just 353,200 shares. See p.7, 2021 Half Yearly Report. https://far.live.irmau.com/irm/PDF/dc09c919-ee4a-4039-bab7-e82ed6433e68/HalfYearlyReportandAccounts

[4] See Note 15 in the Half-Yearly Report (ibid, p.28). Almost the entirety of lease expense (US$265k in 1H) related to 'head office premises.'

I believe that many shareholders share my view. So much is obvious from the fact that since the announcement of the STAM takeover bid, 17m shares of the Company have traded at or above the offer price of $0.45 per share – that is, ~17% of the entire company.[5] With the spectre of STAM's bid and intentions in the background, these are not votes for the *status quo* - quite the opposite, in fact. I have spoken with a good many of these new shareholders, in addition to pre-existing investors, and I can confidently state that *at least 30% of the register would support an orderly wind-up and liquidation of the company's assets, today, in preference over any other course of action proposed by current management*. I believe this supportive percentage continues to grow, day after day, as every share traded at current prices is likely a vote in favour of capital returns.

As the Board's mandate shifts from exploration to wind-up and capital return, and based upon the evidence of recent history, Ms Cath Norman is simply not the choice to guide our Company through an asset sale and wind-down process. As a result, *I am calling upon the Board to remove her from her role as Managing Director*; immediately return the bulk of net cash on balance sheet through a highly-accretive tender offer for the Company's stock; and ultimately shepherd an orderly disposal of all FAR assets to the highest bidder. As I will demonstrate, such a route will result in *~100-200% upside for existing shareholders*, and presents the only realistic, bankable option for our Company.

I would remind the Board that their fiduciary responsibility binds them to act in the best interests of all shareholders, and would enjoin them to consider my proposal with alacrity. Absent a public commitment to protect our capital via this change in strategy, I imagine like-minded shareholders would nonetheless propose an entirely new Board for consideration at the upcoming AGM, to accomplish a similar result.

FAR has been grossly mismanaged for years

Before outlining my proposal, let me briefly recapitulate the state of events that has led FAR to the position it is in today. Ms Norman was appointed Managing Director of FAR in November, 2011, in connection with FAR's acquisition of Flow Energy.[6] Since that appointment and through December, 2021, FAR has raised a total of A$453m across eight separate equity raisings[7], and paid Ms Norman gross compensation of A$7.5m[8], yet shareholders' total return in this time is negative 65% (inclusive, naturally, of the A$0.80/share capital return paid out last year).

[5] According to Yahoo Finance, see here: https://finance.yahoo.com/quote/FAR.AX/history?p=FAR.AX. This likely understates actual traded volume given off-exchange volumes, etc. In total, I believe >25% of the float has actually traded since the STAM bid.

[6] See Flow Energy/FAR merger presentation, September 9, 2011, here: https://www.asx.com.au/asxpdf/20110922/pdf/4217jcr51lmdjp.pdf

[7] See Appendix A

[8] See Appendix B

Notwithstanding the one capital return of A$80m – itself only the result of a bitter shareholder backlash[9] - the last ten years have been characterized by woeful misallocation of resources in both the buying (Kenya, Guinea-Bissau) and the selling (Sangomar) of assets, and fractious relations with key partners (the Woodside arbitration debacle), the result of which is the situation we find ourselves in today.

Recent events in particular serve to demonstrate current management's many failings. First, the handling of the Sangomar sales process was an abject and unmitigated disaster for FAR shareholders, and despite the difficult circumstances under which it occurred, a far superior outcome could have and should have been achieved. Two egregious, unforgivable errors were made during these crucial proceedings. Firstly, *the Sangomar interests were originally agreed to be sold at an 80% discount to then-NPV10 to an unaffiliated third party* (ONGC), instead of to the Operator, major shareholder and most natural buyer – that is, Woodside.[10]

Since Woodside had a 'pre-emption right' to match any sale, it made no sense to shop the asset to an unaffiliated third-party who knew nothing about the field (thus limiting true price discovery) and likely wouldn't be allowed to buy in anyway. All this third-party negotiation did was set a lower clearing price, since under the pre-emption right, Woodside could simply step into ONGC's shoes and extract the same terms (fire sale though it was). Of course, this is exactly what they did.[11]

How much of a disaster was this sales price? Back in 2016 – when the Sangomar field was obviously far more risky than today, and when oil prices were a lot lower, in the mid-$40s – Woodside acquired Conoco's 35% interest for a total consideration of US$430m.[12] Simply selling out at the same price back in 2016 would have resulted in US$184m of net proceeds to FAR; grossed up at 3% (for inflation), the real return to FAR shareholders in today's terms would have been $213mm, or *>70% higher than what FAR shareholders ultimately received five years later* – and measured of course against a far lower base of shares outstanding (given subsequent dilution).

But if this were not bad enough, the terms of the transaction FAR ultimately received were *substantially* worse than those Woodside granted to another Sangomar 'forced seller', Cairn Energy. Cairn monetized their own 40% interest in the fields at a much higher valuation (US$525m for 40%, ie $1.312bn implied value) than FAR received (US$126mm for 13.7%, ie

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[9] Then-significant shareholder, Allan Gray, was quoted saying, 'The blatant disregard for shareholders' wishes is unbelievable…we want our money back.' This was in specific regard to the lack of sufficient capital returns from the Sangomar sale. See 'FAR faces shareholder revolt', Australian Financial Review, June 22, 2021. https://www.afr.com/companies/energy/far-faces-shareholder-revolt-20210622-p583ag

[10] NPV10 net to FAR was marketed as US$ 540mm as per this December 2019 presentation, slide 15: https://www.asx.com.au/asxpdf/20191212/pdf/44cj9d4m20366l.pdf. The original sale agreed with ONGC contemplated US $111mm for FAR's total stake in Sangomar, hence an 80% discount to the $540mm NPV10 number promulgated in back when oil prices were in the mid-$60s/barrel. See here for the ONGC sale announcement: https://www.asx.com.au/asxpdf/20201111/pdf/44pqzb0738461x.pdf

[11] Woodside exercised its pre-emption right three weeks after the ONGC transaction was announced (December 3, 2020). See Woodside announcement here: https://www.asx.com.au/asxpdf/20201203/pdf/44qlyjy7th778r.pdf

[12] See Woodside announcement here: https://www.asx.com.au/asxpdf/20160714/pdf/438kmy4c4qgtlt.pdf

$919m implied) – despite owning the exact same asset, merely in differing percentages.[13] FAR thus received both a huge discount to 2016 valuations for a now-derisked asset, AND a steep haircut to what an equivalently-stressed seller, under similar circumstances, achieved at essentially the same time.[14]

In sum, the disposal of Sangomar at agreed terms was an unmitigated calamity for all FAR shareholders. Responsibility for this outcome rests principally with Ms Norman, and we are left to wonder if management's refusal to negotiate directly with Woodside was simply the result of spite (as Woodside had won an arbitration hearing years ago when they acceded to ConocoPhilip's 35% stake in Sangomar, over the objections of FAR at the time).[15] Regardless, the damage from this misplayed hand was felt not in management's own pocketbook – given the lack of substantially share ownership - but that of FAR shareholders.

The second, and arguably even less forgivable, of management's recent blunders was the return of just A$80m of capital to shareholders last year. As mentioned, Sangomar net proceeds were US$126m (approximately A$176m), with another US$55m to potentially come from the earn-out post-production.[16] Why was the full cash amount not returned to shareholders posthaste? FAR had raised a total of A$203m in equity capital in two separate transactions (in May'19 and December'19), in both cases of which the expressed use of proceeds was FAR's share of funding requirements to get Sangomar to first oil.[17] But with Sangomar sold, why was the full amount not promptly returned? FAR management had received a limited mandate from investors to deliver the Sangomar project - *and only that project*. As other investors have rightly protested, our leadership did not have 'carte blanche' to spend the money chasing new oilfields.[18]

Given such feckless leadership, it should come as no surprise that the shareholder register is rapidly changing and clearly no longer supports current management's agenda for the Company. Whilst I cannot speak to STAM's specific intentions with their bid, ascertaining their cost basis and having given consideration to the specifics of their Bidder's Statement, it seems quite likely they intend to wind down the company, sell all residual assets, and return all capital to shareholders – a laudable plan and one I would wholly support.

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[13] See Woodside's announcement regarding the Cairn Energy transaction here: https://www.woodside.com.au/docs/default-source/asx-announcements/2020-asx/woodside-completes-sangomar-acquisition-from-cairn.pdf

[14] The Cairn transaction was first announced in September, 2020 and closed in mid-December; meanwhile FAR announced the ONGC transaction in mid-November, and Woodside stepped in via pre-emption in mid-December. During this time oil prices were actually rallied, from the low-$40s/barrel to ~$50/barrel.

[15] Woodside won the arbitration hearing announced in February, 2020; FAR had previously initiated arbitration proceedings back in 2016. See here: https://www.asx.com.au/asxpdf/20200214/pdf/44f32v8zt0qycf.pdf

[16] See here for the announcement of final cash proceeds from the Sangomar sale: https://www.woodside.com.au/docs/default-source/asx-announcements/2021-asx/woodside-completes-sangomar-acquisition-from-far.pdf

[17] See 2 May 2019 announcement here: https://www.asx.com.au/asxpdf/20190502/pdf/444sgtqwx7hjcr.pdf, and 12 December 2019 deal presentation, p.5 here: https://www.asx.com.au/asxpdf/20191212/pdf/44cj9d4m20366l.pdf

[18] See 'FAR faces shareholder revolt,' Australian Financial Review, 22 June 2021. https://www.afr.com/companies/energy/far-faces-shareholder-revolt-20210622-p583ag

But even if the STAM bid does not succeed as currently structured, the time has come for a new approach to maximize value for shareholders.

The path forward

Despite all past failings, I believe considerable value remains within FAR today – value that should be swiftly delivered to all shareholders and not squandered on the endless pipedream of wildcat drilling, or frittered away on Collins Street rents. In a simple liquidation scenario alone, I believe the **Net Asset Value of FAR shares today is ~A $1.07 on an NPV basis or $1.28 on a gross value basis**, depending on how we value the Woodside earn-out.[19] Importantly, *this accords zero value* to any of the residual drilling licences and permits in West Africa that may be sold or otherwise monetized as part of the below prescription for the Board, meaning there is certainly scope for upside from these figures.

Nonetheless, in order to extract and enhance this latent value for the benefit of all shareholders, the Board should promptly:

- request Ms Norman's immediate resignation;
- stop all discretionary spending and seek to exit all long-term company liabilities such as leases, unmet drilling commitments, etc – even if it means giving up drilling/exploration rights;
- conduct a tender offer for >50% of the Company's shares using net cash on hand;
- negotiate with Woodside for an early settlement of the earn-out obligation (or otherwise monetize this via a third-party sale);
- commit publicly that no further shareholder capital will be spent drilling in The Gambia, Guinea-Bissau, or elsewhere (or on acquiring other assets through M&A);
- negotiate with Petronas to sell FAR's 50% stake in The Gambia exploration blocks;
- either sell-down or abandon the Guinea-Bissau licenses (which require an expensive exploration well to be drilled by 2023);
- and ultimately proceed with a formal wind-up of the company and all its residual affairs (and/or seek to sell the company *in toto* via a formal sales process).

Please see ***Appendix C***, attached herein, where I unpack my sum-of-the-parts valuation, and explain the rationale and valuation considerations behind each of these steps. Simplistically, and disregarding any other value-additive steps, **merely tendering for 50% of the shares at say $0.75 per share, would increase Net Asset Value to $1.39-$1.81** (on an NPV basis or gross basis, respectively), accreting gargantuan value for shareholders. And again, I accord no value in this number for potential recovery of cash value in any of the remaining drilling licences; nor any control premium from a potential full sale of the company.

With the stock at $0.66 today, I contend that achieving a further ~100-200% upside is not only the highest and best course of action at this stage for all shareholders – and thus the prerogative of the Board, cognizant of its fiduciary duties – but that it really is the only choice. Because absent the Board willingly pursuing what is right, fair, and frankly long, long overdue, this pivot

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[19] See Appendix C for a fulsome analysis of FAR equity value.

will ultimately be made for them, as I would expect similarly-minded shareholders newly on the register to present resolutions to this effect at the next shareholders' meeting.

Lest you consider my shareholding too small to warrant a response, I would simply point out that my shareholding exceeds that of all three Board members combined, by a factor of five. You should also not mistake the modest nature of my holding for a lack of conviction, or willingness to fight tenaciously on behalf of minorities against recalcitrant management. During my last campaign, in April 2021, I wrote to the board of Hunter Douglas, N.V. - a EUR 6 billion market capitalization, Dutch-listed company - protesting the expropriation of minority shareholders by the majority owner through a wholly inadequate takeover bid at EUR 62 per share. The bid price was subsequently raised to EUR 82, but thereafter abandoned due to mass rejection; and less than six months later the business was sold to a third-party for EUR 175 per share. This outcome delivered over EUR 500m of value to otherwise-neglected minorities.[20]

I leave it to the Board to choose whether they wish to be seen publicly endorsing abysmal governance and a lack of accountability for chronic failure, or proactively searching for remedies. I remain at the Board's disposal to discuss any and all these issues in greater depth, and can be reached at jeremy@rapercapital.com.

Yours sincerely,

Jeremy Raper

[20] Please see here for my initial and subsequent letters to the Hunter Douglas board: https://rapercapital.com/engagement-campaigns/

Appendix A

Ms Cath Norman total compensation, 2011-2021E[21]

Year	Remuneration (AUD)	Notes
2011	25000	
2012	877500	
2013	669400	
2014	645075	
2015	737628	
2016	949448	
2017	909552	
2018	835954	
2019	788176	USD converted to AUD at 0.71
2020	732789	USD converted to AUD at 0.71
2021	366197	estimated from 1H filings
Total gross =	**7536719**	**A$7.5m gross over 10 years**

[21] Compiled from annual Remuneration Reports, 2011-2020. CY21E estimated from 1H filings.

Appendix B

Equity capital raisings conducted under current management[22]

Date	Amount (A$ m)	Notes
Mar-12	15	
Jun-14	8	
Oct-14	46.7	
Oct-15	40	
Apr-16	60	
Apr-17	80	
May-19	45	UoP Sangomar development
Dec-19	158	UoP Sangomar development
Total raised =	**452.7**	

[22] Compiled from Company announcements, 2012-2019.

Appendix C

FAR equity sum-of-the-parts valuation framework and value creation scenarios

Per below, almost all the value residing in FAR equity today consists of net cash on hand (after deducting residual Bambo-1 well expenses, other committed exploration, and corporate G&A), and the earn-out consideration from Woodside due over the next 2-3 years:

	Gross	Discounted	Notes
Cash on hand	55.6	55.6	per 4Q Quarterly Activities Report
less residual Bambo-1 costs	-15.3	-15.3	being paid in Q1'22
less other committed exploration	-2	-2	estimated next 1-2 quarters
less corporate G&A	-2.5	-2.5	$850k per quarter, estimate 3 quarters
Adjusted net cash (US$m)	**35.8**	**35.8**	
Adjusted net cash per share (A$)	*$0.51*	*$0.51*	convert at 0.71 FX
Woodside earn-out consideration (US$m)	**55**	**40.1**	assuming 10% DR, mid-2023 first production,
Woodside earn-out per share (A$)	*$0.78*	*$0.57*	100k bopd run-rate, and Brent oil >$70/bbl
Total value to FAR shareholders (US$m)	**90.8**	**75.9**	
Total value per FAR share (A$)	**$1.28**	**$1.07**	excludes any value from licences or control premium

Note, I have conservatively accorded zero value to any potential proceeds from selling down interests in the Company's residual The Gambia, Guinea-Bissau, or Australian exploration licences. Even so, **I arrive at a valuation of $1.07 - $1.28 per FAR share**, depending on whether you consider the numbers on a gross or NPV basis (to account for the delayed and riskier nature of the Woodside earn-out).

The key valuation consideration is clearly the treatment of the Woodside earn-out. It may be debated whether a 10% discount rate is plausible for an earnout on a field not yet in production. But Woodside is a premier operator; the cost of this incremental earn-out is irrelevant to the scale of returns from the field; and Sangomar is slated to come online in just over a year. Furthermore, the earn-out clock only starts 'ticking' when first production occurs, and exists until 2027, so it is largely derisked from incidental delays. Most importantly, the Brent futures market for end-2024 is already north of $70, *meaning any financial buyer of this earn-out is readily able to fully hedge the price risk and simply take execution risk on the field ramping production*.

Frankly, with this operator, and with a three-year period to collect, and able to hedge most all price risk today, I believe a 10% discount rate is fair. In any case, even if you used 15% discount rate, the implied fair value for FAR stock would still be $0.98 (versus $0.65 today).

Further value creation through an aggressive tender

Given the lack of operating assets and considering the substantial discount to NAV at which FAR equity continues to trade, the Board should promptly tender for a large portion of shares at a premium to current levels. Such a move would immediately create huge excess value for shareholders, as outlined below:

	Gross	Discounted	Notes
Shares outstanding (m)	99.8	99.8	
Cost of tendering for 50% of shares at $0.75 (A$m)	37.425	37.425	buy back half the company at 75c a share using excess cash
Tender cost (US$m)	26.57175	26.57175	using 0.71 FX
remaining shares	49.9	49.9	
Remaining gross value (US$m)	64.23	49.33	using SoTP math from previous
Post-tender total value per FAR share (A$)	**$1.81**	**$1.39**	30-41% accretion in value per share through the tender

That is to say, simply tendering for half the stock using excess cash, at a reasonable premium, would create **an additional 30-41% upside (from the standalone SoTP) for shareholders** – whilst removing capital allocation risk. Importantly, even in a scenario where we discounted the Woodside earn-out much more aggressively – for example, at 20% instead of at 10% - this argument would still hold.

This is clearly the highest and best use of Company cash.

Exiting the remaining exploration assets and upside optionality

Beyond the Woodside earnout, FAR has exploration licences in The Gambia, Guinea-Bissau, and Australia's North-West shelf. Since the Australian assets have been up for sale for quite a while (with no likely bidders), and have a 'drill or drop' obligation on the licence through early 2023, I will consider them worthless.[23]

Guinea-Bissau

FAR possesses a 21.43% Working Interest in three exploration blocks in Guinea-Bissau. However, FAR is not Operator on these blocks, and is therefore contingent upon PetroNor (the Operator) to progress exploration – something that has been promised but has not happened for years. As early as 2015, FAR was promising an exploration well to be drilled in Guinea by 2016; this has not eventuated, due to a variety of macro and micro problems. PetroNor is, like FAR, a tiny company – current market capitalization is US$145m – and Guinea-Bissau recently went through an aborted coup attempt, underscoring the geopolitical difficulties of the region. Any exploration well is likely to be prohibitively expensive (given the Company's recent experience of cost overruns in The Gambia), and moreover must be delivered by October 2023, or the licences will be surrendered.[24]

In sum, any further commitment of capital, in any form, to the Guinea-Bissau assets must be halted. I recommend the Board immediately seek an exit from its Guinea-Bissau assets, either via

[23] See p.3 of the December'21 Quarterly Activities Report.
[24] See p.2 of the December Quarterly Activities Report: "The…licences in Guinea-Bissau have been extended for 3 years and are valid until 2 October 2023, during which time there is an obligation on the Joint Venture to drill a (sic) exploration well."

a complete sale to PetroNor (accepting PetroNor equity *in specie* if necessary), or otherwise relinquishing its development rights under the licence.

The Gambia

FAR holds a 50% interest, and is Operator, of two exploration blocks in The Gambia (A2 and A5), areas that contain similar geological characteristics to the offshore Senegal interests that turned into the Sangomar project. Unfortunately the recently-drilled Bambo-1 well - delivered at a net cost to our Company of over US$28m! - did not discover any moveable oil. Whilst these outcomes are sometimes a reality of wildcat drilling, current management's insistence on pursuing further costly drilling, despite this unmitigated failure and the now-diminished resources of the Company, is at this point simply foolish.[25]

The other 50% owner, Petronas (Malaysia's state-owned oil company) is far better resourced and capitalized to pursue what will now ultimately be many, many more years of costly struggle to get any value out of these assets. Our Company should immediately negotiate to sell out our 50% interests and relinquish our status as Operator, either to Petronas (first and foremost) or failing that by putting up the stake for sale to the highest bidder. Whilst the value of these blocks is now clearly debatable, even a token US$10-$20m cash to FAR shareholders – the true owners of the Company – would be a superior return, and would at least safeguard the cash we have today for more accretive uses like a buyback.

[25] As evidenced by management's commentart in the December Quarterly Activities Report, p.1: "FAR remains highly encouraged by the data collected in the Bambo drilling program and its implications for potentially large oil accumulations…which FAR current has under licence with its partner, Petronas. FAR is accelerating the evaluation of the well results and looks forward to announcing a revised plan for exploration in the area in the coming months.'