



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

ACN 117 227 086

REPORT

for Quarter ended

31 March 2012



Recent Highlights

Block CI-202, Côte d'Ivoire:

- Gazelle P-3 Appraisal/Development well commenced on 12 March 2012. First well of a three well programme which includes the high-impact Chouette exploration well (84mmbo gross mean prospective resource).
- Successful capital raising and share purchase plan completed. Along with finalisation of investment by the International Finance Corporation, a member of the World Bank Group, sees Rialto fully funded for its current drilling programme.
- Processing and interpretation of full-fold 3D seismic acquired during 1st Quarter 2012 is providing a more complete understanding of existing discoveries in CI-202 and revealing several high quality exploration prospects and leads for future drilling.
- Rialto successfully listed on the London AIM market in April 2012.

WA-399-P, Western Australia:

- Processing and interpretation of 3D seismic data acquired during 2011 by the Operator, Apache Energy, continues in order to high grade drilling targets.



A message from the Managing Director – Jeff Schrull

It gives me great pleasure as Managing Director of Rialto Energy Limited (**Rialto** or the **Company**) to provide an update on the Company's activities.

The 1st Quarter of 2012 has been exciting for Rialto with the following key milestones achieved:

- The Company raised AUS\$86.4 million to fully fund a three well drilling programme in Block CI-202. This funding was achieved through:
 - An oversubscribed Private Share Placement
 - Funding agreement reached with the International Finance Corporation
 - An oversubscribed Shareholder Share Purchase Plan
- The CI-202 drilling programme commenced with the Gazelle P-3 development/appraisal well in the Gazelle Field on 12 March 2012. This well will be followed by the Gazelle P-4 development/appraisal well and finally the high impact Chouette exploration well.
- A fast track cube of the Block-wide 3D seismic acquisition, which was acquired over CI-202 in December, was received and is being mapped to impact the current drilling programme and also mature existing and newly identified prospects. Final processing work will complete in 3rd Quarter 2012.
- Continued successful work with our Joint Venture partner, Petroci, on sub-surface technical work to finalise the Gazelle P-3 well location and testing objectives. Petroci continue to demonstrate high calibre technical capability and input.
- Full mobilisation of drilling staff and equipment to Abidjan, Côte d'Ivoire for the commencement of drilling.
- Issued tenders for the FEED Engineering work for the Gazelle Development.
- In WA-399-P, Western Australia, the Operator, Apache Energy Limited, is evaluating a newly processed 3D seismic survey over the permit and we look forward to working with the joint venture participants to identify a suitable location for an exploration well to be drilled 2012-2013.

CI-202 Update

The approval of the Field Development Plan (FDP) at the Gazelle Field during the 4th Quarter 2011 paved the way for the drilling of two appraisal /development wells in this field. The first of these, the Gazelle P-3 well, was spudded on 12 March 2012 and drilled to 1070m before mechanical problems with the rig led to the drill string becoming stuck. The mechanical problems were rectified and the well was side-tracked. The Gazelle P-3 well is now drilling ahead to TD as planned. Once the Gazelle P-3 well is drilled, logged and flow tested, a template will be installed and the rig will skid to another slot to drill, log and flow test the Gazelle P-4 well. These two wells are key to reaching our goal of project sanction and final investment decision (FID) for Gazelle during 2012. The template will allow Rialto to use these two wells as future production wells.

The new 3D is being used to finalize the location and objectives of the third well which, pending final approvals, will test the exciting Chouette prospect (84mmbo and 42 bcf gross mean prospective resource).

Rialto's prospective oil and gas resources (gross mean resources of 511 mmbbls and 1.8 Tcf as certified by the September 2011 Competent Person's Report) show that CI-202 has the ability to add significant contingent resources through exploration drilling. The Company is currently working to finalize plans for further high impact exploration and appraisal drilling for 1st Quarter 2013, with the recently acquired fullfold 3D seismic already beginning to yield several exciting prospects and leads, as well as providing a deeper understanding of those already identified.

The Company's goal is first production from CI-202 by the end 2013/early 2014. The first production milestone will be pursued by meeting the following 2nd Quarter 2012 targets:

- Completion of the drilling, logging and flow testing of the Gazelle P-3 well and Gazelle P-4 appraisal/development wells
- Receipt of all approvals and permits required for the Gazelle P-4 well and Chouette exploration well, both to be drilled as part of the current programme
- Award of the FEED Contract and commencement of the engineering work for the Gazelle Development
- Block-wide mapping of the new 3D seismic fast track processed data to mature exploration portfolio and provide input for the Gazelle full field earth model



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

ACN 117 227 086

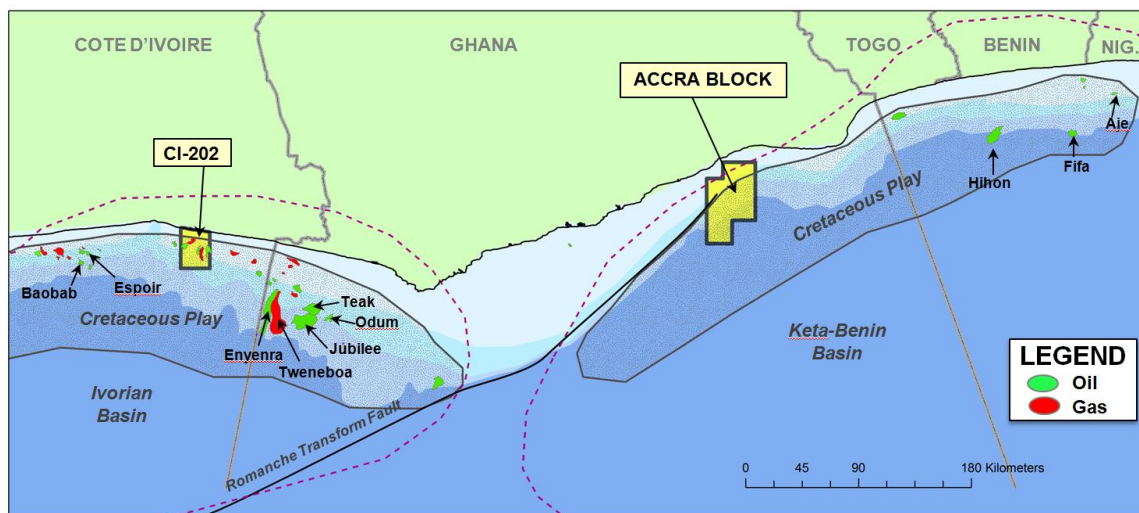
The Company continues to develop a 5 year plan for future growth in oil and gas production in CI-202 through incremental development of additional reserves that will come from further appraisal and exploration drilling. The Company's commitment to its goal of long term reserve growth in CI-202 is evidenced by our recently acquired block-wide 3D seismic survey.

The 2nd and 3rd Quarters of 2012 will be a busy and challenging time for Rialto as we continue our drilling operations in CI-202 and prepare to meet our goal of FID for the Gazelle Development. We will continue to work with Petroci and the DGH to ensure our exploration and development operations provide a commercial and strategic fit that benefits both the people of Côte d'Ivoire and also the shareholders of our Company.

A handwritten signature in black ink, appearing to read 'Jeff Schull'.

Jeff Schull

Operations Summary



West African Transform Margin

CI-202 – Côte d'Ivoire

Block CI-202, offshore Côte d'Ivoire comprises an area of 675km² and contains four significant under appraised oil and gas discoveries; Gazelle, Hippo 1, Bubale, and Addax, all located in water depths of 50 to 100 metres. These discoveries are assessed to have gross mean contingent resources totalling 50 mmbbls of liquids and 396 Bcf of gas. Rialto is moving to develop and commercialise the Gazelle field later this year. In addition to the development opportunities which exist within CI-202, the Company has identified an exciting inventory of exploration prospects and leads which will be the subject of future drilling. This inventory currently contains an independently verified gross mean prospective resource of 511 mmbbls of liquids and 1.8Tcf of gas.

Gazelle Development and Gas Sales MOU

The Gazelle Field is located in shallow water depths which lie in close proximity to existing on-shore production infrastructure where production will be processed and transported to shore via bundled pipelines. The drilling of two development wells marked the commencement of the development activities at Gazelle. Phase 1 production from the Gazelle Field is planned for the 4th Quarter 2013/ 1st Quarter 2014 at 8,000 bpd of liquids and 100 mmcf/d for gas.

To facilitate commercialisation of Gazelle's gas resources, the Company executed, in December 2011, a Gas Sales MOU with the Government of the Republic of Côte d'Ivoire. The Gas Sales MOU contains the essential terms for a final, binding gas sales agreement for deliveries of gas of up to 100 mmcf. A final gas sales agreement is expected to be executed ahead of FID for the Gazelle Field in the 2nd Quarter of 2012.

During the Quarter, approval for a Front End Engineering Design (FEED) bid list was given by Petroci and tenders were submitted. Several bids were received and Rialto is evaluating these with the award of the contract expected shortly. Completion of the FEED work is expected at the end of July.

The formal decree for the award of the 25 year Exploitation Area over Gazelle is expected in May 2012.

Drilling

The first of the Gazelle Development wells, Gazelle P-3 was spudded on 12 March 2012. Mechanical issues with mud pumps and other rig equipment resulted in the drilling pipe being stuck on 26th March. The rig issues were rectified and the well sidetracked. Drilling continues with TD expected in the first weeks of June 2012.

Rialto is planning a second phase of drilling in CI-202 for 1st Quarter 2013. The Company is in discussions regarding a rig that is currently under contract with another operator in-country for this programme.

Seismic Acquisition and Reprocessing

A block-wide, 891km² 3D seismic acquisition was completed by Polarcus in mid-January. Processing and interpretation of the newly acquired data have commenced. Initial fast track volumes are very encouraging. This data will initially assist in placing the Chouette exploration well; the third well of the current drilling campaign. Further, this data will provide greater understanding of existing discoveries in CI-202 and help firm up potential high impact exploration targets which will be the subject of drilling in both the near and long-term.



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

ACN 117 227 086

Licence Management

The Company submitted formal notification to the DGH of its intention to enter into the next exploration period in CI-202. Given the timing of the expiry of the first period on 10 May 2012, the Ministry has granted approval to drill two exploration wells in the second exploration period. The Chouette well, which is planned directly after the Gazelle development wells, will be the first of these commitment wells. The second commitment well should be drilled by November 2013. Additionally given the recent 3D acquisition, the Ministry have given Rialto leave to delay the 25% relinquishment required at the end of the first exploration period. This will be done by the end of October 2012, once the 3D data has been interpreted.

Community, Social and Cultural Activities

During February 2012, and ahead of commencement of drilling operations, Rialto undertook public consultation with relevant local stakeholders. The objective of this process was to introduce the company and provide the communities with information on its proposed project activities in CI-202.

Rialto engaged with the village chiefs at Adiake and Tiapoum to obtain blessings of the ancestors prior to commencement of our drilling activities. These activities were well received in the local communities and established important relationships between Rialto and local stakeholders.

Operational LTI's

Rialto's goal is to complete all operations it undertakes with a total recordable injury frequency rate of zero. As of March 31, 2012, the operation to date was 36 LTI free days.



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

ACN 117 227 086

OFFSHORE ACCRA CONTRACT AREA – GHANA

Pursuant to its agreements with CMI, the Company has the right to acquire an 18% equity interest in the Offshore Accra Contract Area (**Accra Block**). This acquisition is subject to obtaining the approval of GNPC, the Ministry of Energy of the Republic of Ghana and the joint venture participants in the Accra Block. Joint venture participant approval has been granted and Rialto is currently working with CMI to obtain the requisite Government approvals necessary for entry. This process has taken considerably longer than anticipated. It should be noted that there is no certainty of approvals being granted and the assignment occurring, and the Government is under no obligation to grant such approvals.

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 depths ranging from less than 50 metres to greater than 2,500 metres. The Operator of the block, Tap Oil Limited, has identified several structures on the existing 3D seismic data in shallow to moderate water depths, each of which speculatively could have potential to contain in excess of 100 million barrels of prospective resource.

Deep-water leads similar to the recent Jubilee discovery will be the subject of the interpretation of the recently acquired 3D seismic survey to confirm and mature them into prospects for drilling.

WA-399-P

The WA-399-P exploration permit is situated offshore Western Australia within the Carnarvon Basin. The block is adjacent to the Pyrenees Oil Development, a joint venture between BHP Billiton and Apache PVG Pty Ltd, which commenced oil production in February 2010. Nearby, there are several producing oil fields including Enfield and Vincent/Van Gogh, as well as the Macedon gas field, currently under development, and a number of other gas and oil discoveries.

During the Quarter, Apache Northwest Pty Ltd delivered a fast-track seismic volume which has been reviewed by Rialto. A prospect has been defined that is similar in style to the neighbouring Macedon Field, but further prospectivity will depend on mapping and amplitude supported interpretation that can only be performed on the fully processed data. This is due to be delivered mid-April 2012.

On September 7, 2011, the permit commenced with the Secondary Work Programme and is currently in Year 4. The Year 4 committed work programme requires geotechnical studies only. The joint venture comprises Apache Northwest Pty Ltd 60% (Operator), **Rialto Energy 12%**, Jacka Resources 15%, and Carnarvon Petroleum 13%.



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

ACN 117 227 086

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.

AIM Listing

Rialto listed in the Alternative Investment Market of the London Stock Exchange (AIM) on 12 April 2012. No funds were raised as part of this process. The Company has appointed RBC Capital Markets as its Nominated Adviser and Joint Broker and GMP Securities Europe as its Joint Broker. The Company views the AIM listing as an important part of its corporate development and views the AIM market as having large scale potential to broaden Rialto's investor reach and leverage the substantial interest and understanding shown by UK and European investors in companies with similar operations.

Board Appointments and Resignations

Mr. Neil Hackett – Non-Executive Director

Following the resignation of Mr. Glenn Whiddon, Non-Executive Director of Rialto, Mr. Neil Hackett, who is a qualified ASX/200 Company Secretary with over 20 years' experience in resources, diversified industrials and financial services, has been appointed as a Non-Executive Director of Rialto. Neil Hackett's appointment ensures compliance with Australian legal requirements and he will act as Non-Executive Director whilst the Company continues its search for a suitable replacement. Mr. Hackett is presently Joint Company Secretary to Rialto and holds a Bachelor of Economics from the University of Western Australia, is an Affiliate of the Institute of Chartered Secretaries of Australia and a Fellow of the Financial Services Institute of Australia. He is currently Company Secretary of two Australian Stock Exchange listed companies; Ampella Mining Ltd and Modun Resources Ltd, and Non-Executive Director of TPL Corporation Ltd. Mr. Hackett is also on the Board of two unlisted companies, Steel Blue Pty Ltd and WestCycle Inc.

Mr. Chaim Lebovits resigned as a Non-Executive Director of the Company on 5 April 2012.

Financial

Equity Issues

During the quarter Rialto made the following equity issues:

- Share placement tranche I: 55,250,000 Ordinary Shares were issued at 30 cents per share raising \$16,575,000 and allotted on 2 February 2012.
- Share placement tranche II: 144,750,000 Ordinary Shares were issued at 30 cents per share raising \$43,425,000 and allotted on 8 March 2012.
- Under a Share Purchase Plan 24,303,960 Ordinary Shares were issued at 30 cents per share raising \$7,291,188 and allotted on 22 February 2012.
- 17,500,000 Ordinary Shares were issued on conversion of Performance Shares relating to the commencement of the first well in CI-202 as approved by shareholders in General Meeting on 27 May 2011. The shares were issued on 20 March 2012.
- 1,000,000 Ordinary Shares were issued to employees pursuant to the terms of their employment contracts.
- 500,000 ordinary shares were issued upon the conversion of unlisted options exercisable at 35 cents raising \$175,000.
- 1,000,000 Performance Rights and 750,000 Options were issued to new employees of the Company pursuant to the Rialto Energy Limited Performance Rights Plan and the Rialto Energy Limited Directors, Employees and Consultants Option Plan.



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

ACN 117 227 086

Capital Structure at 31 March 2012

	Number
Shares	618,310,224
Performance Shares	15,000,000
Unlisted Options	40,384,999

Cash

Cash on hand at 31 March 2012 was \$86.6 million.

Significant Shareholders – as at 30 April 2012

	Number	Percentage
International Finance Corporation (IFC)	63,707,267	9.34%
JP Morgan Chase & Co and its affiliates	51,930,979	7.61%
Glenn Ross Whiddon	46,842,822	6.98%
BlackRock Investment Management (Australia) Limited and associated entities (Blackrock Group)	42,684,897	6.26%
Med Alpha	30,748,383	4.51%
Colonial First State – Global Resources	29,151,760	4.27%
Chaim Lebovits	24,146,523	3.54%

Contact details: Mr. Jeff Schrull
Managing Director
Tel: (+61 8) 9211 5000