



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

ACN 117 227 086

Rialto Energy Limited Quarterly Activities Report - December 2012



Recent Highlights

- Government approval of entry into Accra block, Ghana which contains a number of prospects, including Starfish, with unrisks prospective resources estimated to be in the range of half a billion barrels (431 MMbbls (P50); 665 MMbbls (PMean))
- Appointment of Rob Shepherd as interim CEO, previously FD of Dominion Petroleum.
- Appointment of Gregory Stoupnitzky and Andrew Sinclair as Non-executive Directors
- Post period end publication of revised Resources Report in respect of Block CI-202, offshore Côte d'Ivoire, with key highlights;
 - Prospect inventory increased to 21 with eight new prospects identified using the new high quality 3D seismic data
 - Total Mean Prospective Recoverable Liquids and Gas Resource of 897 MMbbls and 2,936 Bcf respectively, an increase of over 65%, demonstrating significant exploration upside, and
 - Total Mean Contingent Recoverable Liquids and Gas Resource of 40 MMbbls and 270 Bcf respectively.





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A message from the CEO – Rob Shepherd

I am very pleased to be able to provide the first update on Rialto's activities since I became CEO on 23 November 2012.

Whilst 2012 was a challenging year for the Company following the mixed results of the Block CI-202 Gazelle drilling campaign, Rialto continued to progress its technical understanding of the Block over the last Quarter, which culminated in the publication of our revised Resources Report on 15 January 2013. The report was prepared by RPS Energy Services Pty Ltd ("RPS") and incorporates information derived from the 2012 drilling programme and Rialto's 2012 3D seismic survey.

Key highlights are as follows:

- Prospect inventory increased to 21 with eight new prospects identified using the new high quality 3D seismic data, which has been fully processed and interpreted ahead of the planned 2013 drilling programme;
- Total Mean Prospective Recoverable Liquids and Gas Resource, assuming that all the prospects are successful, of 897 MMbbls and 2,936 Bcf respectively (an increase of 75% for liquids and 65% for gas) demonstrating significant exploration upside; and
- Total Mean Contingent Recoverable Liquids and Gas Resource of 40 MMbbls and 270 Bcf respectively (down from 50 MMbbls and 396 Bcf previously).

As previously notified, the Company has secured the Vantage Sapphire jack-up rig to drill between two and five exploration prospects from Q2 2013.

Additionally, Rialto continues to assess development options for the contingent resources noted above focused around Gazelle and the existing discoveries of Hippo / Bubale. Although the gas volumes identified during the 2012 drilling campaign are lower than originally envisaged due to a shallower oil water contact than first thought, the Company remains committed to supporting the Government's desire to see discovered gas volumes used to supply the growing domestic power market in Côte d'Ivoire.



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In December 2012, the Company was pleased to announce that it had received approval from the relevant authorities to acquire a 12.5% participating interest in the Offshore Accra Contract Area, Ghana, West Africa (the "Accra Block") alongside fellow new entrants Ophir Ghana (Accra) Limited ("Ophir") (20% working interest and Operator) and Vitol Upstream (Accra) Limited (30% working interest).

The Accra Block contains a number of prospects, including Starfish, a large, deep-water prospect, which according to the former operator is analogous to the Jubilee discovery with unrisks prospective resources estimated to be in the range of half a billion barrels (431 MMbbls (P50); 665 MMbbls (PMean)). The prospect is recommended for drilling in 2013 and provides Rialto with exposure to diversified exploration upside in the later part of this year.

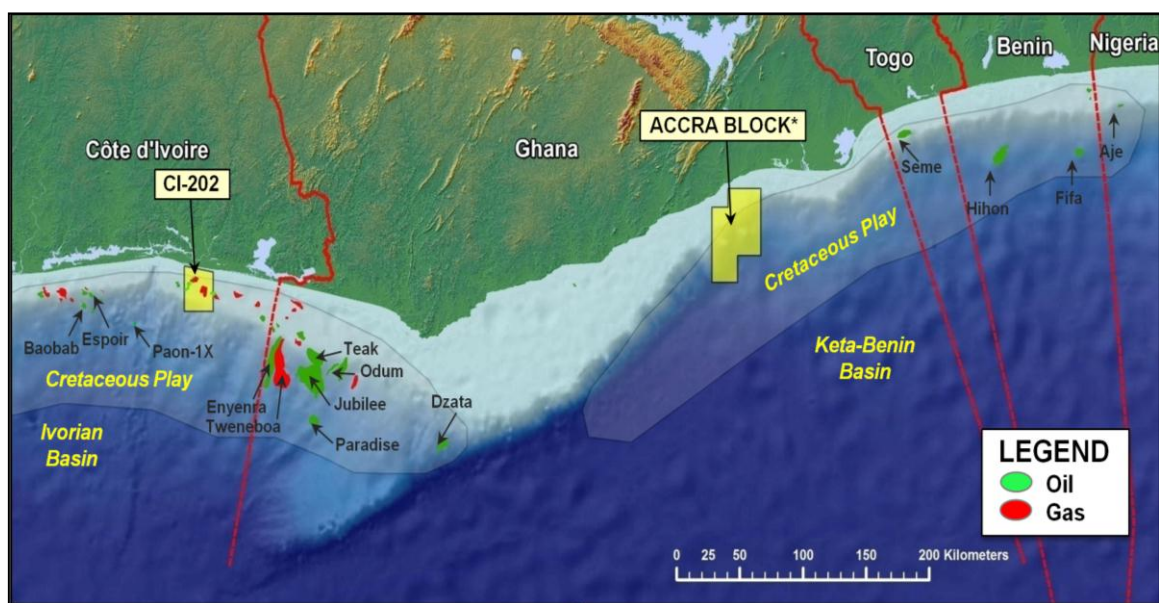
In terms of funding the planned work programme in Côte d'Ivoire and Ghana, the Company continues to review options, including a potential farm-out.

Whilst it has clearly been a challenging 2012 for our shareholders, the rest of the Board and I are highly enthusiastic about the Company's assets and know that we have in place a quality management and technical team with the right expertise to unlock the potential they hold. 2013 has the potential to be a truly transformational year for Rialto and we hope to report on encouraging developments throughout the year.

A handwritten signature in black ink, appearing to read "Rob Shepherd", with a horizontal line extending to the right.

Rob Shepherd

Operations Summary



West African Transform Margin

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

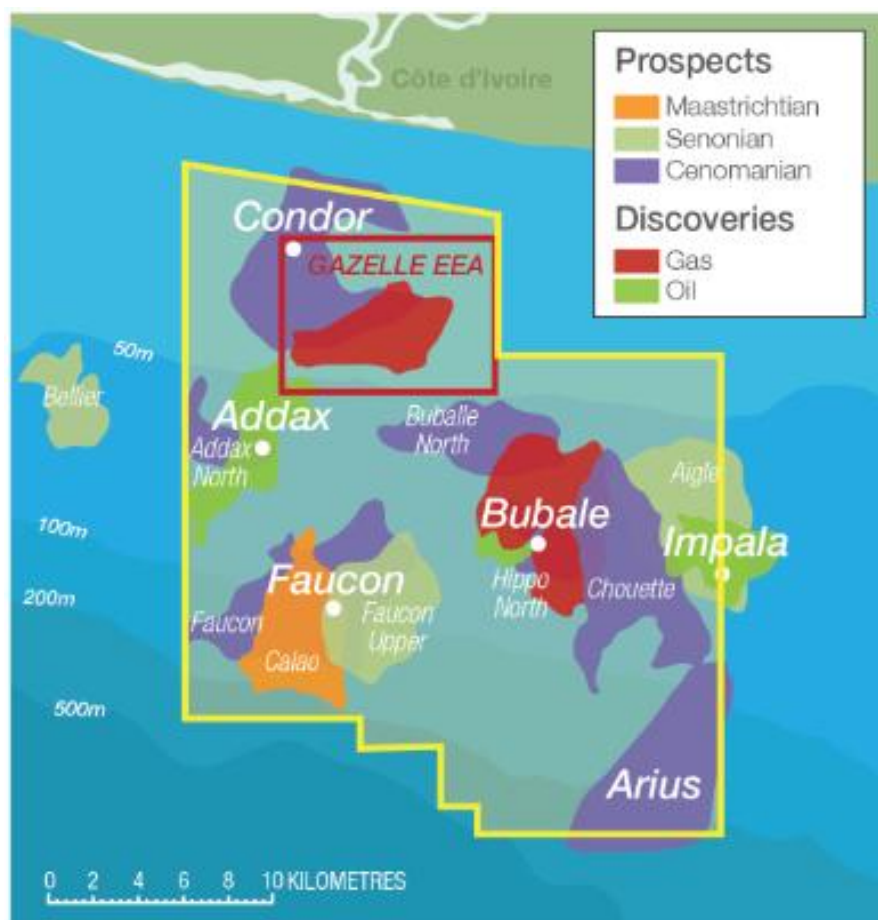
Block CI-202, offshore Côte d'Ivoire comprises an area of 506 km² and is located in one of the world's most exciting petroleum provinces, the West African Transform Margin. Block CI-202 contains multiple exploration and appraisal targets all in shallow water depths of 50 to 100 metres.

In January 2013, RPS Energy Services Pty Limited provided an updated Reserves and Resource Report ("CPR") in relation to Block CI-202. 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). Copies of the full CPR can be found on Rialto's website www.rialtoenergy.com.

Seismic Acquisition and Reprocessing

Processing and interpretation of the newly acquired block-wide 3D seismic data was completed during the Quarter. This technical work has yielded additional prospectivity over areas within Block CI-202 previously devoid of any seismic information 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 low to moderate risk/high-impact drilling targets which are explained in greater detail below.

Based on this new 3D data and as part of the Block CI-202 licence requirements, a 25% area was relinquished during the Quarter, 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 km² and is illustrated in the map below, which also sets out the discoveries and prospects contained within the block.



2013 Exploration and Appraisal Drilling Programme

During the Quarter, 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 is very pleased to have retained the majority of its very experienced drilling team from the 2012 programme.

As previously advised, Rialto has executed a contract to use the Vantage Sapphire jack-up drilling rig for a drilling programme of between two and five wells expected to commence during Q2 2013. This rig is currently operating in Côte d'Ivoire, has an excellent operating record and will be suitable for drilling any of the exploration prospects at the areas described below:

- Gazelle/Condor Area: Total Mean Prospective Resource of 19.9 MMbbls (Condensate) and 999 Bcf (Gas)
- 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.

Gazelle Field and Greater CI-202 Development (Rialto Working Interest 74% Paying Interest 84%)

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. Front End Engineering Design continued during the Quarter with various revised development options being considered to reduce capex and to potentially integrate any development into a planned regional gas pipeline project. In line with this work, a revised development plan for Gazelle has been submitted in draft to the relevant authorities for discussion.

In addition to development activities at the Gazelle Field, during the Quarter, the Company continued to progress matters with respect to a Field Development Plan for the Hippo and Bubale 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. These prospects are very similar in geological age and play type to the 1.2 billion barrel Jubilee discovery of 2007. 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.

During the Quarter, Hess discovered oil with its Pecan-1 exploration well in the Deep Water Tano/Cape Three Points Block, offshore Ghana. Pecan-1 discovered 75 net metres of oil pay. The discovery continues the high rate of exploration success offshore Ghana.

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 (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.

Côte d'Ivoire Community, Social and Cultural Activities

The construction of the schools in Tankesse and Kokomian is now complete.



New social programmes, projected to take three to five years, have now been proposed by Rialto and are awaiting regulatory approval:

- Restoration work of the orphanage at Grand Bassam
- Supply of hospital equipment (radiology and ultrasound) for the Adiake hospital
- Complete the construction of the Assinie health centre
- The building of a hospital in Tiapoum
- Installation of electricity and water to Tankesse school

Rialto views its work in respect of community and social activities as an important part of its investment in Côte d'Ivoire and is pleased to be able to take an active role in participating in these important social programmes.



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Business Development/New Ventures

Rialto continues to evaluate international exploration, production and field development opportunities in its key focus area of West Africa, including possible strategic partnerships and alliances which could enhance our ability to expand our portfolio.

Appointments and Resignations

Mr Robert James Shepherd - Interim CEO

The Board of Rialto was pleased to announce the appointment of Mr Robert James Shepherd as Interim CEO of the Company, on 26 November 2012. Mr Shepherd has over 20 years of experience in the Oil & Gas industry and brings a wealth of skills to the Company. Rob Shepherd (aged 45) joins the Company having previously been Finance Director of AIM Listed, African focussed, Dominion Petroleum, which was acquired by Ophir Energy for around US\$220 million 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.

The Rialto Board has initiated a thorough search for a full-time CEO and will provide an update on the process in due course.

Mr Jeff Schrull – Resigned as CEO

Mr Jeff Schrull, who in October 2012 notified the Board of his intention to resign as Managing Director in order to relocate to Perth in mid-2013, stepped down from this position during the Quarter. Mr Schrull will continue his employment with Rialto whilst the Company progresses a number of key initiatives, including the identification of an industry partner for the 2013 CI-202 exploration and appraisal drilling programme.



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Mr Gregory Alexis Stoupnitzky – Non-executive Director

On 15 October 2012, Rialto was pleased to announce the appointment of Mr Gregory Alexis 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 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

Rialto was pleased to announce the appointment of Mr Andrew Ian Sinclair 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.



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Financial

Equity Issues

During the Quarter Rialto made no equity issues:

Capital Structure at 31 December 2012

	Number
Shares	682,929,991
Unlisted Options	56,335,155

Cash

Cash on hand at 31 December 2012 was \$30.3 million.

Significant Shareholders – as at 31 January 2013

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



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Enquiries to:

Rialto Energy Limited Rob Shepherd
Telephone: +44 (0)20 7042 8500
Email: IR@rialtoenergy.com

Investec Chris Sim, Ben Colegrave and Neil Elliot
Telephone: +44 (0)20 7597 4000

Buchanan Tim Thompson or Ben Romney
(Financial PR London) Telephone: +44 (0)20 7466 5000
Email: rialtoenergy@buchanan.uk.com

Magnus Investor Relations John Gardner
(Financial PR and Investor Telephone: +61 8 9212 0101 or +61413 355 997
Relations Australia) Email: jgardner@magnus.net.au

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.