

Range Resources^(RRL LN / RRS AU)

(4p/A\$0.06)

→ BUY

Company Update

Price target: → 25p/A\$0.39

Oil & Gas

19 December 2012

Year-End Roundup

Range's progress have been solid, with the disappointments of the exploration drilling in Puntland more than offset by developments on its Trinidadian assets, news of the sale of Texas and a new country entry in Colombia. **We are reiterating our 25p Target Price and BUY Recommendation.**

- Texas Disposal Almost Complete:** It has long since been Range's intention to focus on the higher impact Caribbean axis, with Trinidad as the core area, to begin with anyway. Consequently, the sale of its Texas asset is central to that theme, and with a minimum sale price of \$28mm, which could rise to \$40mm (depending on performance), not only fits with that approach, but will also provide added liquidity to allow the remainder of the portfolio to progress more expeditiously.
- Ultra-Shallow Drilling Progressing Well:** The Company's focus on the development of its resources base is the driving force behind the development of the ultra-shallow (<350ft) Forest production wells, which cost ~\$15m, and given the productivity will have short paybacks. The lack of seismic means that this production will not have any associated reserves but will improve cash flow. The Company estimates that 1.8mm bbl will be recovered from these wells. We estimate the net peak contribution to increased production will exceed 700bpd
- Morne Diabolo Development On Track:** 2012 has seen the Morne Diabolo licence progress well, with the work programme to date proving up the initial concept; recent wells have been modestly ahead of prognosis as initial production rates exceed initial expectations. The programme will now move into the execution phase, and with current programme expected to ramp-up through 2013, the 2014 exit rate target to achieve an additional 4.5m bpd looks solid.
- Beach Marcelle Ready to Go:** Save for the environmental permitting, the Beach Marcelle project has reached the execution phase. Once granted, the programme to re-pressurise the reservoir can start, and progress towards ~4m bpd of additional production can start.
- Wider Portfolio in Perspective:** Sitting with management, it has been clear that the assets in the remainder of its portfolio have been clearly ranked, with those assets in the Caribbean (Trinidad) and Latin America (Colombia) (the "CLA Assets") occupying most of management's thinking. As such, we believe that over time the CLA Assets will form the core of the Company's investment and production, with the other assets (Georgia and Puntland) being farmed out or exited, as is happening currently with the US assets.
- Reiterate Target Price (25p) and Recommendation (BUY):** with improvements in cash flow likely as the near-term drilling programme gets underway, and the benefits of its diversification strategy starts to become apparent, the Company is well based to not only generate sustainable cash flow from Trinidad, but use it as a platform for future growth. We are reiterating our BUY recommendation and 25p Target Price.

Stock Data

Share price:	4p/A\$0.06
12 month target: (from current price)	25p / A\$0.39 (579%/562%)
Shares in Issue:	2,358mm
Market Cap:	£87mm/A\$139mm

52 Week range

4p/A\$0.05 | 4p/A\$0.06 | 17p/A\$0.24

Price Chart (p)



(Gold: Performance of ASX shares – rebased to LSE price)

Valuation (per share)

Core & Development NAV	14p/A\$0.021
Total NAV	25p/A\$0.39
Price/Total NAV (x):	0.15x/0.15x

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Research disclosure as of 19 December 2012

Company Name	Disclosure
Range Resources	1, 2, 7 & 8

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