



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

ACN 117 227 086

# REPORT for Quarter ended 31 December 2011



## Recent Highlights

- **CI-202:** Approval of the Field Development Plan over the Gazelle Field (2C Contingent Resource – 14 MMbbls and 266 Bcf) was issued by the Director General of Hydrocarbons of the Government of Côte d'Ivoire in December 2011.
- **CI-202:** Executed Memorandum of Understanding for a Gas Sales Agreement with the Government of the Republic of Côte d'Ivoire in December 2011 for deliveries of up to 100 mmscf of gas per day for local electricity generation.
- **CI-202:** Three well drilling programme for CI-202 on track, with first well to spud 1<sup>st</sup> Quarter 2012. Drilling team established in Côte d'Ivoire.
- **CI-202:** Acquisition of full-fold 3D seismic over the entirety of CI-202, commenced in December 2011 and was completed mid-January 2012.
- **AIM Listing:** Scheduled for late 1<sup>st</sup> Quarter 2012.
- **WA-399-P:** Processing and interpretation of 3D seismic data acquired during 2011 is continuing by Operator, Apache Energy, 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 4th Quarter of 2011 has been exciting for Rialto with operations in Block CI-202 (the **Block**) offshore Côte d'Ivoire under way and preparations for drilling in 1<sup>st</sup> Quarter 2012 progressing well. Landmark project milestones were achieved by the Company:

- Submission of the Gazelle Field Development Plan (**FDP**) with our partner in CI-202, Société Nationale d'Opérations Pétrolières de la Côte d'Ivoire (**Petroci**), to the Director General of Hydrocarbons (**DGH**) and the Ministry of Energy in November. Approval of the FDP was granted on 15 December 2011
- Execution a Memorandum of Understanding for a Gas Sales Agreement between Rialto, Petroci, La Société de Gestion du Patrimoine du Secteur de l'Electricité (**SOGEPE**) and the Government of the Republic of Côte d'Ivoire on 14 December 2011 (**Gas Sales MOU**) established commercial gas off-take rates and pricing for up to 100mmcf/d for the Gazelle Development
- Acquisition of a high quality 3D seismic survey over the entire Block commenced in December with a completion date of mid-January 2012
- Together with Petroci, on-going sub-surface technical work to finalise the 1<sup>st</sup> Quarter 2012 drilling programme for the Block. Current plans include two appraisal/development wells at Gazelle, the testing of the Condor prospect located the first Gazelle well, and a high impact exploration well to test the Chouette prospect
- Mobilisation of drilling staff and equipment to Abidjan, Côte d'Ivoire on track for commencement of drilling operations in 1<sup>st</sup> Quarter 2012
- In WA-399-P, Western Australia, the Operator, Apache Energy Limited, has finished acquiring a 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.

### Gazelle Field Development Plan Approval

The approval of the FDP has paved the way for the drilling of two appraisal and development wells in the Gazelle Field in 1<sup>st</sup> Quarter 2012. These wells will be the key to reaching our goals of project sanction and final investment decision (**FID**) for Gazelle in 3<sup>rd</sup> Quarter 2012. The Company plans to begin its development activities by drilling these two wells as future production wells, and in addition to the development objectives, additional exploration targets will also be tested, notably the Condor prospect.



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Rialto's prospective oil and gas resources (means of 511 MMbbls and 1.8 Tcf from the September 2011 Competent Person's Report) show that CI-202 has the ability to add significant contingent resources through exploration drilling. The third well of the drilling programme is planned, pending final approvals, to be at the Chouette prospect which has gross mean prospective volumes of 84 MMbbls and 42 Bcf.

The Company's goal is first production by the end of 2013. The first production milestone will be pursued by meeting the following 1<sup>st</sup> Quarter 2012 targets:

- Receipt of all approvals and permits required for the three well 1<sup>st</sup> Quarter 2012 drilling programme
- Commencement of drilling in the Gazelle Field on the P3 and P4 appraisal/development wells
- Funding the three well drilling programme (refer announcement dated 27 January 2012)
- Completion of 3D seismic acquisition and fast track processing of acquired data

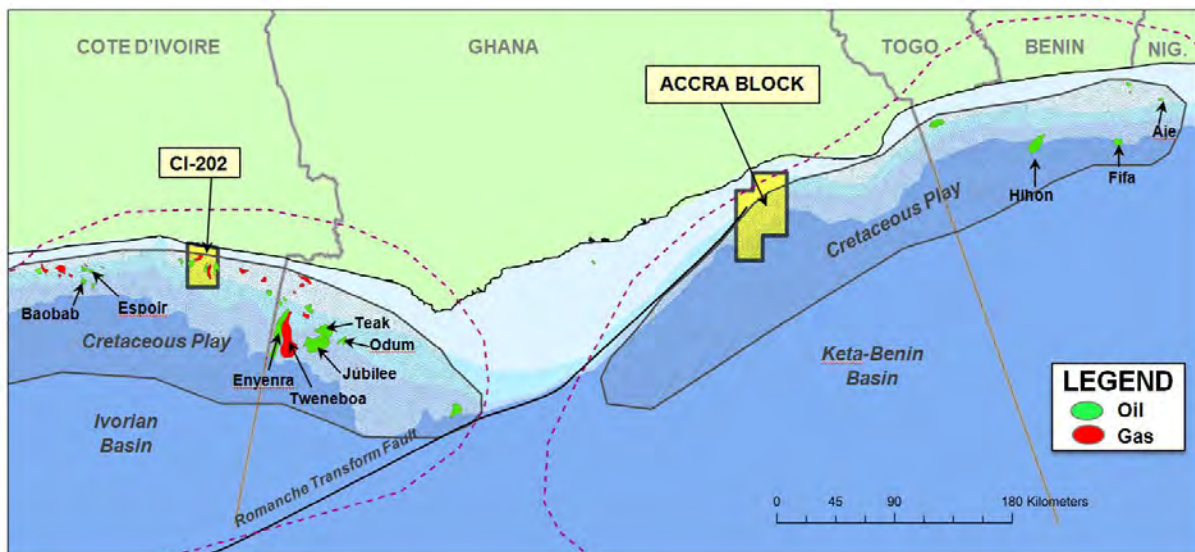
The Company continues to develop a 5 year plan for future growth in oil and gas production in CI-202 through incremental phases of development in addition to growth of contingent and prospective resources. Our recently acquired block-wide 3D survey evidences the Company's commitment to its goal of long term reserve growth in CI-202 through appraisal and exploration drilling.

The initial part of 2012 will be a busy and challenging time for Rialto as we begin 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", is written over a white background.

**Jeff Schull**

## Operations Summary



## West African Transform Margin

### CI-202 – Côte d'Ivoire

Block CI-202, offshore Côte d'Ivoire comprises an area of 675km<sup>2</sup> 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 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.

### Gazelle FDP and Gas Sales MOU

During the Quarter, the Company received approval for its FDP over the Gazelle Field. 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 development will commence with the drilling of two development wells scheduled for this Quarter. Phase 1 production from the Gazelle Field is planned for the 4<sup>th</sup> Quarter 2013 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/d. A final gas sales agreement is planned to be executed ahead of FID for the Gazelle Field in mid-2012.



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## Drill Planning

The Company continues with preparations for a three well drilling programme scheduled to commence in 1<sup>st</sup> Quarter 2012. The drilling team is assembled in the Company's Abidjan office and required equipment has been arriving in-country.

The latest estimate from Transocean for the arrival of the GSF Monitor jack-up rig is mid-February 2012 with the spudding of the first appraisal well at Gazelle likely at the end of that month.

Rialto is planning a second phase of drilling in CI-202 for 1<sup>st</sup> Quarter 2013. The Company is hopeful of securing a rig for this programme that is currently under contract with another operator in-country, and is hopeful of agreeing terms for this rig over the coming months.

## Seismic Acquisition and Reprocessing

A block-wide, 891km<sup>2</sup> 3D seismic acquisition was completed by Polarcus in mid-January. Processing and interpretation of the newly acquired data will commence shortly and will provide Rialto with a full suite of 3D data over the entirety of Block CI-202. This will allow Rialto to further refine existing interpretation and mapping of the exploration potential within the Block through better definition and mapping of the multiple prospects and leads already identified. Further, this work will provide an even greater understanding of the five existing discoveries and culminate in better definition of current resources and ultimately reserves.

## Meeting with Authorities

During the Quarter the Company attended many meetings with authorities to expedite the development planning for CI-202. These included meeting the Energy Minister Dr. Adama Toungara, and Dr. Diaby the head of the DGH. The next Technical and Operating Committee Meeting is planned for 8<sup>th</sup> February in Abidjan with partners Petroci. The purpose of this meeting is to present the well locations and updated budgets for final approval.



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## 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 2,000km<sup>2</sup> 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 was continuing with seismic processing of the Gazelle 3D which is due for delivery mid April 2012. On 7 September 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%.



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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.

## AIM Listing

The Company continues to progress matters in relation to its agreed listing on the Alternative Investment Market of the London Stock Exchange (**AIM**). Rialto has appointed RBC Capital Markets as its Nominated Adviser. Listing is scheduled to occur by the end of 1<sup>st</sup> Quarter 2012.

## Board/Management Appointments

### Mr Ian Bulley – Exploration Manager

Mr Bulley has over 23 years experience as a petroleum geologist in a wide range of exploration and development settings gained through working on acreage in Australia, SE Asia, Middle East, East and West Africa, and the North Sea. He has worked in both exploration and production environments, for Amoco, Hunt Oil, PGS, Hardman Resources, Tullow Oil and other oil companies and consultancies. Ian holds a Bachelor Degree in Geology from University of Reading, UK and a Master's Degree in Petroleum Geology, Imperial College from the University of London and is a fellow of Geological Society of London.



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## Financial

### Equity Issues

During the Quarter the Company issued 9,645,000 Performance Rights and 7,550,000 Options to directors and employees of the Company under the Rialto Energy Limited Performance Rights Plan and the Rialto Energy Limited Directors, Employees and Consultants Options Plan.

### Capital Structure at 31 December 2011

	Number
Shares	375,006,264
Performance Shares	15,000,000
Unlisted Options	40,134,999

### Cash

Cash on hand at 31 December 2011 was \$44.4 million.

### Substantial Shareholders – as at 31 January 2012

	Number	Percentage
Glenn Ross Whiddon	46,717,053	12.46%
Commonwealth Bank of Australia	34,018,186	9.07%
JP Morgan Chase & Co and its affiliates	32,684,902	8.72%
Med Alpha S.A.	31,587,313	8.42%
BlackRock Investment Management (Australia) Limited and associated entities	30,394,623	8.11%

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