

18 May 2015

## **Letter from the Chairman to Shareholders and Investor Q&A**

### **Letter from the Chairman to Shareholders**

#### **Thriving in the face of adversity**

Dear Shareholders

I am writing this letter to all shareholders to offer my vision and insight into the future of the Company, its objectives and prospects, and in an effort to cement a long lasting partnership and support from all owners.

As we have learnt throughout the history of Range and its previous unsuccessful exploration campaigns in Puntland and Georgia, not all high risk investments result in high reward. Equally, not all business initiatives which start with good intentions result in success for various reasons and unquestionably Range had its fair share of misfortunes in the past. Being a significant private shareholder in Range myself, I fully sympathise with those investors who have encountered financial losses as a result of their own investment decisions. However, holding the new Board and management responsible for the poor historic performance of the Company, irrespective of their efforts and plans, would not help us in achieving our set goals.

The investment proposition of the Company has transformed significantly since the new Board has been appointed and Range is a different company today. Range has solid, low risk prospects, streamlined operations and a large exciting exploration upside to grow from. We are executing a bold and simple agenda – expand drilling activities, grow production and cashflows.

Since the present Board of Directors came on board a few months ago, despite the dire need of fresh capital and mounting losses facing the business, the progress made so far has been highly encouraging. We have driven efficiency and cost reduction by streamlining the scale and geographic footprint of our business. In the past months, our G&A costs have already shown remarkable reduction by 43% and we are striving to substantially reduce these costs across the Company. For the first time in Range’s history, following the sale of the drilling business, we have positive operating cashflows across the Group; we have successfully embarked on drilling campaigns on our three producing oilfields in Trinidad, which has already resulted in robust growth in production from the average of 500 bopd in December 2014 to 650 bopd in May 2015; and we continue to grow and expand our operational activities. Production added from the recently completed wells would have shown even a higher increase on the total production number, but some of the newly added production was offset by declines in production from the old wells.

The drilling programme in Trinidad has already commenced, with the funding available from the extended 12 month credit facility with LandOcean. In addition, following the sale of the drilling business, Range will have access to additional four brand new drilling rigs, which will be arriving in Trinidad later this year. The sale has allowed the Board and management to focus their time and resources on efficiently running Range's upstream assets and growing production. None of this would have been possible without our supportive strategic partner LandOcean.

We are also commencing exploration operations on the two highly prospective St Mary's and Guayaguayare blocks, and will make a separate announcement on the progress in the coming days. We believe Range is the only independent operator to be undertaking large exploration programmes onshore Trinidad during the current challenging environment.

Building a successful business is not driven just by one single event. It is a gradual process that happens over time. As Winston Churchill once said, "Continuous effort - not strength or intelligence - is the key to unlocking potential." The oil price environment has added to the uncertainty, which has impacted our ability to secure the funding in the previously envisaged timeframes. However, war is not lost because of a single defeat and we continue to focus on our objectives. Please be assured that your management team is working very hard on executing a new financing, and I ask all shareholders to remain patient until it is finalised and announced.

Whilst we share your concern relating to possible delisting of the Company from AIM, I would like to reassure all investors that it is very much our intention to resume trading as soon as we are able to do so. We are committed to continuing growth as a listed company, and once the funding is secured and our goals are gradually realised, our objective is to commence a process of transition from AIM to the main market of the London Stock Exchange.

I am proud of our executive team and all Range's staff, and very grateful to those shareholders who have been showing their support and understanding to the Board and management. In times of adversity, it is more important than ever for all the shareholders to stay the course, remain confident in the Board's strategy, and believe in the abilities of those running this business. And in return, we will endeavour to repay the support and commitment of our shareholders by driving operational performance and creating value for all involved.

Lastly, I would like to take this opportunity to remind of our communications protocol and ask shareholders to allow Directors to focus on turning the business around, without being distracted by continuously answering individual queries. All shareholders deserve access to the same information and we will continue with our transparent investor communications policy through more frequent updates released via Company announcements. Please address any direct queries to [admin@rangeresources.co.uk](mailto:admin@rangeresources.co.uk).

You have a hard working team focused on making Range a successful story for our shareholders, partners and staff. What Napoleon told his people still applies today: "Victory belongs to the most persevering."

I personally thank all shareholders for your support, and look forward to providing further updates in due course.

Yours Faithfully

A handwritten signature in black ink, appearing to read 'David Chen', written in a cursive style.

**David Chen**  
Chairman

## Investor Q&A

The Company is pleased to provide its ongoing investor Q&A setting out responses to questions from investors. It should be noted that those queries that were already addressed in the previous Company's announcements and Q&A forums, were not included in this Q&A. The wording of similar questions has been amalgamated to better reflect a broader spread of investor interests.

### Corporate

- 1. As reported in Range's quarterly report for the period ended 31 March 2015, the estimated cash outflows for the current quarter are US\$5.9 million. The cash outflows at same period last year were US\$8.8 million. Why has this not reduced further to align with the sale of Range Resources Drilling Services Limited (RRDSL) and the credit facilities extended by LandOcean?**

Cash outflows for the same period last year (three months ended 30 June 2014) were higher (US\$8.8 million). We are estimating reduction in these costs during the current quarter to US\$5.9 million despite a far higher level of activity forecast in the current quarter than in the comparable period last year. The estimated cash outflows for development and production are for April only. Development and production costs from 1 May onwards (from the date of the RRDSL sale) are assumed to be funded under the extended credit terms with LandOcean. Please refer to Q2 below for details on G&A spend.

- 2. As reported in Range's quarterly report for the period ended 31 March 2015, the cash outflows for administrative costs for the current quarter are estimated to double to US\$2.3 million. Can you please explain the reason for this increase?**

The estimated increase in administrative costs is principally related to an assumption that some of the existing creditors will be paid during the current quarter upon completion of the funding. These are historic costs and Range is striving to substantially reduce its G&A costs across the Company.

### Trinidad

- 3. What is the rationale behind continuing production from the various wells, which are producing less than 3 bopd? Doesn't the cost outweigh the returns from such wells?**

Range has already incurred the capital cost to bring these wells into production and the cost of producing from these wells is virtually nil. Individually production from these wells is not significant, but cumulatively it adds up to total production figures – every barrel counts.

- 4. Are the low production levels from the 2014 wells primarily a result of poor completions or natural depletion at those locations? Is there a geographical area pattern where depletion rates are more prominent?**

The low production levels from the 2014 wells were due to a combination of factors, including natural depletion of production from these wells. In addition, a number of wells were drilled to

delineate the edge of the producing fields and a number of infill wells were drilled to confirm if there is any by-passed oil in possible un-drained areas.

Range and LandOcean have been working on geological and geophysical studies which are aimed at improving operational efficiency, and sub-surface evaluation, in order to reduce risk and improve well economics by drilling the best possible targets and increasing production potential. These studies have already resulted in a revision of the previous development and exploration drilling programmes (please refer to announcement published on 13 May 2015 for further details).

Due to complex geology in Trinidad, it is difficult to define the depletion rates by geographical areas. Depletion rates vary on a case by case basis, depending on the horizons, depths, and the types of sands of each individual well.

**5. What is Range's expectation around the number of rigs LandOcean will be deploying by the end of 2015? How many drilling rigs is the revised work programme based on? Will the drilling contract with LandOcean include a pre-requisite minimum number of rigs to be drilling across Range's various licences?**

LandOcean committed to adding four new rigs to the drilling rig fleet this year. The number of total rigs to be utilised for the upcoming drilling programme is currently under review.

Range is committed to selecting the most capable and efficient drilling contractor to execute its drilling programme and therefore is confident that as the drilling contractor, LandOcean will provide the equipment that is necessary to execute the agreed drilling plans and work obligations.

The drilling contract with LandOcean is not based on a pre-requisite minimum number of rigs across Range's various licences.

**6. What are the revised production targets for Trinidad?**

The Company is finalising its detailed production forecast, which will be announced in due course.

**Other assets**

**7. Citation Resources has gained approval at its recent AGM for the issue of a further 1 billion shares and a 100/1 consolidation. Can Range advise how this potential dilution would affect Range's shareholding in Citation Resources and Latin American Resources?**

Range holds a 20% direct interest in the Guatemalan project through its holding in Latin American Resources (which is not affected by any potential dilution of Citation Resources), plus an indirect interest via equity holding in Citation. If Range would not participate in Citation Resources share placements, its shareholding in Citation Resources would be diluted. Range would review any share placements as appropriate in the future.

**8. Can Range provide some information on the strategy with respect to its shareholding in Citation Resources?**

Guatemala is a non-core asset for Range, however Range continues to monitor Citation's performance closely both at the project and corporate level. Range has the right to appoint one director to the board of Citation, and will be considering exercising this option in the future.

The deal with Citation Resources (Texas assets sale) removes any immediate spending commitment by Range in Guatemala. Any potential exit decision will need to be based on the more detailed review of the prospects.

**9. Can Range provide some information on the strategy with respect to its shareholding in International Petroleum?**

Range holds a 9% equity stake in International Petroleum. The investment is valued at US\$1 million in the accounts and will be reassessed during Range's annual financial year-end. Range will aim to make a decision with regard to its shareholding once International Petroleum shares resume trading.

**10. Is Range considering relinquishing its interest in Georgian Block VIa, rather than continuing with the sale / farm out process?**

Range holds its interest in the project through its 45% shareholding of Strait Oil & Gas (SOG). Range does not hold a direct interest in the Georgian block.

Georgia is a non-core asset for Range and the Company continues to explore potential disposal options for its interest. Whilst pursuing a disposal, Range will work with the other JV partners in a constructive manner to achieve a satisfactory outcome for all the parties.

**11. What does Range consider its financial liabilities to be, should it choose to relinquish its rights to the Georgia licences? Is Range liable to compensate the other joint venture parties in regard to the termination of block VIb? Does Range consider these liabilities to be in line with the expectations of its joint venture partners, and the Georgian government?**

As stated in the announcement on 29 April 2015, Range believes that SOG has failed to comply with material terms of the various agreements between the shareholders of SOG. Range has notified SOG of a dispute and will provide a further update in due course. Range expressly reserves all its legal rights under the agreements.

Range cannot provide answers relating to the expectations on behalf of the joint venture partners and the government.

**12. What is the status of the Georgia Coal Bed Methane project?**

Range has not been advised on the recent developments with the Coal Bed Methane play.

## Further comment and information

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