



## Rialto Energy Limited

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**15 March 2013**

To: Company Announcements Office  
ASX Limited, Exchange Centre  
20 Bridge Street  
Sydney NSW 2000



**ASX Code and AIM Code: RIA**

### **Rialto Energy Ltd ("Rialto" or the "Company")**

#### **Interim Results**

Rialto Energy Limited (ASX: RIA and AIM: RIA), the West African exploration and production company with a focus on Côte d'Ivoire, announces its reviewed final results for the half year ended 31 December 2012.

#### **Operational Highlights:**

Highlights for the period include:

- Completion of the drilling of Gazelle P-4, the third well of the first phase Gazelle appraisal drilling campaign.
- Completion of processing and interpretation of new acquired block-wide 3D seismic data, yielding several new exploration prospects as well as an increased understanding of already identified prospects and existing discoveries.
- Preparation by the Company for a planned 2-3 well 2013 exploration drilling campaign.
- The increase by Petroci of its participating interest in the Gazelle Exclusive Exploitation Area ("EEA") by 11%, up to a 26% paying interest.
- Receipt of Ghanaian Government approval for Rialto's entry into the Offshore Accra Contract Area for a 12.5% participating interest along with fellow new Joint Venture Partners, Ophir Energy and Vitol.
- Rob Shepherd being appointed as CEO of the Company.

#### **Financial Highlights:**

- The Group's revenue for the half year ended 31 December 2012 was \$112,485 (2011: \$422,845)
- The net loss before tax was \$4,449,807 (2011: \$3,316,718) and the net loss after tax was \$4,516,572 (2011: \$3,348,636)

- Cash and cash equivalents at 31 December 2012 were \$30,333,169 (2011: \$44,367,172) and the net cash used for investing activities was \$39,825,571 (2011: \$12,689,654).
- Company continues to review its funding options ahead of its planned drilling programme.

Commenting on today's results, Managing Director, Rob Shepherd, said:

“The Company is continuing in its efforts to establish itself as an exploration and production company in the West African region. Rialto remains focussed on securing funding for its 2013 drilling program at its highly prospective exploration and appraisal portfolio at Block CI-202 offshore Côte d'Ivoire and to progressing its activities in the recently acquired Accra Block.”

Rialto Energy Limited	Rob Shepherd Telephone: +44 (0)20 7042 8500 Email: <a href="mailto:IR@rialtoenergy.com">IR@rialtoenergy.com</a>
Investec	Ben Colegrave, Chris Sim and Neil Elliot Telephone: +44 (0)20 7597 4000
Buchanan (Financial PR London)	Ben Romney or Tim Thompson Telephone: +44 (0)20 7466 5000 Email: rialtoenergy@buchanan.uk.com
MAGNUS Investor Relations (Financial PR and Investor Relations Australia)	John Gardner Telephone: +61 8 9212 0101 or +61 413 355 997 Email: <a href="mailto:jgardner@magnus.net.au">jgardner@magnus.net.au</a>

### **About Rialto Energy Ltd**

Rialto Energy Limited (ASX:RIA, AIM:RIA) is an oil and gas exploration and production company with current operations in the Côte d'Ivoire, Ghana and Australia.

In Côte d'Ivoire, Rialto is the Operator (85% working interest) of the CI-202 block offshore, which contains the Gazelle Field.

In Ghana, Rialto has a 12.5% interest in the Offshore Accra Contract Area, operated by Ophir Energy.

Rialto also has an interest in the Apache operated WA-399-P Block in the Carnarvon Basin, Western Australia.



**ABN 17 117 227 086**

**Half-Year Financial Report  
31 December 2012**

# RIALTO ENERGY LIMITED – HALF YEAR REPORT

## Corporate Directory

### Directors

Bruce Burrows	Non-Executive Chairman
Robert Shepherd	Managing Director
Charles Nieto	Chief Operating Officer
Vance Querio	Non-Executive Director
Neil Hackett	Non-Executive Director
Andrew Bartlett	Non-Executive Director
Gregory Stoupnitzky	Non-Executive Director
Andrew Sinclair	Non-Executive Director

### Company Secretary

Matthew Worner  
Neil Hackett

### Registered Office

Level 1, 34 Colin Street  
West Perth, WA 6005  
Australia  
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Facsimile: (08) 9211 5001  
Email: [admin@rialtoenergy.com](mailto:admin@rialtoenergy.com)  
Web: [www.rialtoenergy.com](http://www.rialtoenergy.com)

### London Office

22 Long Acre  
Covent Garden  
London, WC2E 9LY  
Telephone: + 44 20 7042 8500  
Facsimile: + 44 20 7042 8501

### Abidjan Office

Avenue Botreau Russel  
Immeuble Le Mans 8me étage  
Abidjan Plateau  
01 B.P. 13158 Abidjan 01  
Telephone: + 225 20 31 27 55  
Facsimile: + 225 20 32 70 58

### Auditors

Ernst & Young  
11 Mounts Bay Road  
Perth WA 6000

### Bankers

National Australia Bank  
226 Main Street  
Osborne Park WA 6017

# RIALTO ENERGY LIMITED – HALF YEAR REPORT

## Corporate Directory (continued)

### Corporate Brokers

Euroz Securities Limited  
Level 18, Alluvion  
58 Mounts Bay Road  
Perth WA 6000

Investec  
2 Gresham Street  
London EC2V 7QP

GMP Securities Europe LLP  
Stratton House  
5 Stratton Street  
London W1J 8LA

### Share Registry

Computershare Investor Services Pty Ltd  
Yarra Falls  
452 Johnston Street  
Abbotsford VIC 3067  
Telephone: +61 (0) 3 9415 4000  
Facsimile: +61 (0) 3 9473 2500

Computershare Investor Services Plc  
The Pavillions  
Bridgewater Road  
Bristol BS13 8AE  
Telephone: +44 (0) 870 702 003  
Facsimile: +44 (0) 870 703 6101

### Securities Exchange Listing

The Company is listed on the ASX Limited (ASX) and the Alternative Investment Market (AIM) on the London Stock Exchange.

Home branch: Perth, Western Australia  
ASX Code: **RIA**  
AIM Code: **RIA**

# RIALTO ENERGY LIMITED – HALF YEAR REPORT

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# RIALTO ENERGY LIMITED – HALF YEAR REPORT

## Directors' Report

Your Directors submit their report for the half-year ended 31 December 2012.

## Directors

The names of Rialto Energy Limited's ("Rialto" or "Company") directors in office during the half-year and until the date of this report are as below. Directors were in office for this entire period unless otherwise stated.

Bruce Burrows  
Charles Nieto  
Vance Querio  
Neil Hackett  
Andrew Bartlett (appointed 17 September 2012)  
Gregory Stoupnitzky (appointed 15 October 2012)  
Andrew Sinclair (appointed 21 December 2012)  
Jeffrey Schrull (resigned 21 December 2012)  
Robert Shepherd (appointed 25 February 2013)

## Review and Results of Operations

### Results

The gross loss for the half year ended 31 December 2012 was \$4,516,572 (2011: \$3,348,636).

### Operations

#### CI-202 Cote d'Ivoire (Rialto exploration acreage working interest 85%, paying interest 95%)

During the half-year, the Company undertook the following activities on CI-202:

#### First Phase Gazelle Appraisal Drilling Programme 2012

During the period Rialto drilled the third well Gazelle-P4 (after P3 and P3ST1) of the first phase Gazelle appraisal drilling programme. The well was spudded on 25 July 2012 and was drilled to target depth in only 28 days. Gazelle-P4 was targeting both upper and lower Cenomanian sands and was drilled in proximity to the IVCO-21 well. The objective was to test the oil potential of the UC-2 and UC-4 oil reservoirs as well as the gas potential of 4 other gas reservoirs encountered by the IVCO-21, Gazelle-2 and Gazelle-P3 ST1 wells.

The Gazelle-P4 well intersected six separate reservoir intervals with overall results being below expectations in most sands due to a combination of poorer reservoir development and unexpected variations in fluid contacts, demonstrating a more complex than anticipated reservoir in the Gazelle accumulation.

The gas bearing UC5 was however of very high quality, and significantly thicker than pre-drill estimates. Gazelle-P4 has been suspended as a future producer with well deliverability estimates for this sand around 37mmscf/d.

#### Seismic Acquisition and Reprocessing

Processing and interpretation of the newly acquired block-wide 3D seismic data was completed during the period. Based on this new 3D data and as part of the Block CI-202 licence requirements, a 25% area was relinquished in October, being the deep water south western part of the block as well as the shallower north eastern part. The new Block CI-202 area is now 506 km<sup>2</sup>.

This technical work on the remaining area has yielded additional prospectivity over areas within Block CI-202 previously lacking seismic data as well as providing greater understanding of existing discoveries in CI-202. Drilling candidates for the 2013 drilling programme will now be selected based on the new 3D data. The Company has identified five high-impact drilling targets (see below).

## RIALTO ENERGY LIMITED – HALF YEAR REPORT

### Prospective and contingent resources

In January 2013, RPS Energy Services Pty Limited provided an updated Reserves and Resource Report (“CPR”) in relation to Block CI-202. Prospect inventory has been increased to 21 with eight new prospects identified using the new high quality 3D seismic data. The CPR certified a Total Mean Prospective Resource of 897 MMbbls (liquids) and 2,936 Bcf (gas); as well as a Total Mean Contingent Resource of 40 MMbbls (liquids) and 270 Bcf (gas).

### 2013 Exploration and Appraisal Drilling Programme

During the period, Rialto’s drilling team began preparations for the 2013 drilling programme at the Company’s in-country office located in Abidjan, with the commencement of contracting of long lead items and other well planning work. The Company has retained the core of its very experienced drilling team from the 2012 programme.

In June 2012 Rialto executed a contract to use the Vantage Sapphire jack-up drilling rig for a drilling programme of three wells with an option for an additional two wells. This rig is currently operating in Côte d’Ivoire, has an excellent operating record and is expected to commence activities for Rialto during the second quarter of calendar year 2013.

The Company continues to work up its preferred drilling targets for drilling a minimum of two wells to meet its PSC exploration commitments in light of the recently received PreStack Depth Migration data set from the 3D seismic survey that was completed in late 2011.

Additional technical and economic analytical work is being conducted on identified prospects to optimize final prospect selection. This prospect selection will also be subject to joint venture agreement from partner Petroci, as well as input from potential incoming joint venture partners.

A number of prospects are being considered for final selection, as described below:

- Gazelle/Condor Area: Total Mean Prospective Resource of 999 Bcf (Gas) and 19.9 MMbbls (Condensate)
- Faucon Area: Total Mean Prospective Resource of 181 MMbbls (Oil) and 111 Bcf (Associated Gas)
- Hippo/Bubale Area: Total Mean Prospective Resource of 127 MMbbls (Liquids) and 684 Bcf (Gas and Associated Gas)
- Chouette Area: Total Mean Prospective Resource of 206 MMbbls (Liquids) and 764 Bcf (Gas and Associated Gas)
- Arius Area: Total Mean Prospective Resource of 289 MMbbls (Oil) and 145 Bcf (Associated Gas). Note – on-block portion of Arius prospect only.

Additionally, success with one or more of the exploration prospects may advance monetisation of the Contingent Resource identified above.

### Gazelle Field and Greater CI-202 Development (Rialto working interest 74%, paying interest 84%)

Following the award of an Exclusive Exploitation Authorisation (“EEA”) area over the Gazelle field in April 2012, Petroci exercised its option to increase its participating interest in the EEA by 11% paying interest on 9 August 2012. Consequently Rialto’s new EEA Working Interest will be 74% and the paying interest will be 84%. As part of the exercise of its option, Petroci is required to reimburse Rialto for its share of costs associated with the newly acquired 11% interest. Rialto is continuing discussions with Petroci as to the form and timing of this payment which the Company estimates to be approximately US\$10 million.

Based on the results of the 2012 drilling programme, which yielded reduced oil and gas volumes at Gazelle, a phased approach to the development of the resources within Block CI-202 is being investigated and Front End Engineering Design (FEED) was awarded to Petrofac in August 2012. Various development options are being considered to reduce capital expenditure and to potentially integrate any development into a planned regional development project, in collaboration with the Government.



## **RIALTO ENERGY LIMITED – HALF YEAR REPORT**

### **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 2,000 km<sup>2</sup> 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. These prospects are very similar in geological age and play type to the 1.2 billion barrel Jubilee discovery of 2007. According to TAP, the combined un-risked prospective resource of these prospects is greater than three billion barrels. The commitment well will target the Starfish Prospect, a large, deep-water, Jubilee lookalike trap with prospective resources in the range of 500 million barrels, with drilling expected in the second half of 2013. In the event of a successful Starfish well, there are several further geologically similar high-impact follow up prospects which can be drilled.

#### **WA-399-P (Rialto 12%)**

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 (NOPTA) 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.

### **Financial Summary**

Interest income for the half year ended 31 December 2012 was \$112,485 (2011: \$379,818) and other income was nil (2011: \$43,027). The company's total income for the half year was \$112,485 (2011: \$422,845).

General and administrative expenses for the half year ended 31 December 2012 were \$4,110,967 (2011: \$5,090,982) a decrease of \$980,015. The decrease is principally due to lower share based expense of \$1,104,370 (2011: \$2,090,991), increased capitalised costs of \$2,802,784 (2011: \$2,030,124) and 2011 including costs relating to the April 2012 AIM listing of \$644,552. The decreases are partially offset by slightly higher employee and director compensation expense of \$2,675,010 (2011: \$2,196,375), increased other general administrative costs of \$2,998,895 (2011: \$2,134,109) including costs associated with the potential farm-out of CI-202 of \$544,765. The lower share based expense is due to the timing of share option and share incentive awards to employees. The increases in employee and director compensation expense and other costs are a direct result of the increase in operational activities including higher staff numbers and increased office space. The capitalised costs, including time spent by employees on exploration and production interests, are charged to the applicable exploration and production interests.

The foreign currency loss for the six months ended 31 December 2012 was \$451,325 (2011: gain \$1,351,419). The decrease in foreign currency gains is due to the strengthening of the Australian dollar during the period affecting the cash balances held in US dollars.

The net loss before tax was \$4,449,807 (2011: \$3,316,718) and the net loss after tax was \$4,516,572 (2011: \$3,348,636).

Cash and cash equivalents at 31 December 2012 were \$30,333,169 (2011: \$44,367,172). Net cash used in operations was \$2,398,341 (2011: \$2,570,369) and cash used for exploration (investing) activities was \$39,825,571 (2011: \$12,689,654).

## **RIALTO ENERGY LIMITED – HALF YEAR REPORT**

The Group continues to conduct exploration activities. Under the current Production Sharing Contract (PSC) for CI-202 in order to retain the exploration area for the block, separate to the carved out Gazelle EEA, the Group is required to drill two wells on the exploration area by 10 November 2013. The Group is currently planning a minimum two well drilling campaign to commence in mid-2013 which would meet this commitment. The estimated cost to drill the two wells is US\$60 million. The Group must also incur expenditure of \$9.3 million, being its 12.5% share of the approved work program and budget as part of the farm-in to the Ghana PSC. The Company will need to secure funds to commence the planned drilling campaign mentioned above, and for any future development. The Group is evaluating a broad range of funding options including a farm-out of exploration assets and further capital raisings to fund the upcoming drilling campaign and enable it to continue to meet its contractual obligations as and when they fall due.

### **Corporate**

#### **Director and Senior Management Appointments and Resignations**

##### **Mr Rob Shepherd – Managing Director**

Mr Rob Shepherd was appointed as Interim CEO of the Company on 26 November 2012 and subsequently appointed Managing Director on 25 February 2013. Mr Shepherd has over 20 years of experience in the Oil & Gas industry and brings a wealth of skills to the Company. He joins the Company having previously been Finance Director of AIM Listed, African focussed, Dominion Petroleum, which was acquired by Ophir Energy in February 2012.

Mr Shepherd's Oil & Gas executive experience also includes his role as Non-executive Director of Imperial Energy Corporation, a FTSE 250 oil company, between June 2007 and December 2008.

Prior to joining Dominion, Mr Shepherd was Senior Vice President of Emerging Markets at ABN AMRO Bank. Mr Shepherd graduated with a Bachelor of Mechanical Engineering from Sheffield University and also holds a MBA from INSEAD, France.

##### **Mr Andrew Donald Bartlett – Non-executive Director**

Mr Andrew Bartlett was appointed as a Non-executive Director of the Company on 17 September 2013 and will commence as Chairman of the Company on formal resignation of outgoing Chairman, Mr Bruce Burrows during March 2013. Mr Bartlett, 54, has over 30 years of experience in the Oil & Gas Industry, with a wide range of skills, in both the upstream industry and across finance in Mergers and Acquisitions, Project and Mezzanine Debt, Derivatives and Private Equity. This includes over 20 years' experience in Emerging Markets, with the majority of this time focused on Africa. An experienced investment banker based in London, Mr Bartlett was both the Global Head of Oil & Gas Project Finance and Global Head of O&G M&A at Standard Chartered Bank until July 2011. Prior to going into investment banking, Mr Bartlett helped to establish Shell Capital in the period 1998 to 2001. Shell Capital was the Private Equity/mezzanine debt group set up by Royal Dutch Shell to finance small producers in emerging markets. Prior to joining Shell Capital Mr Bartlett worked for Royal Dutch Shell as a Petroleum Engineer & Development Manager where he gained extensive experience in developing and operating oil and gas fields. Postings included the North Sea, Netherlands, Somalia, New Zealand and Syria.

Mr Bartlett sits on the Advisory Board of EUCERS, a European Commission funded initiative at King's College London for industry, politicians, financiers & academia to discuss energy security issues for the European Union. He is currently a Board member of Petroleum and Renewable Energy Company Limited, an Energy Consulting Group, as well as being a director of Bartlett Energy Advisers. In the last five years Mr Bartlett has been CEO and director of Harrison Lovegrove Ltd and Energean E&P Holdings.

##### **Mr Gregory Alexis Stoupnitzky – Non-executive Director**

On 15 October 2012, Rialto appointed Mr Gregory Stoupnitzky as a Non-executive Director. Mr Stoupnitzky, aged 56, brings over 30 years of Investment Banking and Capital Markets experience, with a long track record in the natural resources and related sectors. During this time, Mr Stoupnitzky has held senior positions with Bear

## **RIALTO ENERGY LIMITED – HALF YEAR REPORT**

Stearns, Morgan Stanley and most recently with Renaissance Capital in London. Mr Stoupnitzky is a founder and Managing Partner of CIS Capital LLC, which provides advice to private equity funds and small caps in valuation, disposal or merger of oil and gas and power assets. During the course of his career, Mr Stoupnitzky has established an impressive track record of Emerging Markets transactions in geographies across Latin America, Russia and the CIS, and Sub-Saharan Africa.

In the last six years, Mr Stoupnitzky has been an Advisory Board Member of Pace Financial Services, a member of the Advisory Council for the Center for Energy, Marine Transportation and Public Policy at Columbia University and a Director of the US-Russia Business Council, in Washington DC.

### **Mr Andrew Ian Sinclair – Non-executive Director**

Mr Andrew Sinclair was appointed to the Board of the Company on 21 December 2012. The appointment of Mr Sinclair, aged 40, is to allow Rialto to comply with Australian requirements to have two directors resident in Australia, whilst the Company completes a search for a permanent Australian based Non-executive Director to replace Mr Jeff Schrull who stood down from the board on 21 December 2012.

Mr Sinclair, who is based in Sydney, Australia, is a founder of Giant Capital, an international investment fund focused on the oil and gas sector. Prior to starting Giant Capital in 2011, Mr Sinclair had a 16 year career with Macquarie Bank in Sydney, London and Houston and held senior positions with Macquarie's upstream oil and gas investment business in both Houston and London.

### **Mr Bruce Burrows – Intention to Resign as Chairman**

Mr Bruce Burrows announced his intention to resign as Chairman of the Company on 25 February 2013 due to increasing time commitments elsewhere. Mr Burrows intends to step down from the Board during the course of March 2013.

### **Mr Jeff Schrull – Resigned as Managing Director**

Mr Jeff Schrull resigned as Managing Director of the Company in November 2012 in order to relocate to Perth. Mr Schrull also stepped down from the Board on 21 December 2012.

## **Equity Issues**

During the period 912,500 Performance Rights were converted to 912,500 Ordinary Shares for nil consideration pursuant to the Rialto Energy Limited Performance Right Plans.

## **Changes in State of Affairs**

During the half year ended 31 December 2012 there was no significant change in the entity's state of affairs other than that referred to in this Directors' report, the half year financial statements or notes thereto.

## **Auditor's Independence Declaration**

We have obtained an independence declaration from our auditor's, Ernst & Young, which is included on page 6.

Signed in accordance with a resolution of the directors.

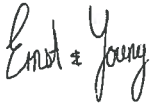


**Rob Shepherd**  
Managing Director

14 March 2013

## Auditor's Independence Declaration to the Directors of Rialto Energy Ltd

In relation to our review of the consolidated financial report of Rialto Energy Ltd and its controlled entities for the half-year ended 31 December 2012, to the best of my knowledge and belief, there have been no contraventions of the auditor independence requirements of the *Corporations Act 2001* or any applicable code of professional conduct.

A stylized signature of the Ernst & Young logo, written in a cursive script.

Ernst & Young

A handwritten signature in black ink, appearing to be 'R J Curtin'.

R J Curtin  
Partner  
Perth  
14 March 2013

# RIALTO ENERGY LIMITED – HALF YEAR REPORT

## Consolidated Statement of Comprehensive Income For the half-year ended 31 December 2012

	Notes	For the half year ended 31 December 2012 \$	For the half year ended 31 December 2011 \$
<b>Continuing operations</b>			
Interest revenue		112,485	379,818
Other income		-	43,027
		112,485	422,845
General and administrative expenses	4	(4,110,967)	(5,090,982)
Foreign exchange gain/(loss)		(451,325)	1,351,419
<b>Loss from continuing operations before income tax</b>		<b>(4,449,807)</b>	<b>(3,316,718)</b>
Income tax expense	5	(66,765)	(31,918)
<b>Net loss for the period</b>		<b>(4,516,572)</b>	<b>(3,348,636)</b>
<i>Items that may be reclassified subsequently to profit or loss</i>			
Foreign currency translation		(3,791,084)	2,266,918
<b>Other comprehensive loss for the period, net of tax</b>		<b>(3,791,084)</b>	<b>2,266,918</b>
<b>Total comprehensive loss for the period attributable to members of Rialto Energy Limited</b>		<b>(8,307,656)</b>	<b>(1,081,718)</b>
		<b>Cents per share</b>	<b>Cents per share</b>
<b>Earnings per share</b>			
- basic loss per share		(0.66)	(0.90)
- diluted loss per share		(0.66)	(0.90)

**RIALTO ENERGY LIMITED – HALF YEAR REPORT**

**Consolidated Statement of Financial Position  
As at 31 December 2012**

	Notes	31 December 2012 \$	30 June 2012 \$
<b>ASSETS</b>			
<b>Current assets</b>			
Cash and cash equivalents	6	30,333,169	73,955,674
Trade and other receivables		1,867,773	1,932,787
Other current assets		789,332	8,300,418
<b>Total current assets</b>		<b>32,990,274</b>	<b>84,188,879</b>
<b>Non-current assets</b>			
Exploration and evaluation	7	169,172,903	139,371,020
Property, plant and equipment		798,244	853,713
<b>Total non-current assets</b>		<b>169,971,147</b>	<b>140,224,733</b>
<b>TOTAL ASSETS</b>		<b>202,961,421</b>	<b>224,413,612</b>
<b>LIABILITIES</b>			
<b>Current liabilities</b>			
Trade and other payables		3,918,940	18,200,701
UK tax payable		92,605	51,575
Provisions		55,330	62,782
Interest bearing loans & borrowings		4,932	7,622
<b>Total current liabilities</b>		<b>4,071,807</b>	<b>18,322,680</b>
<b>Non-current liabilities</b>			
Provisions		7,360	5,392
<b>Total non-current liabilities</b>		<b>7,360</b>	<b>5,392</b>
<b>TOTAL LIABILITIES</b>		<b>4,079,167</b>	<b>18,328,072</b>
<b>NET ASSETS</b>		<b>198,882,254</b>	<b>206,085,540</b>
<b>EQUITY</b>			
Issued capital	9	218,591,753	218,591,753
Performance shares	9	9,994,250	9,994,250
Reserves		3,801,505	6,488,219
Accumulated losses		(33,505,254)	(28,988,682)
<b>TOTAL EQUITY</b>		<b>198,882,254</b>	<b>206,085,540</b>

# RIALTO ENERGY LIMITED – HALF YEAR REPORT

## Consolidated Statement of Cash Flows For the half year ended 31 December 2012

	For the half year ended 31 December 2012	For the half year ended 31 December 2011
Notes	\$	\$
<b>Cash flows from operating activities</b>		
Payments to suppliers and employees	(2,513,162)	(2,943,161)
Interest received	153,780	372,792
Income tax paid	(38,959)	-
<b>Net cash flows from/(used in) operating activities</b>	<b>(2,398,341)</b>	<b>(2,570,369)</b>
<b>Cash flows from investing activities</b>		
Purchase of property, plant & equipment	(79,004)	(297,620)
Payments to C&LNR Ltd vendors (Holdback)	-	(74,421)
Payment for exploration & evaluation expenditure	(39,746,567)	(12,317,613)
<b>Net cash flows from/(used in) investing activities</b>	<b>(39,825,571)</b>	<b>(12,689,654)</b>
<b>Cash flows from financing activities</b>		
Payments for capital raising	-	(21,360)
<b>Net cash flows from/(used in) financing activities</b>	<b>-</b>	<b>(21,360)</b>
Net increase in cash and cash equivalents	(42,223,912)	(15,281,383)
<b>Cash and cash equivalents at beginning of period</b>	<b>73,955,674</b>	<b>59,096,713</b>
Effects of exchange rate changes on cash	(1,398,593)	551,842
<b>Cash and cash equivalents at end of period</b>	<b>30,333,169</b>	<b>44,367,172</b>

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**RIALTO ENERGY LIMITED – HALF YEAR REPORT**

**Consolidated Statement of Changes in Equity  
For the half-year ended 31 December 2012**

	Share capital	Performance share	Employee equity benefits reserve	Equity reserve	Foreign currency translation reserve	Accumulated losses	Total
	\$	\$	\$	\$	\$	\$	\$
<b>At 1 July 2012</b>	218,591,753	9,994,250	13,191,603	(4,136,533)	(2,566,851)	(28,988,682)	206,085,540
Loss for period	-	-	-	-	-	(4,516,572)	(4,516,572)
Other comprehensive loss	-	-	-	-	(3,791,084)	-	(3,791,084)
Total comprehensive loss for the year	-	-	-	-	(3,791,084)	(4,516,572)	(8,307,656)
<b>Transactions with owners in their capacity as owners</b>							
Share based payments	-	-	1,104,370	-	-	-	1,104,370
<b>At 31 December 2012</b>	218,591,753	9,994,250	14,295,973	(4,136,533)	(6,357,935)	(33,505,254)	198,882,254



**RIALTO ENERGY LIMITED – HALF YEAR REPORT**

**Consolidated Statement of Changes in Equity (continued)  
For the half-year ended 31 December 2011**

	Share capital	Performance share	Employee equity benefits reserve	Equity reserve	Foreign currency translation reserve	Accumulated losses	Total
	\$	\$	\$	\$	\$	\$	\$
<b>At 1 July 2011</b>	135,138,575	9,994,250	8,388,169	(4,136,533)	(8,879,189)	(18,825,081)	121,680,191
Loss for period	-	-	-	-	-	(3,348,636)	(3,348,636)
Other comprehensive income	-	-	-	-	2,266,918	-	2,266,918
<b>Total comprehensive loss for the year</b>	-	-	-	-	2,266,918	(3,348,636)	(1,081,718)
<b>Transactions with owners in their capacity as owners</b>							
GST claim on financial acquisitions	287,206	-	-	-	-	-	287,206
Transaction costs of issuing shares	(23,496)	-	-	-	-	-	(23,496)
Share based payments	-	-	2,090,991	-	-	-	2,090,991
<b>At 31 December 2011</b>	135,402,285	9,994,250	10,479,160	(4,136,533)	(6,612,271)	(22,173,717)	122,953,174

# RIALTO ENERGY LIMITED – HALF YEAR REPORT

## 1. Corporate Information

The interim condensed consolidated financial statements of the Group for the six months ended 31 December 2012 were authorised for issue in accordance with a resolution of the Directors on 14 March 2013.

Rialto Energy Limited is a company incorporated and domiciled in Australia. It is listed on the Australian Securities Exchange and the Alternative Investment Market (AIM) on the London Stock Exchange.

The nature of the operations and principal activities of the Company are described in the Directors' Report.

## 2. Summary of Significant Accounting Policies

### (a) Basis of Preparation

This half-year financial report for the period ended 31 December 2012 is a general purpose condensed financial report prepared in accordance with AASB 134 Interim Financial Reporting and the Corporations Act 2001.

The half-year financial report does not include all notes of the type normally included within the annual financial report and therefore cannot be expected to provide as full an understanding of the financial performance, financial position and financing and investing activities of the consolidated entity as the full financial report.

It is recommended that the half-year financial report be read in conjunction with the annual report for the year ended 30 June 2012 and considered together with any public announcements made by Rialto Energy Limited during the half-year ended 31 December 2012 in accordance with the continuous disclosure obligations of the ASX listing rules.

### (b) Significant accounting policies

The accounting policies applied by the Company in this interim financial report are the same as those applied by the Company in its financial report as at and for the year ended 30 June 2012. The adoption of new and amended standards and interpretations had no impact on the financial position or performance of the Company.

### (c) Going concern

The half-year consolidated financial statements have been prepared on a going concern basis which contemplates the continuity of normal business activity and realisation of assets and settlement of liabilities in the normal course of business.

The Group continues to conduct exploration activities. Under the current Production Sharing Contract (PSC) for CI-202 in order to retain the exploration area for the block, separate to the carved out Gazelle EEA, the Group is required to drill two wells on the exploration area by 10 November 2013. The Group is currently planning a minimum two well drilling campaign to commence in mid-2013 which would meet this commitment. The estimated cost to drill the two wells is US\$60 million. The Group must also incur expenditure of \$9.3 million, being its 12.5% share of the approved work program and budget as part of the farm-in to the Ghana PSC. The Company will need to secure funds to commence the planned drilling campaign mentioned above, and for any future development.

The Group is evaluating a broad range of funding options including a farm-out of exploration assets and further capital raisings to fund the upcoming drilling campaign and enable it to continue to meet its contractual obligations as and when they fall due. Whilst the Directors are confident of obtaining additional funding to commence the upcoming drilling campaign and to meet its contractual obligations as and when they fall due, they note that such funds have not been secured at the date of this report.

**2. Summary of Significant Accounting Policies (continued)**

**(c) Going concern (continued)**

Should the Group not achieve the matters set out above, there is uncertainty whether the Group would continue as a going concern and therefore whether it would realise its assets and extinguish its liabilities in the normal course of business and at the amounts stated in the financial report. The financial report does not include adjustments relating to the recoverability or classification of the recorded assets amounts nor to the amounts or classification of liabilities that might be necessary should the Group not be able to continue as a going concern.

**3. Financial Risk Management**

The Group's financial risk management objectives and policies are consistent with that disclosed in the consolidated financial report as at and for the year ended 30 June 2012.

**4. Expenses from Continuing Operations**

	For the half year ended 31 December 2012 \$	For the half year ended 31 December 2011 \$
<b>General and administrative expenses</b>		
Employee benefit and director compensation expense	2,675,010	2,196,375
Share based payments	1,104,370	2,090,991
	3,779,380	4,287,366
Depreciation of property, plant & equipment	135,476	55,079
General and administrative expenses	2,998,895	2,134,109
Corporate advisory costs	-	644,552
Exploration expenditure capitalised	(2,802,784)	(2,030,124)
	4,110,967	5,090,982

**5. Income Tax Expense**

Statement of comprehensive income		
Current income	-	-
Current income tax charge	53,380	31,918
Deferred income tax	13,385	-
Income tax expense reported in statement of comprehensive income	66,765	31,918

**6. Cash and Cash Equivalents**

For the purposes of the half-year statement of cash flow, cash and cash equivalents are comprised of the following:

	<b>31 December 2012</b>	<b>31 December 2011</b>
	\$	\$
<b>Cash and cash equivalents</b>		
Cash at bank and on hand	25,466,673	5,988,712
Deposits at call	4,866,496	38,378,460
	<b>30,333,169</b>	<b>44,367,172</b>

**7. Exploration and Evaluation**

	<b>31 December 2012</b>	<b>30 June 2012</b>
	\$	\$
<b>Exploration and evaluation</b>		
Opening balance at 1 July	139,371,020	64,138,745
Exploration expenditure during the period	32,692,790	71,746,960
Effects of foreign currency on translation	(2,890,907)	3,485,315
<b>Closing balance</b>	<b>169,172,903</b>	<b>139,371,020</b>
<b>Exploration and evaluation</b>		
CI-202 - Cote d'Ivoire	166,165,196	139,338,309
WA-399-P – Western Australia	77,073	32,711
Accra Block - Ghana	2,930,634	-
<b>Closing balance</b>	<b>169,172,903</b>	<b>139,371,020</b>

The assignment of Rialto's 12.5% share in the Ghana Offshore Accra Contract Area will be completed when a security is in place for US\$9,349,283.50 being the amount equal to a 12.5% participating interest share of the obligations and liabilities under the current exploration period as set out in the Operator's approved Work Program and Budget. The details of the security in the form of a letter of credit are in the process of being finalised.

Ultimate recoupment of exploration and evaluation expenditure carried forward is dependent on successful development and commercial exploitation or, alternatively, sale.

### 8. Commitments and Contingencies

The Company has the following commitments:

#### CI-202 Permit

In order to maintain current rights of tenure to its Cote d'Ivoire permit, the Group has certain obligations to perform minimum exploration work and expend minimum amounts of money. These commitments may be varied as a result of renegotiations, relinquishments, farm-outs, sales or carrying out work in excess of the permit obligations.

The current minimum work obligation under the PSC for the second exploration period, through to 10 November 2013 requires a minimum of two wells to be drilled. The cost of this minimum work obligation is approximately US\$60 million (\$59 million).

In order to meet the minimum work obligation, the Company has contractual commitments within one year of approximately \$22 million for the 2013 drilling programme.

#### Accra Block

In order to maintain current rights of tenure to its Ghana permit, the Joint Venture has certain obligations to perform minimum exploration work and expend minimum amounts of money. These commitments may be varied as a result of renegotiations, relinquishments, farm-outs, sales or carrying out work in excess of the permit obligations.

The initial exploration period expires on 23 September 2013 with the requirement that an exploration well is drilled by this time. Rialto's net share of the 2013 exploration well cost is estimated to be approximately US\$10 million (\$9.8 million).

#### WA-399-P

Exploration permit WA-399-P was awarded on 7 May 2007 and Rialto currently holds a 12% working interest in the permit. The WA 399-P permit entered Year 5 in September 2012.

The gross costs for Year 5 commitments are approximately US\$200,000 for geological studies (Rialto share US\$24,000). The gross costs for the Year 6 commitments are approximately US\$6 million for one well (Rialto share US\$720,000).

## RIALTO ENERGY LIMITED – HALF YEAR REPORT

9. Contributed Equity	31 December 2012	30 June 2012
	\$	\$
<b>(a) Share capital</b>		
Ordinary shares fully paid	218,591,753	218,591,753
<b>(b) Movements in ordinary shares on issue</b>	<b>Number</b>	<b>\$</b>
Balance at 1 July 2012	682,017,491	218,591,753
Conversion of performance rights to ordinary shares	912,500	-
<b>Balance at 31 December 2012</b>	<b>682,929,991</b>	<b>218,591,753</b>
<b>(c) Movements in performance shares on issue</b>		
Balance at 1 July 2012	15,000,000	9,994,250
<b>Balance at 31 December 2012 (a)</b>	<b>15,000,000</b>	<b>9,994,250</b>

(a) The contractual rights of the performance shares are subject to the issue of an independent reserve report delineating mean reserves in excess of 40 million barrels of oil equivalent. On achievement of the milestone, the contractual rights will convert to ordinary shares on a one to one basis.

## 10. Share Based Payments

During the period the following options were granted to directors:

Grant date	Expiry date	Grant date fair value	Exercise price	Number issued	Vesting date
23-Nov-2011	31-Dec-2015	0.039	0.40	1,875,003	(i)
23-Nov-2011	31-Dec-2015	0.026	0.80	1,875,003	(i)

(i) Vesting dates: One third each vesting 31 December 2012, 2013 and 2014

The assessed fair values of the options were determined using a Black Scholes model, taking into account the exercise price, term of option, the share price at grant date and expected price volatility of the underlying share, expected dividend yield and the risk-free interest rate for the term of the option. The inputs to the model for options granted on 23 November 2012 were:

Expiry	31-Dec-2015	31-Dec-2015
Dividend yield (%)	-	-
Expected volatility (%)	100.00%	100.00%
Risk-free interest rate (%)	3.09%	3.09%
Expected life of options (yrs)	3.10	3.10
Option exercise price (\$)	0.40	0.80
Share price at grant date (\$)	0.105	0.105

### 10. Share Based Payments (continued)

The expected life of the options is based on historical data and is not necessarily indicative of exercise patterns that may occur. The expected volatility reflects the assumption that the historical volatility is indicative of future trends, which may also not necessarily be the actual outcome.

No performance rights were granted during the half year ended 31 December 2012.

### 11. Segment Reporting

AASB 8 *Operating Segments* requires operating segments to be identified on the basis of internal reports that are regularly reviewed by the Chief Operating Decision Maker (“CODM”) to make decisions about resources to be allocated to the segment and assess its performance, and for which discrete financial information is available. In the case of the Group the CODM are the executive management team and all information reported to the CODM is based on the consolidated results of the Group as one operating segment, as the Group’s activities relate to oil and gas exploration.

The Group’s exploration activities in Australia and Ghana are not material and accordingly these segments are not considered discrete operating segments based on internal management reporting.

Accordingly, the Group has only one reportable segment and the results are the same as the Group results.

All material non-current assets for the Group are located in the Cote d’Ivoire and all material interest revenue was earned in Australia.

### 12. Events After the Statement of Financial Position Date

On 25 February 2013, Mr Robert Shepherd was appointed as Managing Director. Mr Shepherd has over 20 years of experience in the Oil and Gas Industry. Mr Shepherd’s details are summarised in the Directors section in the Directors’ report.

On 25 February 2013, Mr Bruce Burrows announced his intention to retire as Chairman of the Company. Mr Burrows will step down during the course of March 2013. Subject to his formal appointment by the Board, it is intended that, Mr Andrew Bartlett will assume the role of Chairman.

No matters or circumstances have arisen since the end of the half year which have significantly affected or may significantly affect the operations or the state of affairs of the consolidated entity in the future financial years.

## RIALTO ENERGY LIMITED – HALF YEAR REPORT

### Directors' Declaration

In accordance with a resolution of the directors of Rialto Energy Limited, I state that:

In the opinion of the directors:

- (a) the financial statements and notes of the consolidated entity are in accordance with the *Corporations Act 2001*, including:
  - i. giving a true and fair view of the financial position as at 31 December 2012 and the performance for the half-year ended on that date of the consolidated entity; and
  - ii. complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the Corporations Regulations 2001; and
  
- (b) subject to the matter set out in Note 2(c) 'Going concern' there are reasonable grounds to believe that the consolidated entity will be able to pay its debts as and when they become due and payable.

On behalf of the Board



**Rob Shepherd**  
**Managing Director**

14 March 2013



To the members of Rialto Energy Ltd

## Report on the Half-Year Financial Report

We have reviewed the accompanying half-year financial report of Rialto Energy Ltd, which comprises the statement of financial position as at 31 December 2012, the statement of comprehensive income, statement of changes in equity and statement of cash flows for the half-year ended on that date and other explanatory information and the directors' declaration of the consolidated entity comprising the company and the entities it controlled at the half-year end or from time to time during the half-year.

### Directors' Responsibility for the Half-Year Financial Report

The directors of the company are responsible for the preparation of the half-year financial report that gives a true and fair view in accordance with Australian Accounting Standards and the *Corporations Act 2001* and for such internal controls as the directors determine are necessary to enable the preparation of the half-year financial report that is free from material misstatement, whether due to fraud or error.

### Auditor's Responsibility

Our responsibility is to express a conclusion on the half-year financial report based on our review. We conducted our review in accordance with Auditing Standard on Review Engagements ASRE 2410 *Review of Interim and Other Financial Reports Performed by the Independent Auditor of the Entity*, in order to state whether, on the basis of the procedures described, we have become aware of any matter that makes us believe that the financial report is not in accordance with the *Corporations Act 2001* including: giving a true and fair view of the consolidated entity's financial position as at 31 December 2012 and its performance for the half-year ended on that date; and complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*. As the auditor of Rialto Energy Ltd and the entities it controlled during the half-year, ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

A review of a half-year financial report consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Australian Auditing Standards and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

### Independence

In conducting our review, we have complied with the independence requirements of the *Corporations Act 2001*. We have given to the directors of the company a written Auditor's Independence Declaration, a copy of which is included in the Directors' Report.

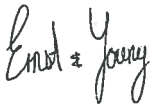
## Conclusion

Based on our review, which is not an audit, we have not become aware of any matter that makes us believe that the half-year financial report of Rialto Energy Ltd is not in accordance with the *Corporations Act 2001*, including:

- i) giving a true and fair view of the consolidated entity's financial position as at 31 December 2012 and of its performance for the half-year ended on that date; and
- ii) complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*.

## ***Emphasis of Matter - Going Concern***

Without qualifying our conclusion, we draw attention to Note 2(c) 'Going concern' in the financial report. The matters described in Note 2(c) indicate the existence of a material uncertainty as to whether the consolidated entity will continue as a going concern and therefore whether it will realise its assets and extinguish its liabilities in the normal course of business and at the amounts stated in the financial report. The financial report does not include any adjustments relating to the recoverability and classification of recorded asset amounts or to the amounts and classification of liabilities that might be necessary should the consolidated entity not continue as a going concern.

A handwritten signature of the Ernst & Young logo.

Ernst & Young

A handwritten signature of R J Curtin.

R J Curtin  
Partner  
Perth  
14 March 2013