



Rialto Energy Limited
Level 1, 34 Colin Street
West Perth 6005
Western Australia

ACN 117 227 086

Rialto Energy Limited Quarterly Activities Report - March 2013



Recent Highlights

- Drilling of the Starfish Prospect on the Accra Block, Ghana confirmed for June 2013, with Operator (Ophir Energy plc) estimating mean unrisksed prospective resources of 292 mmboe.
- Rob Shepherd appointed as permanent Managing Director.
- Andrew Bartlett appointed as Chairman.
- Entry into a term sheet post period end with Vitol S.A. for the Company's projects in both Côte d'Ivoire and Ghana.





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A message from the Managing Director – Rob Shepherd

During the Quarter, the Rialto technical team continued to further improve its understanding of the complex geology on Block CI-202, working with the final enhanced PSDM data recently received to further assess and de-risk reservoir distribution ahead of drilling. Given the results of the previous campaign on Gazelle, it is clear that this work is critical to aid planning of the future work program.

Partner discussions continued and culminated in the announcement, post Quarter-end, that the Company has entered into a term sheet with Vitol S.A. (“Vitol”) setting out the terms upon which we will work together to develop Rialto’s interests in Côte d’Ivoire and Ghana. We are very excited by this partnership with Vitol who have existing assets in our area of operations and a proven track record of monetising upstream assets in West Africa. Aligning with them will allow us to work jointly with the Government of Côte d’Ivoire to pursue a potential multi-asset, shallow water gas development strategy for the discovered resources in both Block CI-202 and neighbouring blocks.

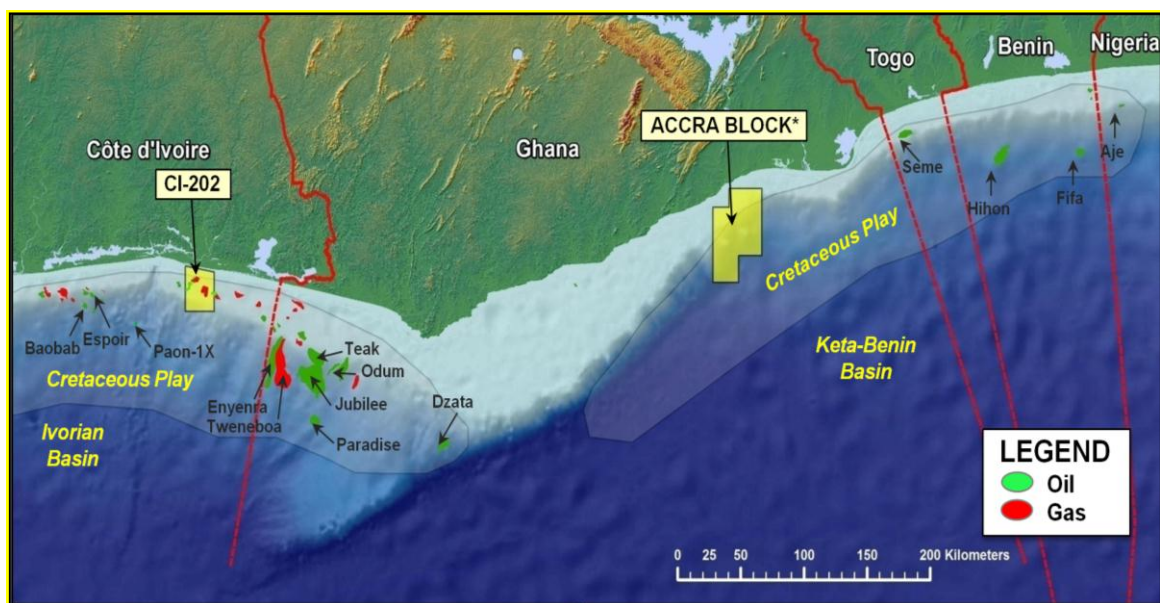
We also announced post Quarter-end that we have terminated the contract with Vantage Drilling Company in relation to the Vantage Sapphire drilling rig that had been due to be on Block CI-202 in May 2013. This difficult decision was taken to enable the Company and Vitol to undertake further technical work to define the existing contingent and prospective resource in Block CI-202 ahead of any further drilling.

Whilst deferral of exploration drilling on Block CI-202 will be a disappointment for some, the Company is looking forward to participating in the drilling of the high-impact Starfish-1 well in Ghana that is anticipated to spud in June 2013, which is targeting 292 mmboe gross prospective unrisked mean resources (based on Ophir Energy Plc’s (“Ophir”) estimates as Operator).

A handwritten signature in black ink, appearing to read 'RS', positioned above a horizontal line.

Rob Shepherd

Operations Summary



West African Transform Margin

CI-202 – Côte d'Ivoire (Rialto: 85% to 75% Working Interest)

Block CI-202, offshore Côte d'Ivoire comprises an area of 506 km² and 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.

Seismic Acquisition and Reprocessing

3D Seismic Processing during Q1 2013 has focussed on completing post PSDM gather enhancement processing for quality improvement objectives and multi-azimuth (MAZ) processing over the Gazelle Field. Excellent results were obtained in the gather enhancement processing. These high quality datasets are now being used for seismic reservoir prediction projects, with the first being at the Hippo Prospect. The Hippo canyon is currently being run through a detailed pre-stack inversion workflow using the final enhanced PSDM data in order to further assess and de-risk reservoir distribution throughout the canyon.

The multi-azimuth processing of three surveys over Gazelle (CI-202 2012 main 3D, CI-202 2012 Mini-MAZ 3D and 1995 Gazelle 3D) was extremely challenging due to numerous issues with the 1995 vintage Gazelle survey. As a result, the MAZ processing project was slightly delayed. CGGVeritas and the Rialto technical team worked tirelessly to get the 1995 survey as close as possible to the standard of the two modern 2012 3D surveys. In the end, excellent results were achieved. The MAZ data will allow for a greatly increased technical understanding of the complex Gazelle field. The final MAZ product is also currently being spliced into the main CI-202 3D survey cube, to create one large optimal, seamless dataset. The Gazelle field will subsequently be re-mapped using the new data.

CI-202 Partner Search Process

During the Quarter, the Company continued with its efforts to source partner funding for its operations in Block CI-202. This resulted in the announcement, post Quarter-end, that Rialto had entered into a term sheet with Vitol setting out the terms upon which Rialto and Vitol will work together to develop the Company's interests in Côte d'Ivoire and Ghana. An overview of the proposed transaction is set out below:

- Vitol to acquire, subject to regulatory and joint venture partner approval, a 20% interest in Rialto Energy (Ghana) Limited ("Rialto Ghana") in exchange for providing funding security to cover Rialto's US\$7.7 million obligations for the drilling of the high-impact Starfish-1 exploration well in the Accra Block, Ghana, due to spud in June 2013;
- Vitol to acquire 65% of the shares in Rialto Energy (Côte d'Ivoire) Limited ("Rialto Cdl") in exchange for providing US\$50 million of capital to be invested in a Block CI-202 work programme, to be agreed between Rialto and Vitol, subject to satisfaction of certain conditions such as Government approvals and restructuring of the Côte d'Ivoire work programme; and
- Release of Vantage Sapphire drilling rig which had been due to be on Block CI-202 in May 2013.



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Strategic Rationale

The proposed transaction with Vitol delivers significant advantages to the Company. In particular it:

- forms a partnership with Vitol, a company with substantial financial and technical capability with existing assets in Rialto's area of operations in Côte d'Ivoire and Ghana and a proven track record of monetising upstream assets in West Africa;
- delivers access to a significant potential future source of capital for investment in Block CI-202;
- allows Rialto to work with Vitol and the Government of Côte d'Ivoire to pursue a potential multi-asset, shallow water gas development strategy for the discovered resources in both Block CI-202 and neighbouring blocks;
- enables the Company and Vitol to undertake further technical work to define the existing contingent and prospective resource in Block CI-202 ahead of any further drilling;
- allows the Company to maintain its exposure to the high-impact Starfish-1 well in Ghana that is anticipated to spud in June 2013 targeting 292 mmboc gross prospective unrisks mean resources (based on Ophir Energy's estimates as operator); and
- reduces Rialto's financial commitments against a backdrop of funding pressures.

Gazelle Field and Greater CI-202 Development

Options for a phased approach to a Gazelle development continued to be pursued during the Quarter. An addendum to the Gazelle Field Development plan was submitted to the Côte d'Ivoire authorities in January 2013. As part of an initiative to develop other stranded gas discoveries in neighbouring blocks, studies were commenced with the operators of these blocks, with consideration being given to eastern Côte d'Ivoire gas pipeline routes.

Gazelle Front End Engineering Design (FEED) work and CAPEX reduction studies continued during the Quarter. In addition, Rialto continued to progress field development studies for the nearby Hippo/Bubale oil and gas discoveries.



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Offshore Accra Contract Area – Ghana

In December 2012, Rialto received Ghanaian Government approval for its entry into the Offshore Accra Contract Area (“Accra Block”) for a 12.5% participating interest. Two new joint venture partners, Ophir Energy and Vitol, also entered the joint venture along with Rialto, with Ophir assuming operatorship from Tap Oil Limited.

The Accra Block covers an area of 2,000km² and is located to the southeast of Accra, the capital of the Republic of Ghana, in water depth ranging from less than 50 metres to greater than 2,500 metres. The Initial Exploration Period requires a commitment well to be drilled before the end of September 2013. Excellent quality 3D seismic data over the deep water portion of the block has identified a number of large prospects within the pre and post rift Cretaceous section.

On 10 April 2013, Ophir announced that they have awarded a contract for the Stena DrillMAX, Dual Derrick Drillship to drill the Starfish Prospect. Starfish-1, which is expected to spud in early June 2013, will be located in a water depth of 1,360m and is expected to be drilled to a target depth of 3,750m below surface. The well is designed as a play-opener to test a stratigraphic onlap trap to the east of the major Ghanaian discoveries made by Kosmos Energy and Tullow Oil.

Ophir management estimates mean prospective resources of 292 MMBOE with a 20% chance of success.

In the event of a successful Starfish well, there are several further analogous high-impact prospects which can be drilled.

WA-399-P

The Operator, Apache, has interpreted the new 3D seismic data and is in the process of maturing prospects for a blockwide prospect inventory. This will involve specialised seismic attribute work.

In September 2012 all Joint Venture (“JV”) parties elected to continue into the fifth permit year, and the Commonwealth regulatory authority agreed to a JV request to substitute the original fifth year work commitment of an exploration well with the seismic attribute study and other geotechnical studies. This will enable the JV to select the best prospect as the permit year six drilling candidate and to incorporate the results of any exploratory drilling in neighbouring permits.



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Funding Position

Prior to making a final termination payment to Vantage, the Company's cash balance is approximately US\$15 million.

Whilst the Vitol Transaction fulfils the Company's immediate funding requirements, the Company continues to review its funding options in relation to the work programmes in Ghana and Côte d'Ivoire, including its share of the next exploration commitment well in Block CI-202.

Appointments and Resignations

Resignation of Bruce Burrows as Non-executive Chairman

On 28 February 2013 Mr Burrows announced his intention to resign from the board and from his position as Non-executive Chairman effective from 28 March 2013, due to increasing time commitments elsewhere.

Appointment of Andrew Bartlett as Non-executive Chairman

On 15 March, 2013 Mr Andrew Bartlett was appointed to the position of Non-executive Chairman, based in London. Mr Bartlett, who was appointed Non-executive Director of Rialto on 17 September 2012, has over 30 years of experience in the Oil & Gas Industry, including over 20 years' experience in Emerging Markets, with the majority of this time focused on Africa.

Appointment of Rob Shepherd as Managing Director

On 28 February, 2013, Mr Rob Shepherd, who has been Interim CEO since 26 November 2012, was appointed to the fulltime position of Managing Director, based in London.



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Financial

Equity Issues

During the Quarter Rialto made no equity issues.

Capital Structure at 31 March 2012

	Number
Shares	682,929,991
Unlisted Options	55,185,155

Cash

Cash on hand at 31 March 2013 was \$21.3 million.

Significant Shareholders – as at 30 April 2013

	Number	Percentage
International Finance Corporation (IFC)	63,707,267	9.33%
Glenn Ross Whiddon	46,842,822	6.86%



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The resource information in this announcement has been reviewed on behalf of Rialto by Simon Barkham B.Sc (Hons), M.Sc, D.Phil, who has consented to the inclusion of such information in this report in the form and context in which it appears. Dr Barkham is a full-time employee of the Company, with more than 20 years' relevant experience in the petroleum industry.