



Rialto Energy Limited

Level 1 / 34 Colin St
West Perth WA 6005
Australia

22 Long Acre
London
WC2E 9LY
United Kingdom

ACN 117 227 086
AIM and ASX Code: RIA

Rialto Energy Limited Quarterly Activities Report – June 2013



Recent Highlights

- Entry into a term sheet with Vitol S.A. for the Company's projects in both Côte d'Ivoire and Ghana.
- Placing announced to raise A\$14.1 million.
- Drilling of the Starfish Prospect on the Accra Block, Ghana.
- Discussions on-going on revised development plan for Gazelle contingent resources progressed.
- Discussions progressed with Côte d'Ivoire Government regarding restructuring of existing PSC commitments.
- Cost reduction measures continued, including Board of Directors reduced to five members





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A message from the Managing Director – Rob Shepherd

The period was extremely busy for the Company with a number of important milestones achieved, including the announcement (on 23 April 2013) that we had entered into a term sheet with Vitol S.A. (“Vitol”) for the Company’s projects in both Côte d’Ivoire and Ghana under the terms outlined in this report. As we highlighted at the time of the release, we are particularly pleased to have secured Vitol as a partner in our projects given their 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.

Whilst completion of the transaction in respect of Côte d’Ivoire remains subject to certain conditions, we have been working closely with Vitol to finalise the revised Field Development Plan for Gazelle contingent resources and also to progress discussions with the Government regarding restructuring of certain existing commitments with respect to the CI-202 Production Sharing Contract (“PSC”).

On 25 June 2013, we announced that we had completed, subject to shareholder approval, a placing with institutional and other investors to raise A\$14.1 million (around £8.5 million). As I mentioned in the release, the Board was extremely pleased to have received such support for the Placing in what is clearly a very challenging market, particularly given the difficult recent history that Rialto and its shareholders have endured. Once all the new funds are received, the team will be able to focus wholly on completing negotiations with the Government of Côte d’Ivoire in respect of amending the current license conditions, closing the previously announced transaction with Vitol, progressing the Gazelle gas development plan, and moving forward with exploration on Block CI-202.

On 18 June 2013, Ophir Energy Limited (“Ophir”) commenced drilling of the Starfish Prospect on the Accra Block, Ghana. On 10 July 2013, we announced that the well was drilled to a final total depth of 4,380 metres and, whilst logs confirmed the presence of a gross 230 metre sandstone interval in the primary (Lower Cretaceous) target interval, they were shown to be water wet.

Whilst the preliminary results from the Starfish-1 well are disappointing, it is too early to draw any definitive conclusions from what was essentially the first well in a block covering a gross area of 2,000 km². As we have highlighted prior to and when the well spudded, it was designed as a play-opener with a 20% chance of success, and it was interesting to note Ophir commented in their release on 10 July that their primary reason for farming-in to this acreage was the further play potential outboard of the Starfish prospect. The results of this well will provide valuable geological information as the partners now look to analyse the further prospectivity of the licence area.

Additionally, given the facility previously entered into with Vitol, our financial exposure to the Starfish well was minimized.

During the period, we terminated the contract with Vantage Drilling Company for the use of the Vantage Sapphire Rig that was due to come on contract to us in May 2013. Whilst this was an extremely difficult decision for the new Board, it was the only appropriate decision under the circumstances and the management team worked hard to successfully negotiate the termination liability charge down from what would have been an even more significant amount of money.

Finally, as previously committed, we have continued to actively pursue cost reduction measures and also ensure the suitability of our team to meet the challenges going forwards – consequently, shareholders may



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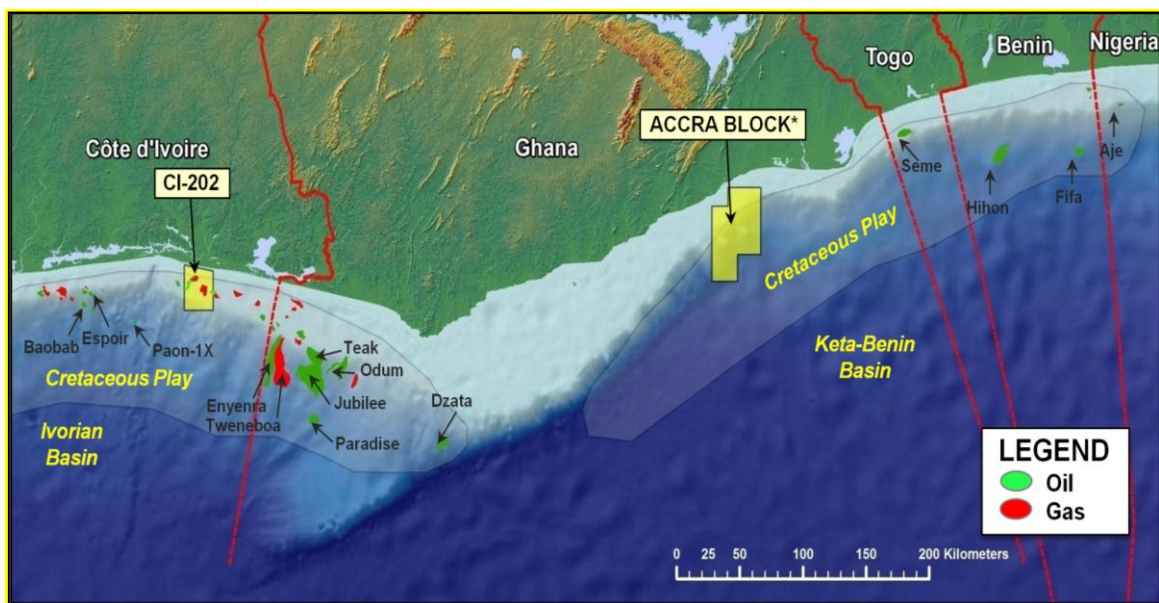
wish to note that, of the five current directors on our Board, only one was in place last September (when the Board comprised seven directors), and in addition, none of the four senior executives in place during 2012 are now with the Company. The Board composition better reflects the current state of the business but with the depth of experience now assembled, also offers an insight into the Company's ambitions going forwards.

In summary, whilst the share price performance of the Company during the period was extremely disappointing for us all, the Board has worked tirelessly over the last few months to address the legacy issues we inherited when joining the Company and we now enter the next period with Vitol as a partner, additional funds provided by, amongst others, a number of quality institutional investors and a clear plan to work with the Government of Côte d'Ivoire to move forward with the monetisation of the contingent gas resources in Gazelle. Once that is on track, we have in place the core team that can facilitate the pursuit of additional opportunities with the clear objective of delivering significant value appreciation for our shareholders.

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

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 521 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.

Seismic Processing and Quantitative Analysis

The final Pre-Stack Depth Migration ("PSDM") volume, multi-azimuth (MAZ) volume and velocity models were delivered in June 2013. These high quality datasets are now being used for prospect generation and seismic reservoir prediction projects, with the first being at the Hippo Prospect. The dataset in respect of 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.

Gazelle Field and Greater CI-202 Development

Rialto has prepared a revised Field Development Plan for CI-202 in conjunction with Vitol, the first phase being the evacuation of gas from the Gazelle Field. Subsequent phases will see the development of existing on block discoveries. Phase 1 is expected to be a lower CAPEX, fast track solution by which gas from



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Gazelle can be used to power temporary generators onshore and/or be delivered, via a proposed pipeline, to permanent power plants in Abidjan. Discussions with the Government regarding restructuring of certain existing commitments in respect of the CI-202 Production Sharing Contract are on-going.

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 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 required 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 18 June 2013, the Starfish-1 well was spudded in 1490 metres of water depth, targeting a large Early Cretaceous age stratigraphic trap. The well was drilled to 4380 metres measured depth in 24 days. Wireline logging confirmed the presence of a 230 metre gross sandstone interval at the primary target interval, with some thin sands also present in the secondary target (“Orca”) interval. The sands are interpreted to be water bearing at this location.

The sands encountered demonstrated the presence of potential reservoirs at the Starfish location, and in the view of the management, decrease the risk on reservoir development in many of the other prospects identified on 3D seismic data. Work is thus continuing to incorporate the high quality information gained from Starfish-1 in order to fully evaluate the prospectivity of the Accra Block ahead of the 23 September 2013 election date to enter into the second exploration phase.

WA-399-P – Australia

The Operator, Apache, continues with seismic attribute studies and related geotechnical studies to further enhance the prospectivity of the block.

Due to the recent regulatory changes in environmental permitting of exploration activities close to marine parks the Joint Venture is considering making an application to defer the well commitment for a further year. Such an application would be a suspension and extension of Permit Year 5 from 7 September 2013 to 6 September 2014.



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Corporate

On 23 April 2013, Rialto announced that it had entered into a term sheet with Vitol E&P (“Vitol”) setting out the terms upon which Rialto and Vitol would work together to develop the Company’s interests in Côte d’Ivoire and Ghana.

Under the terms of the transaction:

- Vitol acquired a 20% economic interest in Rialto Energy (Ghana) Limited (“Rialto Ghana”) in exchange for providing a facility to cover Rialto’s US\$7.7 million obligations for the drilling of the Starfish-1 exploration well in the Accra Block, Ghana. To the extent that Rialto was to draw down on the facility, Vitol’s economic interest in Rialto Ghana would increase up to a maximum of 51%;
- Vitol will acquire 65% of the shares in Rialto Energy (Côte d’Ivoire) Limited (“Rialto CDI”) in exchange for providing US\$ 50 million of capital to be invested in a Block CI-202 work programme to be agreed subject to the conditions outlined hereunder; and
- Rialto agreed to release the Vantage Sapphire drilling rig that had been due to be on Block CI-202 in May 2013.

As outlined in the announcement, the Board of Rialto is of the view that the proposed transaction with Vitol (“Vitol Transaction”) 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;
- allowed the Company to maintain its exposure to the Starfish-1 well in Ghana; and
- reduced Rialto’s financial commitments against a backdrop of funding pressures.

Under the terms of the Vitol Transaction, Vitol will acquire 65% of the shares in Rialto Côte d’Ivoire Limited (which holds an 85% interest in the Block CI-202 PSC and a 74% interest in the Gazelle Exclusive Exploitation Area which was granted in April 2012) (“Rialto CDI” and together with Vitol, the “Parties”) subject to:



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- finalisation and execution of relevant contractual documentation implementing the transaction;
- the commercial framework for an integrated development of contingent gas resources in Block CI-202 and adjacent blocks being agreed;
- alignment with the Government of Côte d'Ivoire regarding the optimum Second Exploration Period Work Programme under the Block CI-202 PSC;
- completion of remaining due diligence; and
- relevant corporate and other regulatory approvals (including if required, relevant shareholder approvals).

Upon satisfaction of the conditions set out above, Vitol will fund the first US\$50 million of an appraisal and development work programme pursued by Rialto CdI (other than the dry hole costs of the next exploration commitment well drilled on Block CI-202 that will be funded pro-rata by Rialto and Vitol). The conditions must be fulfilled by 9 November 2013, which is the current expiry date of the Second Exploration Period on Block CI-202.

With regards to the conditions outlined above, we have met recently again with the Côte d'Ivoire Minister of Energy and the Directorate of Hydrocarbons to discuss our forward plan following which we have submitted a proposal for the development of Gazelle once the existing commitments under the CI-202 PSC have been restructured.

The meetings have again confirmed the strong desire of the Government of Côte d'Ivoire to see more gas developed and produced for supply to the local power generation sector, where significant future growth is being forecast to support the expansion of the mining sector in Côte d'Ivoire.

In respect of Ghana, Vitol acquired a 20% economic interest in Rialto Ghana, which holds Rialto's 12.5% participating interest in the Accra Block, in exchange for providing a facility to fund Rialto's US\$7.7 million obligations in relation to the Starfish-1 well. Based on the cash calls funded by Vitol to-date (total USD \$6,850,604), their economic interest in Rialto Ghana currently amounts to 47.58%.

Any transfer of shares in Rialto Ghana to Vitol will be subject to approval by GNPC and the Government of Ghana.



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Release of Vantage Sapphire Drilling Rig

On 23 April 2013, Rialto advised that it has terminated the contract with Vantage Drilling Company (“Vantage”) for the rig that had been due to commence drilling operations in Block CI-202 during the course of May 2013.

On 1 May 2013, the Company announced that it had agreed a settlement with Vantage regarding payment terms in respect to the termination, whereby Rialto would pay Vantage an amount equal to 75 days of operating rate, being US\$12.375 million in aggregate. This is a significant reduction for the Company with the original contract value being for 105 days or US\$17.325 million. The Company has already paid US\$4.95 million under the terms of the Rig contract leaving a final payment of US\$7.425 million, which will be paid in two tranches; the first tranche of US\$5.425 million was paid on 1 May 2013 and the second payment of US\$2 million is currently due to be paid in early August.

The decision to terminate the contract with Vantage was taken by the Board to enable further work to be undertaken on the exploration targets in Block CI-202 and to facilitate the Vitol Transaction.

Rialto has only recently taken delivery of the Pre-Stack Depth Migration (“PSDM”) study performed on the 3D seismic acquired in January 2012, and further analytical work (including inversion studies) is on-going. The Company views that the additional time brought on by the termination of the rig contract will allow this important work, which is key to the successful placement of future wells, to be completed in the most robust manner possible.



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Funding

On 25 June 2013, Rialto announced that 471,555,109 new ordinary shares in the Company (the “Placing Shares”) had been placed with institutional and other investors to raise A\$14.1 million (approximately £8.5 million).

The placing price was set at A\$0.03 (approximately £0.018) per Placing Share, which is equivalent to an 18.1% discount to the closing mid-market price on the AIM market of the London Stock Exchange (“AIM”) on 19 June 2013. The Placing Shares represent approximately 69.0% of Rialto’s issued share capital prior to the Placing.

Of the Placing Shares issued pursuant to the Placing, 102,439,498 Placing Shares have been placed firm and were issued by the Company under its available 15% placement capacity as per ASX Listing Rule 7.1 (the “Firm Placing Shares”). An additional 369,115,611 Placing Shares have been placed conditional upon shareholder approval at an extraordinary general meeting of shareholders (“EGM”) (the “Conditional Placing Shares”) that will be held on 7 August 2013.

Directors’ Participation in the Placing

Subject to the approval of shareholders at the EGM, a number of directors of the Company have agreed, pursuant to subscription agreements with the Company, to subscribe at the Placing Price for an aggregate of 9,666,667 Conditional Placing Shares.

Shareholder Share Purchase Plan

Additionally, the Company also announced a share purchase plan (“SPP”) of up to A\$5 million at A\$0.03 per share, up to a total investment of A\$15,000 per shareholder.



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Personnel Changes

During the period Vance Querio and Charles Nieto resigned as Directors of the Company. In addition Patrick Garo stepped down as Chief Financial Officer. After the period end, Charles Nieto stepped down as Chief Operating Officer.

Sandra Rosignoli, an experienced oil and gas lawyer, was appointed General Counsel to the Company and Joint Company Secretary on a part-time basis, effective 1 July 2013 following the resignation of Matt Worner as Joint Company Secretary and Chief Legal Officer on 12 June 2013.



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Financial

Equity Issues

During the Quarter Rialto issued 1,280,000 Fully Paid Ordinary Shares. These shares were issued for nil consideration to employees on conversion of Performance Rights granted as remuneration under the Rialto Energy Limited Performance Rights Plan.

As part of the Placing, 102,439,498 Placing Shares were issued on 1 July 2013. Assuming approval is received at the forthcoming EGM, an additional 369,115,611 Placing Shares will be issued on or around 8 August 2013.

Capital Structure at 30 June 2013

	Number
Shares	1. 684,209,991
2. Unlisted Options	3. 47,976,823

Cash

Cash on hand at 30 June 2013 was \$5.8 million.

Significant Shareholders – as at 31 July 2013

	Number	Percentage
International Finance Corporation (IFC)	63,707,267	8.10%
4. Glenn Ross Whiddon	46,599,486	5.92%



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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.