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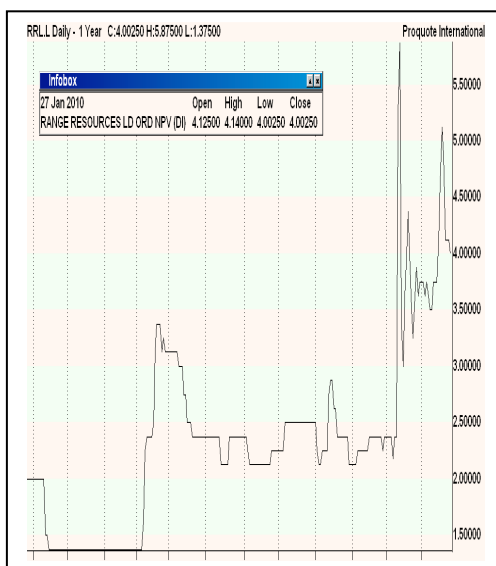
Speculative Buy

3.875p

Market Cap. *£23.4m

Range Resources is a dual listed AIM and ASX oil and gas exploration company with interests in the frontier state of Puntland Somalia, the Republic of Georgia and Texas, USA. Both of the latter opportunities were undertaken during 2009 to diversify and strengthen the company's portfolio. This is a highly speculative and hence a high risk investment. On 5 January 2010 the company announced a rights issue to raise A\$7.57m (gross) and as part of its financing requirements a placement raising A\$2m to institutional and sophisticated clients, part of which will be issued to these clients in the UK. On 27 January, Range announced that due to interest from the institutional and sophisticated UK clients, it has received additional commitments for a further placement of 30m shares at 2.9p which is subject to shareholder approval.

- In Putland, an autonomous state within Somalia Range holds a 20% working interest in two Production Sharing Agreements (PSAs) for the Nugaal and Dharoor Blocks with Africa Oil 65% operator planning to drill two wells in 2010.
- In the Republic of Georgia, Range holds a 50% farm-in interest in two oil and gas blocks in the central portion of Georgia covering approximately 7,000 sq km. To earn the interest, Range is currently undertaking a 350km 2D seismic program.
- Range also holds a 25% interest in the North Chapman Ranch project, Texas. This project area covers approximately 1,680 acres in what has been described as one of the most prolific oil and gas producing trends in the State of Texas. Drilling of the first well has resulted in a commercial discovery with the site being built up further in readiness for the production equipment to be installed and production to commence. Updates will be provided and is due to commence in February 2010.
- The one for four fully underwritten rights issue announced on 5 January will raise A\$7.57m (gross). As part of its ongoing financial needs for Georgia and Texas the company has raised additional funds via a placement with institutional and sophisticated investors.



*Shares in issue	606,381,325
Post rights & placing (max)	757,976,657
AIM Ticker	RRL
52 week high/low (p)	7.0/1.0p
Price spread (p)	3.75/4.00
NMS	20,000
Analyst	Trisha Reay
27 January 2010	

Important Notice

This is a marketing communication. The report has not been prepared in accordance with the FSA rules on independent research. See also page 9.

Year end 30 June	Revenue \$	LBT \$	Consolidated Loss \$	Loss per share (cents)
2008A	501,452	-11,535,733	-13,339,473	-7.40
2009A	155,016	-7,383,066	-8,523,198	-3.86

Dual listed - interests in Puntland, Georgia & Texas

Background and Country Profile

Range Resources is a dual listed AIM and ASX exploration company with interests in Puntland, an autonomous state within Somalia, Republic of Georgia and Texas, USA. During 2009, both of the latter working interests were obtained in order to diversify the company’s oil and gas portfolio.

Somalia



Source: Company

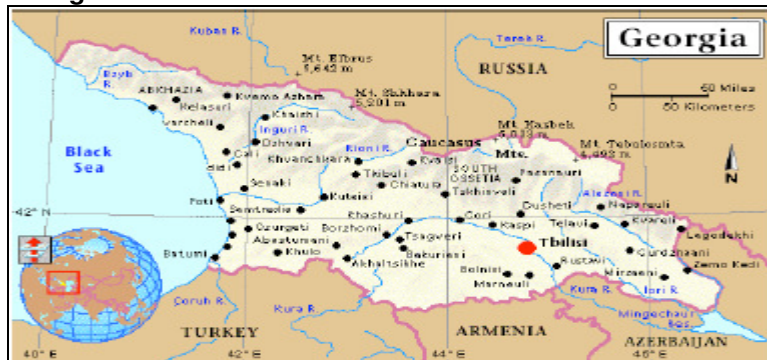
Puntland country profile...

Somalia is located in the most north eastern part of Africa known as the ‘Horn of Africa’. The Democratic State of Puntland is situated in the north eastern sector of Somalia and according to the company, Somalia and particularly Puntland, remains one of the last under-explored countries that have high potential for vast reserves of hydrocarbons.

...political & legal risk awareness & backdrop

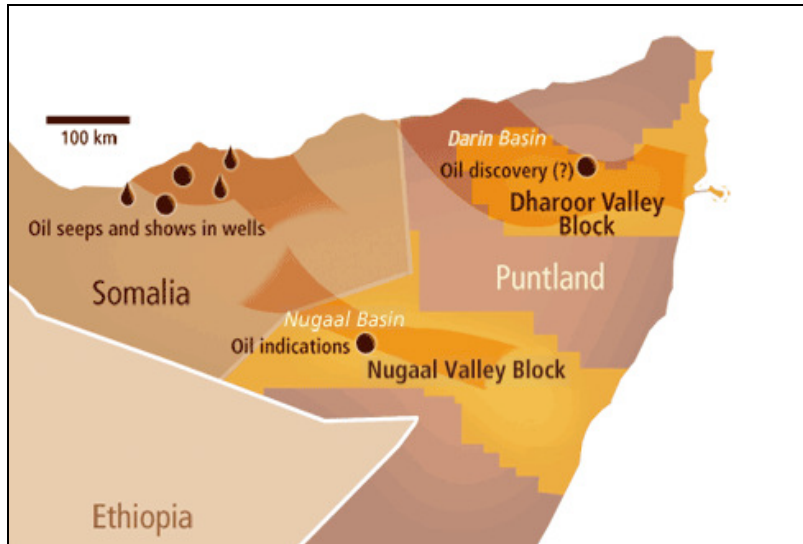
Range has noted that in terms of assessing Puntland’s political and legal risk, elections have been held since 2001 with a relatively stable political infrastructure. The January 2009 elections were peaceful and respected by all. Range has a ‘constructive relationship with the new government’. Recent changes in the political control of southern Somalia have not extended into Puntland. The comparative stability in the latter is in the main a reflection of the clan loyalty system which plays a big part in Somalia’s political system. The major risk currently is with the terrorist arm of the Islamic Courts (Al Shabaab).

Georgia



Source: Company

<i>Georgia restructure/growth after 2003...</i>	After the Rose Revolution in 2003 the newly democratically elected government focused on developing its political and economic systems to Western European standards. This resulted in a restructuring of the Georgian Energy Industry and the formation of the State Agency for the Regulation of Oil and Gas (SARROG). The latter held its first open democratic tender for licence areas in June 2006 and the structural reforms generated rapid growth in the period from 2004 until mid 2008.
<i>...but 2008 conflict plus global economic downturn & response</i>	However, the double shocks arising from the South Ossetia August 2008 conflict with Russia, (cease fire agreement 13 August); with Georgia returning to a state of civil order was then followed by the global economic downturn. This resulted in a number of shocks to growth and stability which the Georgian authorities responded with a macro-economic policy mix aimed at mitigating the consequences. Indeed, the World Bank in its 'Doing Business Report' 2009 ranked it 15 th out of 181 economies and it has been among the top 10 reforming countries for the last 4 years.
<i>Background profile & strategic crossroad</i>	Range in its July RNS announcement on the Georgia deal provided some background in terms of its infrastructure as follows. Located at the crossroads of Europe and Central Asia, Georgia's three major oil and gas pipelines, Black Sea ports, well-developed railway systems, together with its airports are playing an increasingly important role, linking East & West. The Georgian Railway, one of the crucial links in Eurasian transit, serves as a short-cut between Europe and Central Asia and now directly links to the railway systems of Armenia, Azerbaijan and Russia. Georgia also plays an important role as a strategic crossroad for hydrocarbon transit in the Caspian region with three major pipelines crossing the country.
	According to the World Bank, recent investments in oil exploration have indicated significant oil and gas potential and Range has noted that widespread oil discoveries along the Achara-Trialet frontal folds indicate the presence of a working petroleum system from the Black Sea to the Kura Basin.
<i>Texas favourable backdrop</i>	<p>Texas</p> <p>There is a favourable operating and regulatory environment and it is regarded by the company as mitigating the perceived political risk associated with its other exploration projects.</p>
<i>20% working interest ...</i>	<p>Portfolio Base</p> <p><i>Puntland</i></p> <ul style="list-style-type: none"> ▪ 20% working interest with Africa Oil Corp. (ASX: AOI) – 65% operator and Lion Energy (TSX-V: LEO) 15% on two basins, Nogaal and Dharoor. US\$30m spent to date. ▪ The two blocks/basins cover an area of 81,000 sq km and are situated in the Nugaal and Darin Mesozoic basins. ▪ Africa Oil notes that the Mesozoic basins are interpreted to be extensions of the Marib-Shawba and Sayun-Masila Basins of Yemen. ▪ Shared exclusive rights to all strategically identified regions for onshore and offshore oil and gas. ▪ A revised production sharing agreement (PSA) in December 2009 now provides an extension of the initial exploration periods from 36 months to 48 months with a revised expiry of 17 January 2011, for the two blocks. In addition, Africa Oil can, at its option, drill one exploratory well in each of the Nugaal and Dharoor Valley exploration areas, or two exploratory wells in the Dharoor Valley during the initial exploration period. ▪ Government ratification of the onshore PSA was received in December 2009 with Africa Oil planning to spud the first well in mid 2010, the first onshore well in over 16 years. ▪ Offshore seismic/well database recently completed which has identified the best potential reservoir/source rock targets. ▪ New management and Range will work with the Puntland government to bring in joint venture seismic partners and undertake offshore licensing round. ▪ No piracy has occurred in the Puntland waters with escorted vessels utilised as appropriate security.
<i>...Africa Oil planning to spud first well in mid-2010</i>	



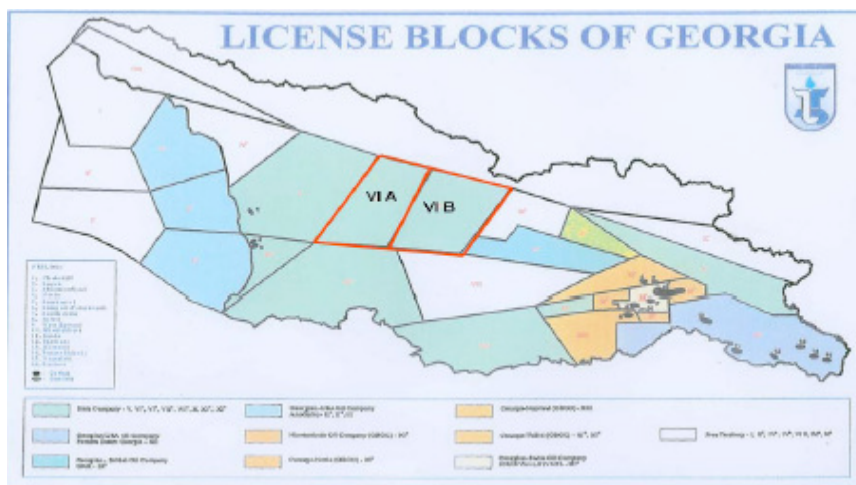
Source: Africa Oil website

50% farm-in interest in onshore blocks ...

...to earn interest 2D seismic program underway

Georgia

- 9 July 2009, Range signed Heads of Agreement with Strait Oil & Gas Ltd to acquire a 50% interest in two key oil and gas blocks (VIA and VIB) in central Georgia.
- The terms of the JV include the issue of 70m shares and 70m listed options to Strait Oil in 3 phases.
- To earn the 50% interest, Range will complete Phase II under the relevant PSA which consists of a 350km 2D and 3D seismic and well selection – approximately US\$5m.
- PSA is initially a 50:50 production split with the Government through the cost recovery period after which it reverts to 65:35.
- The blocks cover a contiguous area of 7,000 sq km (approx 10% of the surface area of the country) and were subject to significant exploration during the Soviet era.
- Range stated in July that in addition to the oil potential of the two blocks there were numerous prospective gas fields, which include highly prospective natural gas and coal bed methane targets.
- The 350km 2D seismic program is now underway with completion targeted for Q1 2010 followed by interpretation and identification of drillable targets scheduled for Q2.



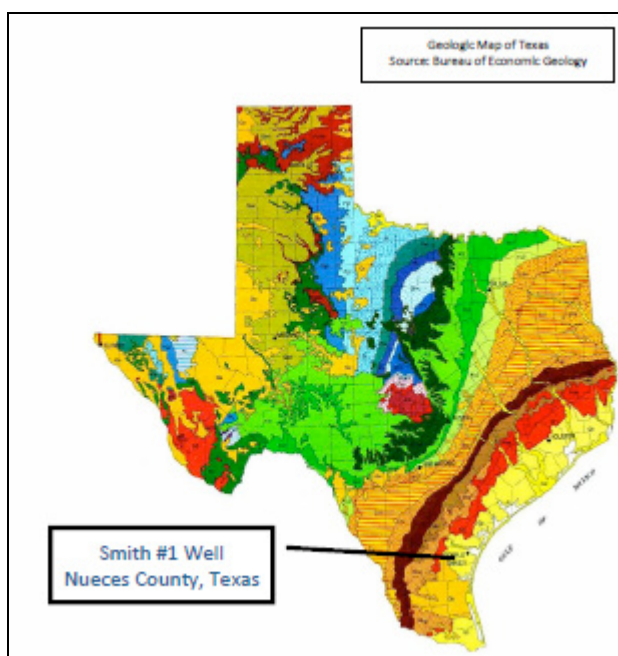
Source: Company

25%
interest in
North
Chapman
Ranch
project...

...drilling
resulted in
commercial
discovery

Texas

- 16 September 2009, Range signed an exploration/development agreement with the US based private oil and gas company, Crest Resources Inc. to acquire a 25% working interest in the North Chapman Ranch project located in Nueces County.
- North Chapman Ranch is located in the prolific Frio producing trend just North of the Chapman Ranch in the Mobil David and Doughty Fields.
- Low entry cost – Range drilling cost of Smith No. 1 well (A\$1m) and in the event of a discovery costs to production of A\$350,000. The low cost relates to the significant infrastructure e.g. pipelines already in place.
- Project area encompasses approximately 1,280 acres and on 21 December the partners announced the purchase of additional acres bringing the total to 1,680 acres.
- 21 December 2009, confirmation of a commercial oil and gas discovery. The Smith No. 1 well was drilled and logged to a depth of 4,260m and during a short test, achieved an average rate of 2.4 million cubic feet of gas and 191 barrels of oil per day with no water.
- The well was shut in awaiting production facilities and pipeline connection. Current plans are to perform additional testing of the well into the sales line and finish the completion at that time.
- Further test data (including reservoir size and reserve figures) will be released once completion operations are finalised.
- 27 January preparations underway to move in production equipment. Following recent heavy rains, the site has been built up in readiness for the production equipment to be installed and production to commence.
- Further updates as to the Smith well progress towards first production will be provided with production due to commence in February 2010.
- Range can limit its exposure to the Smith No. 1 well or continue with its participation interest in the exploration area which is targeting a range of 80-200 billion cubic feet (BCF) of gas and 1-2mmbbls of oil.



Source: Company

2009 and 2010 Recent Newsflow

14 December 2009, Range and Africa Oil amend the PSA terms in respect of the Dharoor and Nugaal Valley blocks. Range also confirms seismic program commencing in Georgia.

21 December 2009, Range confirms oil and gas discovery in Texas and Puntland's PSA changes are ratified by the government.

Financials

Reduced loss...

On 24 September 2009 Range released its annual report and accounts for the year to end June 2009. These showed a consolidated loss for the economic entity of \$8,523,198 (2008: \$13,339,473). Net assets fell by \$3,414,411 to \$80,871,375 in the period largely as a result of the divestment of its Western Australian tenement assets.

...auditor note of further funds ...

As a result of the company's accumulated losses, its auditor's noted in the 2009 accounts that whilst not qualifying their opinion, Range would have to seek further funds or sell assets to continue its activities. In addition, the auditor's noted uncertainty as to the recoverability of the deferred exploration and evaluation expenditure assets. This is because recoverability is dependent upon the successful development and commercialisation of the underlying areas of interest or their sale.

...two fundraisings in 2009

Range completed two fundraisings, one in March 2009 via a rights issue of \$1.5m and unlisted options which were exercised raising a further \$1.5m. After the year end, Range raised \$3.5m in September 2009 to fund the initial requirements of the Georgia deal, Puntland operations and working capital needs.

Management

Sir Sam Jonah, Non-Executive Chairman

A director of various public and private companies including Vodafone Group. He previously worked for Ashanti Goldfields becoming Chief Executive in 1986 and is the former President of AngloGold Ashanti Limited, a former Lonmin director and a member of the Advisory Council of the President of the African Development Bank. He is an advisor to the Presidents of Ghana, South Africa and Nigeria.

Peter Landau, Executive Director

Senior team experience/ contacts

A corporate lawyer and corporate advisor he has project managed a significant amount of mining exploration and development transactions. He is a director of a number of ASX listed companies with a particular focus on mining, oil and gas development in Africa over the last 10 years.

Mark Patterson, Executive Consultant

Appointed in October 2008 through a consultancy agreement with Texas Energy Advisors LLC, a specialist energy advisory firm under which his services will be provided. He has over 25 years experience in the oil and gas industry.

Gregory Smith, Executive Consultant

Appointed under the same agreement as outlined above he has over 15 years of management experience in the oil and gas exploration industry.

Marcus Edward-Jones, Non-Executive Director

He has significant experience in worldwide institutional capital raisings for large resource projects in Africa having previously held senior positions at Bank Julius Baer Paris, (European equities) and UK/Continental European equity sales at Credit Lyonnais Laing.

Anthony Eastman, Non-Executive Director/Company Secretary

A Chartered Accountant with a number of years experience in both financial management and corporate advisory services.

Fundraising and Use of Proceeds

Rights issue to raise A\$7.57m & placement

On 5 January 2010, Range announced a rights issue to raise approximately A\$7.57m (gross). This was on the basis of a 1 for 4 at 5 cents (A\$0.05) per share and has been fully underwritten by Max Capital. In conjunction with the rights issue and as part of the company's ongoing financing needs for Georgia and Texas, a placement to institutional and sophisticated investors has been completed under the same terms as the rights issue to raise A\$2m.

The maximum number of new shares to be issued under the rights issue will be 151,595,332 and following completion of the rights issue the company will have a maximum total of 757,976,657 shares in issue.

Further placement

On 25 January 2010, the company announced that in respect of the above placement a portion of the fully paid shares would be issued to sophisticated and institutional investors in the UK. This was followed on 27 January with a company update that stated that following interest from sophisticated and institutional clients of Range's recently appointed UK Broker, Old Park Lane Capital, Range has received additional commitments for a further placement of 30m shares at 2.9p a share. The placement is subject to shareholder approval and the placement shares will not be eligible to participate in the company's 1 for 4 rights issue that is currently in progress.

Use of proceeds

The proceeds of the rights issue will be used as follows:

- Satisfaction of its JV obligations in Puntland.
- Completion of the acquisition and interpretation of seismic data and other exploration costs in relation to Georgia.
- Tie-in costs for the Smith No. 1 well, development costs for a second well and general exploration and development costs.
- Working capital.
- Expenses of the offer.

Key Strengths

- Diversification of portfolio with Texas interest helping underpin Puntland and Georgia projects.
- Experienced management team strengthened with the addition of Mark Patterson and Greg Smith in terms of sector and relationship/contacts.
- Africa Oil completed its 2D seismic program in Puntland's Dharoor Valley and Range has completed its offshore seismic/well database.
- Constructive relationship with the new Puntland government and is continuing discussions on jointly developing offshore Puntland with joint venture partners.

Key Weaknesses

- Geopolitical risks associated with Puntland and Georgia. Whilst the latter's government is currently stable, the country has a history of civil uprising. Puntland has experienced times of instability and armed conflict in the past, and more recently acts of piracy in its offshore areas.
- Small cap. stock/hence market value.
- Exploration and development are high risk undertakings. The company's prospects are at varying stages of exploration and there is no guarantee of commercial success.
- Ongoing activities will require funding, hence may need additional capital going forward.

Outlook for commodity prices both a strength and weakness as is newsflow.

Conclusion*High risk play*

This is a highly speculative and high risk investment play. However, the company's planned onshore drilling program in Puntland and the progress towards developing a joint exploration strategy with the government for offshore Puntland together with the Georgia and Texas farm-in interests are seen by Range as a significant step towards establishing it as a diversified international oil and gas explorer.

Economic Entity Financial Summary

Income Statement		
Year ended 30 June \$	2008A	2009A
Revenue	501,452	155,016
Other Income	10,743	27,147
Finance costs	-8,960	-8,441
Depreciation expense	-48,020	-40,964
Foreign exchange loss	-612,759	0
Write down of available for sale assets	-2,893,450	-2,552,750
Other expenses	-1,001,663	-1,522,219
Loss before tax	-11,535,733	-7,383,066
Tax	0	0
Loss from continuing operations	-11,535,733	-7,383,066
Loss from discontinued operations	-1,803,740	-1,140,132
Consolidated loss	-13,339,473	-8,523,198
Weighted average no. of shares in issue	180,181,839	220,759,312
Loss per share (cents)	-7.40	-3.86
Balance Sheet		
Year ended 30 June \$	2008A	2009A
Current assets	5,687,512	511,093
Non-Current assets	79,413,464	81,130,309
Total assets	85,100,976	81,641,402
Current liabilities	-815,190	-770,027
Net current assets/(liabilities)	4,872,322	-258,934
Total assets - current liabilities	84,285,786	80,871,375
Non current liabilities	0	0
Total liabilities	-815,190	-770,027
Net Assets	84,285,786	80,871,375
Cashflow Statement		
Year ended 30 June \$	2008A	2009A
Net cash outflow from operating activities	-3,172,389	-2,358,195
Net cash outflow from investing activities	-24,260,835	-4,143,342
Net cash inflow from financing activities	8,674,100	2,780,594
Cash at start of period	22,896,484	4,137,360
Cash at end of period	4,137,360	416,417
Decrease in cash	-18,759,124	-3,720,943

Core Activities

Dual listed on AIM and the ASX, an oil and gas exploration company with interests in the state of Puntland, Somalia, Georgia and Texas.

Financial Diary

Year end	June
Finals	September
Interims	March
AGM	November

Executive

Peter Landau	Director
Mark Patterson	Consultant
Gregory Smith	Consultant

Non-Executive

Sir Sam Jonah	Chairman
Marcus Edwards-Jones	
Anthony Eastman	Co. Secretary

Shareholders (1) & (2)

	%
Consort Private Limited	6.28
Citicorp Nominees Pty Limited	5.94
Computershare Clearing Pty Ltd	4.84
ANZ Nominees Limited	3.22

1. Source: Company as at 24 Sept. 2009

2. Pre-rights issue and placing

Disclosure List

- Author:** Trisha Reay, Analyst.
- Material sources:** Any facts historical or present relating to the Company, its senior management team or market conditions contained within this report have been obtained from public sources and sources of information that are made available to market professionals such as SVS Securities. The price quoted on page 1 of this report represents the mid price on 27 January 2010.
- Publication date:** 27 January 2010.
- Recommendations** During the 3 months ended 31 December 2009, 0 of SVS Securities principal recommendations have been on a *hold* basis and 6 of SVS Securities principal recommendations has been on a *speculative buy* basis.
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