



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

ACN 117 227 086

# REPORT

## for Quarter ended 30 September 2012



### Recent Highlights

- Completion of drilling operations in Block CI-202. The Gazelle-P4 well was safely completed and suspended for use in Block CI-202 development
- The exercise by Petroci of its option to increase its paying interest in the Exclusive Exploitation Area over the Gazelle Field, over which Rialto has tenure to facilitate development and production for a period of 25 years. This represents a demonstration of Petroci's confidence in the Gazelle Field and the work done by Rialto on this area to date.
- Continuation of FEED to refine the development of the Gazelle Field.
- Continued processing and interpretation of 3D seismic acquired over the whole of Block CI-202, including the Gazelle Field and four existing discoveries. This work is yielding excellent quality data information and assisting in the maturing a full inventory of exciting exploration drilling targets as well as providing an increased understanding of existing on block discoveries.
- Commencement of planning for 2013 drilling programme using the recently contracted Vantage Sapphire Jack-up Drilling Unit and which will target high impact exploration and appraisal prospects.



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### A message from the Managing Director – Jeff Schrull

As Managing Director it gives me pleasure to provide this update on the Rialto's recent activities as the Company continues to aggressively push forward with its business plan of pursuing the resources (both discovered and undiscovered) which exist within Block CI-202 in Côte d'Ivoire.

The past Quarter has seen the conclusion of Rialto's first operated drilling activities in Block CI-202. These activities have provided the Company with significant extra appraisal information in respect of the Gazelle Field Exclusive Exploitation Area ("EEA"), over which the Company has 25 year tenure. Most pleasingly, the Gazelle Field drilling was marked by the completion of over 267,000 man hours without a single lost time injury during the 200+ days of the programme. This is testament to Rialto's staff and contractors and the very high standards the Company seeks to achieve as an Operator.

With the Gazelle Field now sufficiently appraised, the Company is assessing possible development options including a fixed production platform with a dedicated oil and gas line to an onshore processing facility. Our Joint Venture Partner, Petroci, also exercised an option to increase its interest in the EEA by 11%, taking its interest in the EEA to 74% (16% paying interest).

Our technical team continues to progress work on the 2012 3D seismic data set, with these new volumes highlighting several new high-impact exploration prospects which are being matured for drilling as part of the planned 2013 campaign. I look forward to being able to outline the details of these prospects to shareholders once the required technical work is complete and a full prospect inventory is matured. The Company will commence a Q4 2012 farmout process to identify partners to participate in and fund the 2013 drilling.

On a personal note, the Company recently announced my intention to resign from the Company and re-locate to Perth, Western Australia in July 2013. This decision was taken for personal reasons and was communicated to allow the Board adequate time to identify a replacement. In the meantime, I will do everything I possibly can to ensure that Rialto becomes the successful E&P company I envisioned when I took the role in June 2010.



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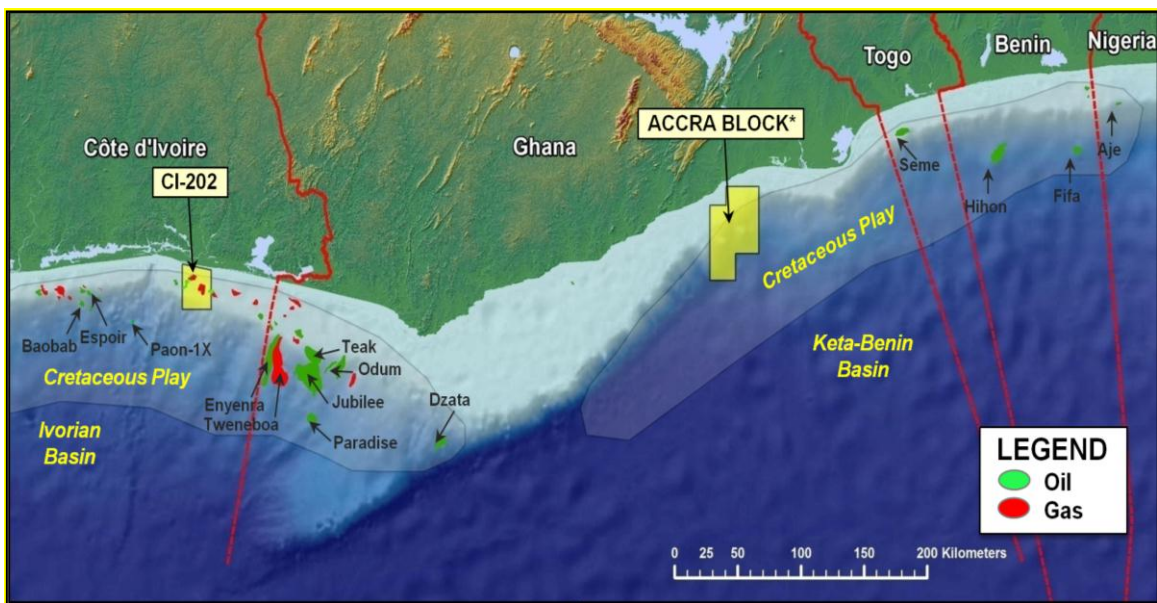
We have overcome many challenges in the last two years and have become a much stronger Company. I have full faith in our Company, our Board of Directors, and especially our CI-202 asset we operate with Petroci as our partner as we look to find an industry partner as part of Rialto's future funding strategy.

A handwritten signature in black ink, appearing to read "Jeff Schrull", is written in a cursive style.

**Jeff Schrull**



## 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 675km<sup>2</sup> and is located in one of the world's most exciting petroleum provinces, the West African Transform Margin. The Block contains multiple exploration and appraisal targets all in water depths of 50 to 100 metres.

Rialto's first operated drilling activities in Block CI-202 commenced in March 2012, with the spudding of the Gazelle-P3 well followed by the Gazelle-P4 well, both of which were successfully suspended for future use as part of a CI-202 development.

## First Phase Drilling Programme (2012)

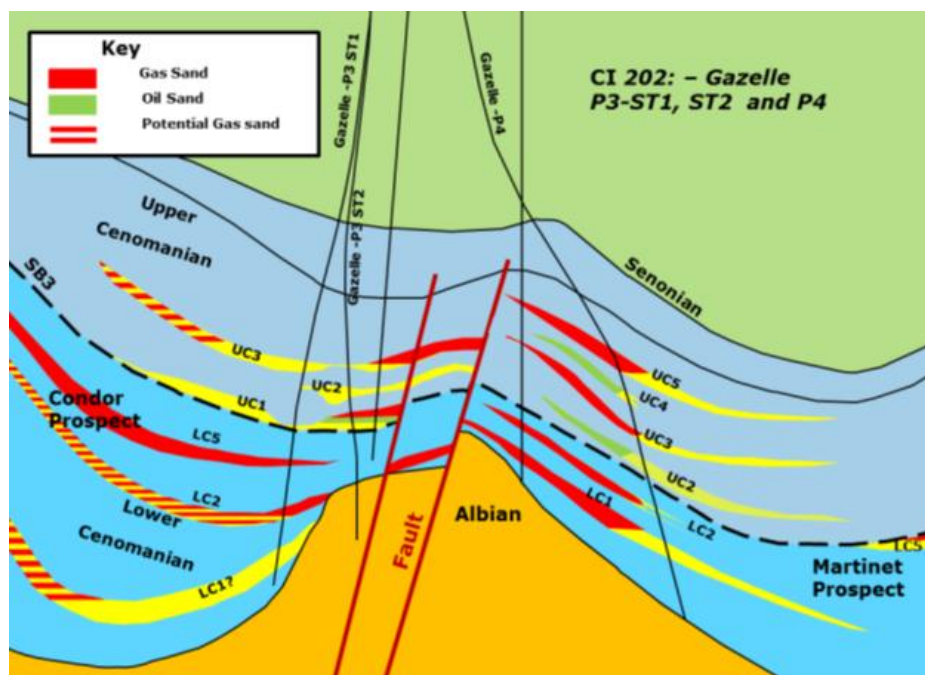
### Gazelle-P4 Well

#### *Operational LTI's*

Rialto's main objective was to drill the well safely, with a priority of no harm / injury to associated and non-associated personnel whilst maintaining minimal impact on the environment. In an operating period of 207 days, Rialto recorded zero lost time injuries. This was an excellent result for Rialto's first drilling operations and a credit to the Company's staff and contractors.

#### *Well Overview*

The Gazelle-P4 well was spudded on 25 July 2012. This well was drilled to TD 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 the UC-3, UC-5, LC-1 and LC-2 gas reservoirs encountered by the IVCO-21, Gazelle-2 and Gazelle-P3 ST1 wells.



The Gazelle-P4 well intersected six separate reservoir intervals. The Lower Cenomanian LC1 and LC2 sands were encountered. The LC1 was water bearing, thereby allowing a gas volume to be calculated up-dip. The LC2 sand was poorly developed and although demonstrating good gas shows was not suited to delivery of high gas rate required for development wells. The UC1 sands were poorly developed and the UC2 was also water bearing. The UC3 had gas shows but again, was poorly developed. The UC4 showed a gas water contact. The UC5 was very high quality, and gas bearing. This was significantly thicker than pre-drill estimates and has been suspended as a future producer. Well deliverability estimates for this sand are around 35-40mmscf/d. Production at these levels represents a material contribution towards the overall 100 mmscfpd production target for any gas development in Block CI-202

The data from the Gazelle-P3 and Gazelle-P4 wells will be used along with information being provided by the processing of the newly acquired 3D seismic to better refine the Gazelle Field Development Plan. It will also be used to upgrade the exploration prospectivity of analogous reservoir targets across Block CI-202.

### **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 commencement of Rialto's initial drilling programme and the expiry of the first period on 10 May 2012, the Ministry has granted approval for Rialto to drill two exploration wells as part of the second exploration period work commitment. These wells are now both required to be drilled by November 2013. Additionally, given the recent 3D seismic acquisition, the Ministry has given Rialto leave to delay the 25% relinquishment required at the end of the first exploration period. A relinquishment proposal has been sent to Petroci for approval.

### **Community, Social and Cultural Activities**

The construction of the schools in Tankesse and Kokomian in late 2010 is now complete. The Company is now working with authorities in Grand Bassam, Adiake and Tiapoum to identify new community priority needs and refine further proposals for worthwhile community projects in these areas.





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### **Gazelle Field and Greater CI-202 Development (Rialto WI 74% PI 84%)**

Following the award of the Gazelle Field Exclusive Exploitation Area in April 2012, Petroci exercised its option to increase its participating interest in the EEA by 11% paying interest on 9 August 2012. Consequently the 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 estimates this amount to be approximately US\$10 million.

Based on first drilling programme results, a phased approach to the development of the resources within Block CI-202 is being investigated. Front End Engineering Design (FEED) was awarded to Petrofac in August 2012 and is nearing completion. As part of the FEED process, the well results and fluid data are being integrated into a revised development option.

Other options to reduce capex are being explored, such as third party funding for the export pipelines as part of a planned regional gas pipeline project.

In addition to development activities at the Gazelle Field, a Field Development Plan for approval for Hippo and Bubale discoveries within Block CI-202 was submitted during July 2012.

Once the Development Plan is approved, Rialto will look to achieve the award of exclusive exploitation area, which will assist the Company to book reserves at Hippo and Bubale. New figures are expected in the December Competent Persons Report (CPR) update from RPS. By tying these fields into the regional gathering system over Gazelle, the rapid development of small accumulations will be possible.



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### **Seismic Acquisition and Reprocessing**

A block-wide, 891km<sup>2</sup> 3D seismic acquisition was completed by Polarcus in mid-January 2012. Processing and interpretation of the newly acquired data has commenced. Initial technical work on this data is very encouraging and is yielding additional prospectivity over areas within Block CI-202 previously devoid of seismic information.

This new data is providing greater understanding of existing discoveries in CI-202 and has indicated potential high impact exploration targets, such as Arius, a Ceno-Turonian fan prospect analogous to the Tweneboa / Jubilee systems currently in production and development in Ghana.

### **Second Phase Drilling Programme (2013)**

Rialto has executed a contract to use the Vantage Sapphire jack-up drilling rig for a three firm well and two well option exploration and appraisal drilling programme scheduled to commence during the first half of the 2013 calendar year. This rig is currently operating in Côte d'Ivoire; has an excellent operating record and will be suitable for drilling a number of the Company's emerging exploration prospects.

The Company intends on commencing a farmout process for Block CI-202 to identify a suitable partner to assist with the drilling of these wells.

Following the latest 3D acquisition, the Company is compiling an updated prospect inventory which will be reviewed and confirmed by RPS in an updated Competent Person's Report.



## **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 and the joint venture 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. However, joint venture participants are currently undertaking a farmout process in respect of the Accra Block. Rialto is hopeful that once this farmout process is finalised, its participation will be able to be approved concurrently with any farmout approvals that may be required.

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 depth ranging from less than 50 metres to greater than 2,500 metres. The Ministry of Energy has recently granted a 12 month extension to the Initial Exploration Period, with a commitment well to be drilled before end September 2013. The Operator of the block, Tap Oil Limited has shot and processed new 3D seismic data over the deep water portion of the block and from this excellent quality data 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 Operator is currently selecting a drilling candidate from these prospects with a view to drilling the commitment well in the first half of 2013. It is expected that the commitment well will likely target a large, deep-water, Jubilee lookalike trap with prospective resources in the range of 500 million barrels.

Subsequent to the quarter end, Tullow Oil discovered oil and gas condensate with its Wawa-1 exploration well in the deep water Tano block, offshore Ghana. Wawa-1 discovered 13 net metres of oil pay and 20 net metres of gas-condensate pay. The discovery continues the high rate of exploration success offshore Ghana.



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## **WA-399-P**

Since the last quarterly report the Operator 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 this year 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.



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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 Andrew Donald Bartlett – Non-executive Director

Rialto was pleased to announce the appointment of Mr Andrew Donald Bartlett as a Non-executive Director of the Company on 17 September. 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 M&A, 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. During the course of his investment banking career, Mr Bartlett has either advised on or financed over 50 oil and gas deals in emerging markets, mostly in Africa, with a total value in excess of \$25 billion. He also has extensive experience in the LNG sector.

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 in order to drive trading and future E&P opportunities. 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 & operating oil & gas fields. Postings included the North Sea, Netherlands, Somalia, New Zealand & Syria before joining Shell Capital.

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.





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## Financial

### Equity Issues

During the quarter Rialto made the following equity issues:

- 912,500 Performance Rights were converted to Ordinary Shares pursuant to the Rialto Energy Limited Performance Rights Plan.

### Capital Structure at 30 September 2012

|                  | Number      |
|------------------|-------------|
| Shares           | 682,929,991 |
| Unlisted Options | 53,251,816  |

### Cash

Cash on hand at 30 September 2012 was \$43.4 million.

### Significant Shareholders – as at 31 October 2012

|   | Number     | Percentage |
|---|------------|------------|
| International Finance Corporation (IFC)   | 63,707,267 | 9.33%      |
| Glenn Ross Whiddon  | 46,842,822 | 6.86%      |
| Commonwealth Bank of Australia  | 41,837,994 | 6.13%      |
| BlackRock Investment Management (Australia) Limited and associated entities (Blackrock Group) | 41,599,932 | 6.09%      |

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