



Rialto Energy Limited

Suite 6, 245 Churchill Avenue
Subiaco WA 6008
Australia

22 Long Acre
London
WC2E 9LY
United Kingdom

ACN 117 227 086
AIM and ASX Code: RIA

Rialto Energy Limited Quarterly Activities Report – September 2013



Recent Highlights

- Completion of A\$14.1 million fundraising
- Appointment of Andrew Rose, experienced Chief Financial Officer
- Six month extension granted to Initial Exploration Period under Petroleum Agreement in respect of Offshore Accra Contract Area, Ghana
- Reduction to final settlement agreed with rig owner
- Memorandum Of Understanding signed with Côte d'Ivoire Government regarding new Production Sharing Contract for Block CI-202
- Ongoing preparation for development of Gazelle gas field





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A message from the Managing Director – Rob Shepherd

The positive momentum that started in the second Quarter continued throughout the third period (the “Period”) with a number of key developments, specifically:

- Completion of the previously announced A\$14.1 million fundraising following approval of the placing (the “Placing”) by the required majority of existing shareholders at the General Meeting held on 7 August; and
- The signing of a Memorandum of Understanding (“MOU”), together with Vitol E&P, with the Côte d’Ivoire Ministry of Oil and Energy to replace the existing Production Sharing Contract (“PSC”) with a new PSC on amended terms.

With regards to the Placing, we are most grateful both to the investors that elected to participate and of course to our existing shareholders who voted to support the issue of new shares: of those that voted, over 90% voted in favour of the relevant resolutions. The Board took this as a positive vote of support in respect of what they are seeking to achieve in stabilising the Company.

Following the Placing, the signing of the MOU was a particularly significant step, as it alleviated the main residual concern of the Board, namely that the Company would be unable to meet its remaining exploration commitments under the current period of the existing PSC. Whilst much work remains to be done in negotiating the definitive agreements, as I said at the time of the announcement, the MOU sets out a clear path for resolution of the remaining uncertainties in a satisfactory manner. In that regard, we are very grateful to the Government of Côte d’Ivoire for the constructive way in which they have approached negotiations, recognising both the significant amount of funds invested to-date as well as the robust Field Development Plan that has now been submitted in relation to the development of the Gazelle gas field.

With respect to the development of Gazelle, we have been working extremely closely with our counterparts at Vitol E&P (“Vitol”) and, whilst completion of the previously announced transaction remains subject to a number of conditions, including resolution of the PSC issues described above, both companies are working very positively together, which bodes well for the future.

During the Period, we were also advised by Ophir Energy Limited (“Ophir”) that the Government of Ghana had approved a six month extension to the Initial Exploration Period under the Petroleum Agreement in relation to the Offshore Accra Contract Area. This is important to the joint venture as it gives additional time to undertake a thorough review of the data from the Starfish-1 well that was completed during the Period.



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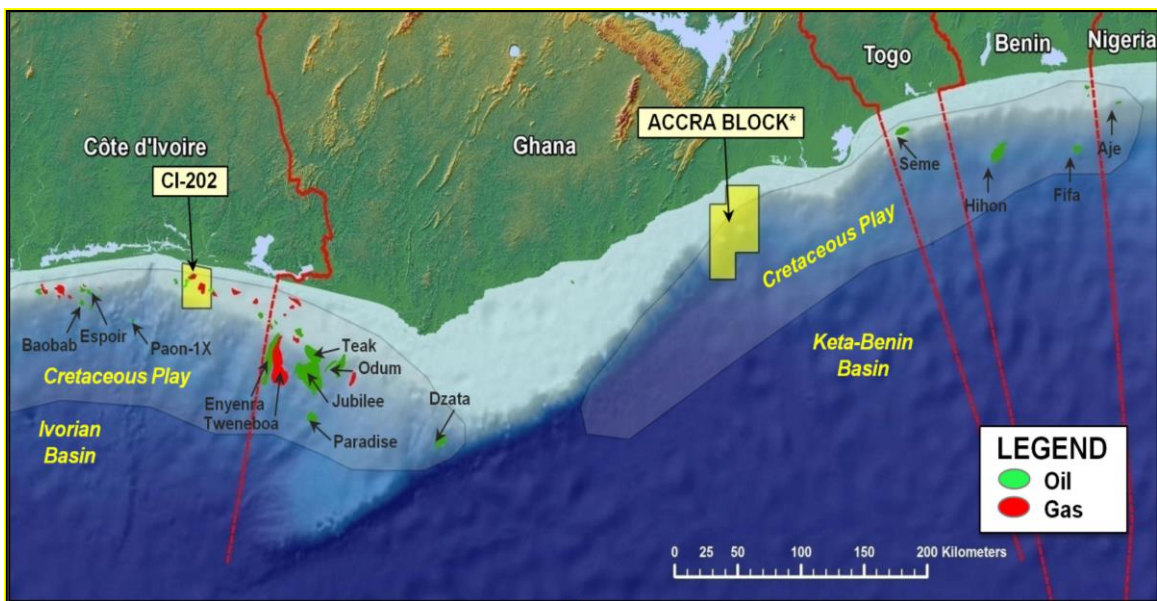
As part of our ongoing commitment to reduce costs, we were extremely pleased that we were able to negotiate a reduced settlement with the owner of the rig that the Company had previously contracted. In addition, we closed our office in Australia: this should by no means be seen as a reduced commitment to our existing Australian shareholders, but rather a desire to make better use of our resources, both financial and human. Key members of management and the Board will continue to visit Australia on a regular basis.

Finally, with regards to human resources, following the departures during the first half of the year of a number of executives, we were extremely pleased to welcome a number of key new faces during the Period. In particular, Andrew Rose brings a wealth of experience in his capacity as Chief Financial Officer and although initially engaged on an interim basis, we are hopeful that he will elect to stay with the Company. Jeff Durkin has joined the Company as General Counsel, with over 20 years' experience in the Oil & Gas and Petrochemicals sectors, including as Associate General Counsel with BP and INEOS. In addition, together with Vitol, we have engaged Alan Richards as Project Manager for the Gazelle development. Whilst a number of steps need to be taken before we are able to make a final investment decision in relation to the project, Alan's experience means that we will be well prepared to hit the ground running when we do.

In summary, whilst there were a number of positive developments during the previous quarter, I am particularly pleased with how the quarter progressed overall.

Rob Shepherd

Operations Summary



West African Transform Margin

CI-202 – Côte d'Ivoire (Rialto: 85% to 74% Working Interest)

Block CI-202, offshore Côte d'Ivoire comprises an area of 506 km² and Directors believe is located in one of the world's most exciting petroleum provinces, the West African Transform Margin. Block CI-202 contains multiple exploration and appraisal targets in shallow water depths of 50 to 100 metres.

Given the pending status of the new PSC for CI-202, activity on the block has been minimal in the last quarter

Prospect generation, Seismic Processing and Quantitative Analysis

Pre-Stack inversion of the final PSDM data, which was delivered in June 2013, will be performed on each prospect once new prospect scale mapping on the Final PSDM product is completed. Mapping on previously relinquished areas will be completed as these will again be part of the block acreage under the new PSC.



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Gazelle Field and Greater CI-202 Development

Rialto is working with the relevant parties in Côte d'Ivoire to determine the solution for the delivery of gas from the Gazelle field, whether to power temporary generators onshore or be delivered, via a proposed pipeline, to permanent power plants in Abidjan. Once this has been agreed, the final Field Development Plan will be submitted.

Offshore Accra Contract Area – Ghana

The initial work commitment for the permit required a well to be completed before end September 2013, with a second phase of two years also carrying a one well commitment, providing that the Joint Venture elects to enter into that second phase. This commitment was satisfied by the Starfish-1 well drilled in June/July of this year which demonstrated the presence of potential reservoirs: work is ongoing to interpret and evaluate the drilling results.

In view of the extensive post-well work programme, the Joint Venture has been granted a six month extension to the original 23 September 2013 first term permit expiry. This will enable all participants to decide whether to participate in the second two year exploration phase. This second exploration phase now begins on 23 March 2014, and also carries a one well commitment.

Rialto's initial equity of a 12.5% participating interest has subsequently been diluted to 6.5% by Vitol carrying Rialto's share of the Starfish-1 well.

WA-399-P – Australia

The recent regulatory changes in environmental permitting of exploration activities close to marine parks, and the slower approvals process for new drilling, has significantly increased the lead time for planning wells in the Northwest Shelf. Thus in August 2012 the Joint Venture requested from NOPTA a suspension of the permit work commitment for 12 months. This would allow time for full environmental consultation and drilling planning for the exploration well commitment in the final year of the permit.

In October the Joint Venture received notice that a six month extension had been granted, meaning that the Joint Venture would enter permit year six on 6 March 2014, with a well to be drilled before 6 March 2015. After due consideration the operator, Apache Northwest Pty Ltd, decided that it would resign as operator and withdraw from the permit. Rialto and the other Joint Venture partners do not have the capability to mount a drilling campaign in the required timeframe and hence have also decided to withdraw from the permit.



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Corporate

On 16 September 2013 Rialto announced that it had signed a MOU with the Côte d'Ivoire Ministry of Oil & Energy, the state oil company PETROCI, and Vitol E&P to replace the existing PSC for Block CI-202 with a new PSC on amended terms.

Key elements of the MOU included:

- The new PSC is expected to be signed before 9 November 2013 when the second exploration period under the current PSC comes to an end, and will have three consecutive exploration periods over a total of seven years from signature. The first period will apply to the original CI-202 676 km² area, including previously relinquished acreage;
- The Ministry has acknowledged the proposed entry of Vitol into partnership with Rialto;
- Substantially all petroleum costs incurred to-date by Rialto on Block CI-202 will be carried over for recovery in the new PSC;
- All remaining liabilities under the current PSC, including outstanding exploration expenditure commitments, will be deemed to have been satisfied upon award of the new PSC;
- Following the recent submission by Rialto (Côte d'Ivoire) Limited of a revised Field Development Plan for the development of Gazelle, once it is approved by the Ministry and the new PSC has been signed, a new Exclusive Exploitation Authorisation will be issued to replace the existing one; and
- Negotiations will be recommenced with CI-Energies, the state owned electricity company, regarding a future gas sales agreement.

Since the signature of the MOU, negotiations have taken place with the various parties in Côte d'Ivoire towards agreement of the new PSC and the terms of a gas sales agreement. Detailed discussions have also been underway with Vitol regarding the conclusion of their purchase of 65% of Rialto (Côte d'Ivoire) Limited and associated US\$50 million financing, as well as arrangements for the management and staffing of that joint venture.



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Personnel Changes

During the period Charlie Nieto, Chief Operating Officer and Simon Barkham, Technical Vice President resigned from the Company.

On 27 August, Andrew Rose was appointed as Interim Chief Financial Officer. Mr Rose has over 10 years experience as Chief Financial Officer of small quoted E&P companies, most recently as CFO at Gulfsands Petroleum and prior to that at Burren Energy.

Sandra Rosignoli stepped down as General Counsel due to other commitments and was replaced by Jeff Durkin on 2 September 2013. Mr Durkin is an experienced senior corporate lawyer, specialising in the energy industry.



Financial

Equity Issues

On 25 June 2013, the Company announced the issue via a two tranche placement of 471,555,109 new ordinary shares to institutional and other investors as follows:

- Tranche I: 102,439,498 ordinary shares at 3 cents per share (1.8 pence) raising \$3.1 million (excluding fees). The shares were issued on 1 July 2013; and
- Tranche II: 369,115,611 ordinary shares at 3 cents per share (1.8 pence) raising \$11.1 million (excluding fees). The shares were issued on 14 August 2013.

Capital Structure at 30 September 2013

	Number
Shares	1,155,765,100
Unlisted Options	47,560,157

Cash

Cash on hand at 30 September 2013 was \$12.9 million.

Significant Shareholders – as at 31 October 2013

	Number	Percentage
Artemis Global Energy Fund	100,000,000	8.65%
Genesis Asset Managers LLP	70,138,995	6.07%
International Finance Corporation (IFC)	63,707,267	5.51%



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The resource information in this announcement has been reviewed on behalf of Rialto by Ian Bulley, who has consented to the inclusion of such information in this report in the form and context in which it appears. Ian is a full-time employee of the Company, with more than 20 years' relevant experience in the petroleum industry.