

Company Reports in Today's Issue

Thursday, 20 September 2007

ASX Code	Company	Recommendation
RRS	Range Resources	Speculative Buy

Market Overview

- ✓ US stocks added to previous gains. The Dow Jones Industrial Average rose 76.17 points (0.6%) to 13,815.56.
- ✓ US consumer prices eased last month by 0.1% on falling energy and apparel prices and tame housing costs. Housing starts hit their lowest level in 12 years and declined a less-than-expected 2.6% to a 1.331m annual rate.
- ✓ Treasury prices fell sharply as the market continued to react to the aftermath of Tuesday's Federal Reserve meeting.
- ✓ Gold finished higher, a day after the unexpectedly aggressive Federal Reserve rate cuts, although most of the rise occurred overnight before some profit-taking appeared to set in before the close of the pit session.
- ✓ Positive investor sentiment following a US interest rate cut pushed base metals up on the London Metal Exchange, and market participants said there's the potential for further short-covering rallies in the coming sessions. Base metals on the LME finished up..
- ✓ A leading index of the Australian economy grew at an annualized rate of 4.6% in July, down from 4.9% in June. The index of where the economy is headed in the next three to nine months is compiled monthly by Westpac Banking Corp. and Melbourne University's Institute of Applied Economic & Social Research..

Market Indices

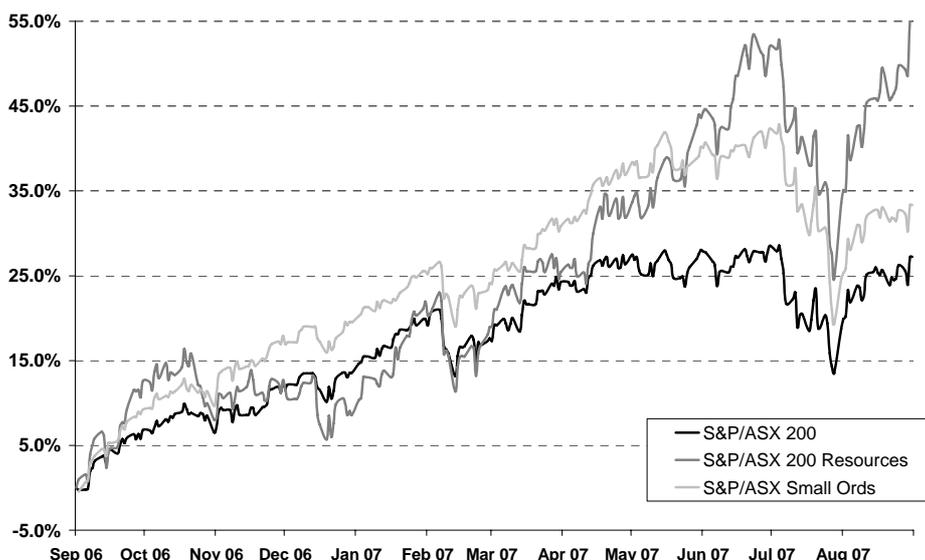
Index	Close	Change	%
All Ord	6,362.0	153.91	2.48
S&P/ASX200	6,356.1	163.59	2.64
S&P 500	1,529.0	9.25	0.61
NASDAQ	2,666.5	14.82	0.56
FTSE 100	6,460.0	176.70	2.81
Nikkei 225	16,381.5	579.74	3.67
MSCI World	1,579.6	25.44	1.64

Commodities

Units/\$US	Latest	Change	%
Gold	720.90	-2.60	-0.36
Aluminium	2,388.5	72.0	3.11
Copper	7,819.0	279.0	3.70
Nickel	32,060.0	2850.0	9.76
Lead	3,290.0	109.0	3.43
Zinc	2,935.5	169.5	6.13
Oil	81.99	0.48	0.59

Currency and Fixed Interest

Name	Latest	Change	%
\$US/\$A	0.856	0.000	-0.04
¥/\$A	99.295	-0.135	-0.14
€/\$A	0.613	-0.001	-0.10
\$NZ/\$A	1.163	-0.001	-0.12
10 Year Bond	6.03%	0.043	0.71
90 Day Bill	6.85%	-0.098	-1.41



**Range Resources Limited**

**RRS Thursday, 20 September 2007**

***Immense hydrocarbon potential - worth a punt***

**Recommendation Speculative Buy**

**Overview**

RRS has acquired 100% of the exclusive rights to explore and develop all oil, gas and other minerals in the State of Puntland in north eastern Somalia. The acquisition took place in two stages, the first in October 2005 which gave the company a 50.1% interest and the second in May 2007 following a US\$20 million capital raising.

Puntland covers an area of approximately 212,000 sq km and is perceived as the geological mirror image of Yemen across the Gulf of Aden and the southern fringe of the Arabian oil province. Several companies that had operated in Yemen (Agip, Shell, Conoco, Phillips) recognised identical geological structures in Puntland and subsequently acquired acreage in the second half of the 1980's. The most important research was carried out by Conoco who used modern seismic methods to identify the Dharoor and Nogal basins. Both basins are grabens covering an area of 250 km by 50 km in a WNW-ESE orientation, essentially parallel to the major Yemen basins.

By analogy with the similar Yemen rift basins, geologists expect Puntland to host recoverable oil reserves of the order of 5 billion barrels. In addition, the Ogaden province of Ethiopia, abutting the western border of Puntland, has long been known as an important gas province. The Culab gas field, discovered in 1974 by Tenneco, has proven reserves of 3.7 Tcf.

Conoco drilled two wells in the Nogal basin with oil shows recorded in both before civil unrest in 1991 led to its withdrawal from the country. Conoco is reported to have spent approximately US\$150 million on its exploration campaign which comprised 4,000 km of 2D seismic and the two wells. The drilling of Nogal 1 allowed Conoco to interpret the 28/B prospect and it concluded most likely recoverable reserves of 516 million barrels. The reserves were split between two different horizons, Jurassic and Cretaceous, over an area of 18.5 sq km and pay depth of 200 feet each. The figures are considered to be conservative given that pay depths in major reservoirs in Yemen are up to 1,500 feet. Also a recover factor of 30% was applied compared to actual recoveries of up to 70% in Yemen.

Africa Oil Corp is farming in to the onshore hydrocarbon potential and will fund the first \$45 million of a four hole drilling program to earn an 80% interest. Details of the drilling program are to be finalised by early October and drilling of the first hole is scheduled for January 2008.

The mineral potential of Puntland is less well known than that of hydrocarbons. Limited exploration work that was carried out in the 1970's showed occurrences of lead-zinc, copper, iron, manganese, tin and uranium. Historic silver rich lead-zinc mines in Jurassic limestones at Qandala, located 80 km east of Bosasso are geologically analogous to the Jabali deposit in Yemen. Jabali was reputedly one of the ancient world's richest sources of silver. In addition, heavy mineral sands occur in several in several coastal locations on the Gulf of Aden and the Indian Ocean shores.

The self proclaimed Puntland State of Somalia has considered itself since 1998 as an autonomous region but does not seek formal independence from Mogadishu, with which it enjoys broadly peaceful relations. It is excepted as such and consequently neither needs nor seeks international recognition as an independent state. The Transitional Federal Government of Somalia acknowledges in principle Puntland's freedom to exploit its own oil and mineral resources and has signed an agreement to this effect. Following elections in 2005 Puntland can essentially be considered a democratic country.

**Impact**

RRS has acquired the oil and mineral rights to a large area in Somalia that holds enormous potential, particularly for the discovery of oil. Structural and lithological parallels with Yemen attracted major oil companies to the area in the mid 1980's. However civil unrest put a sudden end to their activities before adequate evaluation had taken place. With the support of the State of Puntland, RRS has reassembled the exploration plans of former operators and has attracted a joint venture partner who will fund the first US\$45 million of exploration. A free ride on a potential elephant.

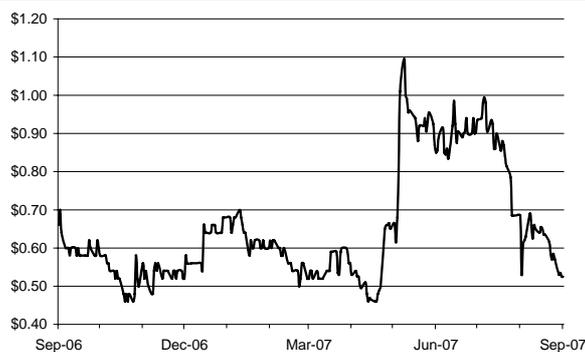
**Snapshot**

Last Price	\$0.525
Market Cap (m)	\$92.9
52 Week High	\$1.345
52 Week Low	\$0.445
Sector	Metals & Mining

**Investment Fundamentals**

Cash reserves	\$12 million
Shares on issue	177.0 million
Options on issue	69.2 million listed \$1.00 Oct'07 53.0 million unlisted \$1.00
Directors	Sir Sam Jonah (Chairman) Michael Povey (Managing) Peter Landau Liban Bogor (non-exec) Marcus Edwards-Jones (non-exec)
Major shareholders	UBS Nominees 12.86% Firebird Global 8.50% Toscafund Asset Man. 6.94% Tudor Capital 5.55%

**Price Chart**



**Business Description**

RRS holds the mineral and hydrocarbon rights in the State of Puntland in Somalia. Its primary interest is to evaluate the oil potential of the area which has significant parallels with oil rich Yemen.

*Analyst: Paul Gooday*

**INTERNATIONAL OVERNIGHT NEWS**

**US Markets**

As stocks added to previous gains, Warnaco rose on realignment plans, raised limits lifted Fannie Mae and an earnings revision revved up selling in CarMax.

The Dow Jones Industrial Average rose 76.17 points (0.6%) to 13,815.56. The Dow's gain over the last two days is its biggest two-straight-session advance in roughly five years. The Standard & Poor's 500 Index rose 9.25 points (0.6%) to 1,529.03.

The Dow and the S&P 500 celebrated an anniversary, marking exactly two months since they last reached record closing highs. The lift over the past two sessions has done a lot to help the averages potentially reclaim those record levels. The Dow is now 184.85 points (1.3%) away, and the S&P is off 24.05 points (1.5%).

The Nasdaq Composite Index gained 14.82 points (0.6%) to 2,666.48. The New York Stock Exchange Composite Index rose 61.87 points (0.6%) to 9,970.90.

"We saw some continued euphoric glow from the Federal Reserve's large interest rate cut, and short sellers felt compelled to continue covering," said analysts.

Warnaco Group gained \$5.41 (15%) to \$41.58, a record closing high. The apparel designer and marketer announced several strategic initiatives, including reducing its swimwear business to the Calvin Klein and Speedo brands, exiting its private-label and designer swimwear businesses and exploring strategic alternatives for its Lejaby intimate apparel brand.

Fannie Mae rose \$1.44 (2.3%) to \$63.98 and Freddie Mac gained \$1.64 (2.8%) to \$61.16. The Office of Federal Housing Enterprise Oversight nudged up portfolio size limits for the mortgage-buying giants, allowing them to offer more financing to housing lenders and potentially helping to bring more liquidity to the mortgage market.

CarMax plunged \$3.77 (15%) to \$21.29, its largest percentage drop in almost four years and by far the NYSE's biggest percentage decliner. The used-car dealer posted a 20% rise in fiscal second-quarter net income but cut its earnings estimate for fiscal 2008 as the housing slump and subprime-mortgage crisis have slowed auto sales.

Coach rose \$2.24 (4.7%) to \$50.07. Chairman and Chief Executive Lew Frankfort said in a recent securities filing that he was holding on to shares because of his confidence in the luxury leather goods maker's future.

Morgan Stanley fell \$1.48 (2.2%) to \$67.03. The investment bank posted a 7% drop in fiscal third-quarter income from continuing operations, falling short of Wall Street expectations as a write-down in the value of loans and loan commitments bit deeply into its bottom line.

XM Satellite Radio lost 82 cents (5.5%) to \$14 and Sirius Satellite Radio dropped 15 cents (4.3%) to \$3.35, the Nasdaq 100 Index's top two percentage decliners. Analysts downgraded the stocks to neutral from buy, saying the market seems to be betting the satellite broadcasters' planned merger will be completed. Analysts are not convinced, pegging the odds at fifty-fifty.

Google gained \$11.58 (2.2%) to \$546.85. The Internet search giant announced plans to significantly expand its test of a new advertising format, dubbed "Gadget Ads," that it says will allow advertisers to engage with consumers to a degree not previously possible.

NutriSystem dropped \$6.87 (12%) to \$50.08. The provider of weight-management products will likely feel short-term impact from GlaxoSmithKline's Alli weight-loss drug as well as tough comparisons against its own Dan Marino ad campaign from a year ago.

Intel advanced 27 cents (1.1%) to \$25.68. The semiconductor giant disclosed plans for new offerings including an array of chip designs, that could help it take on rivals besides Advanced Micro Devices.

**US Economic News**

Consumer prices eased last month by 0.1% on falling energy and apparel prices and tame housing costs. Housing starts hit their lowest level in 12 years and declined a less-than-expected 2.6% to a 1.331m annual rate.

Senate Banking Committee passes a bill that would modernize the Federal Housing Administration and give it more flexibility to help borrowers with expensive subprime loans.

US Treasury Secretary Henry Paulson is urging lawmakers to increase the nation's debt limit "as soon as possible" and says the statutory debt limit of \$8.965 trillion will be reached Oct. 1.

Treasury prices fell sharply as the market continued to react to the aftermath of Tuesday's Federal Reserve meeting.

**European Markets**

European stocks made big gains buoyed by the US Federal Reserve's decision to slash its key interest rate 50 basis points and by the continuing rally in US stocks. However, some commentators warned that the bigger-than-expected cut is likely to be the last for some time.

The Dow Jones Eurostoxx 50 Index gained 124.4 points (2.9%) to close at 4,388.8. In terms of national markets, the UK's FTSE 100 Index shot up 3% to close at 6,471.5 marking its best performing two day run since March 2003. France's CAC-40 Index similarly gained 3.2% closing at 5,729.4 and Germany's DAX Index rose 2.5% to close at 7,762.9.

The UK's troubled mortgage bank, Northern Rock, remained the only negative, falling from an opening 330 pence to close 16% lower at 257p as speculation circulated that offers for the company could be from 100 to 200 pence per share, much lower than anticipated.

#### Commodities

Positive investor sentiment following a US interest rate cut pushed base metals up on the London Metal Exchange, and market participants said there's the potential for further short-covering rallies in the coming sessions.

Gold finished higher, a day after the unexpectedly aggressive Federal Reserve rate cuts, although most of the

rise occurred overnight before some profit-taking appeared to set in before the close of the pit session, analysts said.

In the uranium market, the spot price remains unchanged this week at \$85.00 per pound U3O8, with the gap between willing buyers and willing sellers continuing to narrow.

#### Currencies

The US dollar was little changed as benign US economic data settled down currency markets a day after the greenback fell to a new low versus the euro when the Federal Reserve slashed interest rates.

## AUSTRALIAN OVERNIGHT NEWS

#### Australian Markets

Local markets are expected to gain further ground today after Wall Streets extended rally.

Ahead of the local open the SPI futures were 21 points (0.30%) higher at 6,409.

#### Companies in the News

##### Coles Group (CGJ)

Coles Group (CGJ) reported NPAT down 35.7% to \$747.8 for the year ended 29 July 2007. Revenues including other operating revenue were \$34.81bn, up 1.5% from last year. Diluted EPS was 61.9 cents compared to 92.4 cents last year. The final dividend declared was 25 cents, taking the full year dividend to 44.5 cents compared with 42 cents last year. While excluding ownership review costs, the underlying result includes one-off benefits from the writeback of a Myer provision and renegotiated Coles Express leases offset by additional consultancy and redundancy costs. Over the next few years the business will start to reap the significant financial upside of the investment made in business transformation, as well as some \$400m in annualised savings from their simplification program. CGJ improved 15 cents (1.01%) to \$15.00.

##### Adelaide Bank (ADB)

Adelaide Bank (ADB) reiterated on comments widely reported in the financial media on 19 September 2007. The Company stated that any rumour that Adelaide Bank is seeking liquidity assistance from the Reserve Bank of Australia is completely false, and without foundation, Adelaide Bank reiterates that it has a continued strong liquidity position and Adelaide Bank notes that the RBA itself has confirmed that no Australian bank is seeking funding assistance. ADB firmed 92 cents (6.71%) to \$14.63.

##### Babcock & Brown Capital (BCM)

Babcock & Brown Capital (BCM) announced that eircom Group has sold its radio mast site business to Towercom Holdings, an Irish investment group, for a total cash consideration of EUR155m (\$258m, 17.2x FY March 2007 standalone EBITDA). eircom will continue to have operational access to the masts to support future requirements. The proceeds will be reinvested in eircom's core business activities, principally in its broadband rollout, its next generation core network and its 3G mobile network, as well as in renewing and improving the efficiency of its local access network and operations. eircom has also retained operational access to the masts. BCM firmed 21 cents (5.26%) to \$4.20.

##### Pan Australian Resources (PNA)

Pan Australian Resources (PNA) announced that the Company plans to expand throughput at the Phu Kham Copper-Gold Mine in Laos. The mine development continues to run ahead of the scheduled mid-2008 start up and within the US\$241m capital budget. The expansion will deliver a 33% increase in throughput from a nominal design rate of 12 Mtpa of ore in the second half of 2008 to a rate of 16 Mtpa by mid-2010. The decision to expand production follows the receipt of positive infill and resource extension drill results, which are likely to lead to an increase in the size of the Ore Reserve, coupled to the positive results of recent ore grinding simulation studies. PNA climbed 5 cents (6.25%) to \$0.77.

##### SP Telemedia (SOT)

SP Telemedia (SOT) reported NPAT of \$44.94m for the year ended 31 July 2007. This result includes an after-tax profit of \$31.9m from the sale of the company's NBN media assets at the beginning of May 2007. Revenues from ordinary activities were \$426.57m, up 3% from last year. Diluted EPS was 11.1 cents compared to 2.3 cents last year. Net operating cash flow was \$29.36m compared to \$18.33m last year. The final dividend declared was 1.2 cents, taking the full year dividend to 13.9 cents, including special dividend of 11.5 cents, compared with 2.4 cents last year. Following the sale of NBN, SP Telemedia is focused on increasing traffic on its fully converged video, voice and data IP network. SOT fell 7 cents (13.33%) to \$0.46.

**Queensland Gas (QGC)**

Queensland Gas (QGC) posted a net loss of \$12.2m in the year ended June 30, compared with a \$6.3m loss it made in the previous year. QGC said its operating profit was \$23.8m, up from \$1.7m last year, and that revenue climbed to \$34.5m from \$3.1m. "In our first full year of production, QGC has become a market leader in coal seam gas and proved that we are well positioned to take advantage of expected growth in the Australian gas market," Managing Director Richard Cottee said in a statement. The company said it aims to boost its proven and probable gas reserves to about 1,600 petajoules by the end of the 2008 financial year. QGC is also aiming to attain gas sales of 30 petajoules this financial year and 60 petajoules in the following financial year. QGC added 10 cents (4.35%) to \$2.40.

**ABC Learning Centres (ABS)**

ABC Learning Centres (ABS) announced that shareholders of Nord Anglia Education have approved the sale of the Leapfrog Nurseries group to Busy Bees Group for GBP31.2m. Completion of the sale is expected to occur in the UK on Wednesday, 19 September 2007. ABS fell 5 cents (0.78%) to \$6.40.

**Seven Network (SEV) backed Engin (ENG)**

Seven Network (SEV) backed Engin (ENG) said it has increased its stake in wireless broadband group Unwired (UNW) to 19.8% from 11.37%, after buying more shares on market. In a statement, Engin said it acquired the additional shares using debt funded by Seven. It bought shares mostly at 45 cents apiece from former Unwired director Steve Cosser. Engin, a broadband phone company which is 34.2% owned by Seven, emerged as a shareholder in Unwired earlier this month. "As previously stated, the stake has been acquired for investment purposes and should enable Engin, as a significant shareholder, to play a prominent role in the development of wireless broadband technologies across Australia," Engin said. If Engin increases its stake above 20%, it is required to make a takeover offer for Unwired under Australian law. SEV added 30 cents (2.48%) to \$12.38, ENG fell 1 cent (3.57%) to \$0.14 and UNW increased 4 cents (9.76%) to \$0.45.

**HFA Holdings (HFA)**

HFA Holdings (HFA) provided an update performance highlights achieved on a year to date basis, reporting HFA has recorded a 100% increase in total net funds inflows, compared to the same period last year. The total inflows comprise a 9% increase in net retail funds inflows with wholesale and institutional inflows making up the balance. The increase in inflows supports management expectations of continued strong growth in Assets Under Management for the current year. This growth will be driven and supported by an 80% increase in product sales staff following a number of recent appointments. Following recent upheavals in equity and credit markets HFA's core investment product, the HFA Diversified Investments Fund, reported negative returns in July (-0.63%) and August (-3.92%). The returns were within expectations given overall market volatility/liquidity. HFA weakened 2 cents (1.2%) to \$1.65.

**Australian Economic News**

A leading index of the Australian economy grew at an annualized rate of 4.6% in July, down from 4.9% in June. The index of where the economy is headed in the next three to nine months is compiled monthly by Westpac Banking Corp. and Melbourne University's Institute of Applied Economic & Social Research. The coincident index, which is a broad measure of current economic activity, was 4.8% in July, from 5.0% in June, Westpac said. "Growth in the index is still above long-term trend but it is now sending the weakest signal for growth that we have seen for about a year," said Bill Evans, Westpac's chief economist. "The best take at this stage is that growth will hold at or slightly above trend for the next three to nine months." The June leading index was revised down from its original reading of 7.1% following the release of June quarter national accounts data, which provided updated measures for productivity and the real corporate gross operating surplus.

**Companies Trading Ex-Dividend**

BMA Gold.

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### **General Advice**

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