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#### VIA E LODGEMENT

### PUNTLAND CONFIRMS RANGE/AFRICA OIL PSA'S

Following recent media reports on the introduction of a National Oil Law by the Transitional Federal Government (TFG) of Somalia, Range Resources (following consultation with the President and Government of Puntland) makes the following update:

- Range and Africa Oil Corporation (formerly Canmex Minerals) have valid Production Sharing Agreements ("PSA'S") with the Government of Puntland which were unanimously endorsed by the Parliament of Puntland in December 2006. The President and Government of Puntland have reiterated the validity of the PSA's and subsequently both recognise and acknowledge the efforts (and financial resources spent) over the last 2 years on the exploration and development of Puntland's natural resources. It has also been acknowledged that it is imperative for both Range Africa Oil, and other companies being invited into Puntland to develop not only natural resources but other social and economic projects, that they have 100% certainty and confidence in the process and ability of the Puntland government and Parliament to guarantee that all contracts and PSA's entered into will at all times be recognised and upheld.
- It is important to view the proposed national oil law in context. The proposed law has not formally been put to the TFG parliament for debate (let alone passed) and the Puntland Government is working closely with key influential members of the TFG regarding the timing of the introduction of the proposed national oil law combined with the need for the TFG to introduce a general Constitution acceptable by all autonomous regions of Somalia (namely Puntland) prior to the introduction of any national oil legislation. Until such time as Puntland formally submits to a federal Somalia through the introduction of an acceptable constitution or an agreeable framework moving forward, any national oil law passed by the TFG (especially one which is inconsistent with the rights validly granted by the Puntland Government) will not be recognised as applying to the autonomous Puntland region.

- Range Resources has the utmost confidence in the Puntland President and Government with regards to ensuring the validity of existing arrangements as part of any negotiation with the TFG relating to the formal formation of a federal Somali Republic (including the introduction of a constitution) and any proposed national oil law derived from the acceptance of a federal system by the Puntland Government. On the whole there is a substantial amount of trust and a solid working relationship between the Puntland Government and key stakeholders within the TFG and it has been emphasised to Range that both groups are committed to ensuring that the controversial legislation does not destabilise the commitment to forming an acceptable federal Somali Republic.
- As it stands, Puntland could potentially earn royalty and profit share payments from the successful development of its natural resources by Range and Africa Oil which would allow for the development of all major infrastructure (economic, health and social) in Puntland. Under the PSA arrangement Puntland is entitled to a sliding scale royalty on gross revenue (between 4% and 10%) in addition to a 50% profit share (in cash or kind) once costs and royalties are taken into account.
- Puntland has always maintained that it would share these earnings with any legitimately formed federal Somali Republic (not a national oil company which is 49% foreign owned -PT Medco Energi Internasional Tbk (Indonesian) and Kuwait Energy Company) from the outset. The proposed national oil law would see royalties and profits channelled to this "national" oil company resulting in vast sums of money being extracted by an essentially passive foreign ownership group not involved in the exploration and development. It is extremely difficult to see how this arrangement could be justified and would obviously be detrimental to the interests of Puntland and the Somali people as a whole. Given the proposed drilling timetable of Range and Africa Oil which currently targets the end of the year as a realistic timeframe and the resultant government access to oil production royalties, any move by the Prime Minister of the TFG to destabilise this activity will not be tolerated as the Puntland people cannot afford to be denied the vast wealth that could be generated in the very near future. The TFG had previously endorsed all of Puntland's natural resource agreements (including a commitment to incorporate them in any federal system) yet the Prime Minister has now decided to go down a path without any consultation with the Puntland Government which could jeopardise Puntland's efforts to bring in and retain foreign investment and development (not just with Range and Africa Oil). Range has been advised by the Puntland Government that if the TFG Parliament does not stop the debate of this controversial legislation brought forward by the Prime Minister it will create disruption, lack of trust and will ruin the ability for the Puntland Government and the TFG to work together in the future.

Whilst the actions in attempting to introduce the proposed oil law are disappointing, Range is confident that an acceptable outcome will be negotiated over the coming weeks ensuring that public perception of Puntland and its role in a federal Somali Republic is understood and reinforced.

**Yours sincerely**



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