

23 December 2010

COTE D'IVOIRE DISCLOSURE

Following the disputed presidential election on 28 November, there has been an escalation of political instability and some reports of violence in Cote d'Ivoire.

Rialto continues to monitor developments closely and notwithstanding the recent escalation in political and civil unrest, Rialto does not currently anticipate any immediate or prolonged impact to its offshore development operations that are expected to ramp up from 2011.

Euroz Securities declares that it has been mandated to act as joint lead manager to Rialto Energy Ltd for the purpose of the announced capital raising. Euroz Securities will receive a fee for these services.

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Acquisition and Capital Raising

Investment Highlights

Price Target \$1.25/sh

- ▶ RIA has raised \$55m (78.6m shares @ \$0.70/sh) to close the acquisition of a 21.25% share in its CI-202 Block, offshore Cote d'Ivoire.
- ▶ The acquisition totals US\$31.5m, comprising: US\$6m cash; US\$9m scrip (12.9m shares @ \$0.70/sh); US\$14m scrip payable @ FID (17.5m shares @ \$0.80/sh); and US\$2.5m cash payable @ first production. The remaining funds will be applied to working capital for RIA to lock in necessary long-lead items for development in FY'12.
- ▶ The acquisition provides RIA with a direct 85% ownership of its core Block, CI-202 – a far more palatable stake for development and corporate decisions moving forward.
- ▶ The acquisition will be NPV accretive – our valuation increases by 20% to \$1.25/sh.
- ▶ Transaction metrics very cheap at <US\$2/bbl 2C resources.
- ▶ RIA's portfolio comprises outstanding shallow water offshore West African acreage on trend with the recent giant discoveries Jubilee and Tweneboia.
- ▶ Block CI-202 contains five oil & gas discoveries; development is imminent.
- ▶ Major milestone is the completion of a Field Development Plan*(FDP) scheduled for mid-CY'11 which should convert up to 50 mmbbls into the 2P reserves category, net to RIA.
- ▶ A multi-well drilling program (4-6 wells) is planned in FY'12 – a mix of development, appraisal and exploration.
- ▶ Offshore Cote d'Ivoire will be a global focus area next year with up to 10 exploration/appraisal wells to be drilled by large operators.
- ▶ 3D seismic covers most of CI-202, 12 of 14 wells tested oil & gas at commercial rates - current gross contingent resource of 80 mmbbls oil and 224 bcf gas.
- ▶ Exploration upside >100 mmbbls proximal to existing discovered resources.
- ▶ Solid management and technical team with extensive West African technical and commercial experience.

* assuming government approval

Market Statistics**

Share Price	\$0.79 A\$/sh
Issued Capital	
FP Ord	377.2 m
Opt (@ var)	44.6 m
Total Dil. FPOrd	421.7m
Market Capitalisation	\$337 m
Enterprise Value	\$277 m
Debt	nil
Cash	\$60 m

Shareholders

Glenn Whiddon	15.3%
BlackRock	10.0%
Med Alpha	9.7%
JP Morgan	8.4%

Share Price Performance



Executive Summary

The transaction provides an excellent opportunity for RIA to increase its exposure to CI-202 at a good price prior to moving into the appraisal and development phase of the project.

The deal ensures a cleaner, direct exposure, purchasing the remaining 25% CLNR which owns and operates 85% of CI-202 (Petroci, the government oil co. owns the remaining 15%).

Our valuation has increased by 20% to \$1.25/sh by virtue of the transaction value being below our valuation on the block.

The \$55m capital raising will fund the US\$6m cash consideration of the transaction and will strengthen RIA's balance sheet, allowing it to negotiate drilling rig contracts and the necessary long lead hardware items for development of the Block. RIA still anticipates a further capital raising (up to \$120m) in mid CY'11 to fund development of its oil & gas fields from FY'12.

RIA has a suite of assets in West Africa that ranks amongst the best we have seen from a mid cap ASX oil & gas company. The development/ appraisal nature of its Cote d'Ivoire acreage provides lower risk with substantial brownfield exploration upside to the south of the block.

The offshore West African Transform Margin has been reinvigorated in recent years by the discovery of the giant Jubilee and Tweneboa oil & gas fields in Ghana (1.8 and 0.25 Bn bbls respectively). With Liberia and Sierra Leone to the west and Ghana and Nigeria to the east, Cote d'Ivoire is in the middle of one of the hottest trends in oil & gas currently. The area has been traditionally overlooked due to the generally complex stratigraphic nature of the trend requiring 3D seismic.

Block CI-202 has a majority 3D seismic coverage and 12 of 14 wells drilled (by previous operators) have tested oil & gas at commercial rates - current gross contingent resource of 80 mmbbls oil and 224 bcf gas.

The planned drilling program is 4-6 wells commencing in the Dec Q'11. At this stage the program will be a mixture of development, appraisal and exploration wells. The focus will be on the less complex Hippo hub which comprises a series of feeder canyons indicative of upslope geology analogous to Jubilee style fields in neighbouring Ghana. Well costs are expected to be US\$15-20m using a jack-up rig.

We expect RIA will book 20-60 mmbbls of initial 2P undeveloped net reserves following the completion of its Field Development Plan (FDP) outlining staged drilling plans and costs in mid CY'11. This should come from its current 80 mmbbls gross contingent resource.

Beyond this, 120 mmbbls of appraisal upside exists on the Hippo hub alone which will likely be appraised during the planned FY'12 drilling program.

Our valuation is \$1.25/sh. It is an NPV (dcf 10% nom, after tax) of the potential future cash flows from a phased CI-202 drilling program and assumes the current placement and a future placement (160m shares @ \$0.75/sh) to fund its share of the planned first stage development. Assumptions include: Gross recoverable reserves of 40 mmbbls; US\$180m initial gross capex plus US\$60m for two further production wells in CY'15; 20 kbopd in FY'13; 15 year field life; US\$85/bbl flat received oil price; and AUDUSD 0.85 flat.

Significant exploration upside exists in CI-202 through un-appraised analogues, juxtaposed to the existing discoveries. Based on the current 3D seismic >100 mmbbls potential is already mapped and ready to drill with further leads likely to be moved to prospects next year.

Management has significant experience and a successful history in West Africa – particularly Jeff Schrull and Brett Woods through Addax, Chevron, Woodside, Shell and Stirling Energy, amongst others. We are confident the strategy of appraising and developing block CI-202 in a timely manner will add substantial value for shareholders.

Up to 10 offshore wells are planned in Cote d'Ivoire in CY'11 by companies including Vanco, Lukoil, Anadarko, Tullow and Afren. Any success will increase investor focus in the area, potentially adding speculative appeal and value for RIA.

A major milestone will be the completion of its FDP, scheduled for mid-CY'11 which should convert >20 mmbbls into the 2P reserves category, net to RIA. Using current West African company metrics, 20 mmbbls 2P reserves would equate to >\$1.00/sh fully diluted.

Transaction

Acquisition

RIA will acquire all of the issued share capital of C&L Natural Resources Limited (C&L's) which is not owned by CLNR Holdings Limited representing approximately 25% of C&L's share capital – this represents a 21.25% interest in Block CI-202, taking RIA's total direct interest in the Block to 85%.

The consideration is:

Upon Rialto shareholder approval: US\$6m cash and 12.9m RIA shares and;

17.5m RIA shares payable upon FID and in any event, not later than the date that the first well in Block CI-202 is spudded and completed and;

US\$2.5m cash upon production of 1 mmbbls net to RIA.

RIA will acquire 17 mmbbls of 2C resources at an effective price of \$US1.7/bbl (assuming RIA shares @ \$0.70/sh).

Capital Raising

RIA has raised \$55m via the issue of 78.6m shares at \$0.70/sh.

The raising represents a 29% dilution and will be undertaken in two tranches (approx 51% and 49% Tranche 1 and 2 respectively).

Use of Funds

US\$6m will be applied to acquiring the CI-202 interest.

The remaining funds will be used for working capital as RIA completes its FDP next year and locks in long lead development items such as drilling rigs and production hardware.

Valuation

Our valuation is \$1.25/sh

Our valuation is an NPV (dcf 10% nom, after tax) of future cash flows from the planned CI-202 phased drilling program and assumes a future placement (120m shares @ \$1.00/sh) to fund its share of the development.

Assumptions include: Gross recoverable reserves of 40 mmbbls; US\$180m initial gross capex plus US\$60m for two further production wells in CY'15; 20 kbopd in FY'13; 15 year field life; US\$85/bbl flat received oil price; and AUDUSD 0.85 flat.

Our valuation includes a nominal \$50m for all other exploration/appraisal prospects in RIA's portfolio.

We have sense checked this by way of using EV / 2P reserve metrics. At 40 mmbbls net 2P reserves @ A\$15/bbl undeveloped we generate >\$1/sh (fully diluted) and this does not include any exploration or appraisal upside.

Investment Issues

Earnings and Cash Flow

At this stage we have not forecast any earnings and cash flow from CI-202 – we anticipate publishing an earnings summary following project sanction, which should be during FY'12.

Oil Price

Crude from CI-202 is good quality light 35-45 °API. We assume RIA will receive the Brent crude marker price. We are forecasting Brent to trade at ~US\$85/bbl flat (v's ~US\$90/bbl currently).

Fiscal Regime/Tax/Royalties

Cote d'Ivoire

RIA will produce under the terms of a Production Sharing Contract (PSC) – it is a reasonably attractive fiscal regime netting economics slightly inferior to Australia's fiscal agreements (royalty & PRRT).

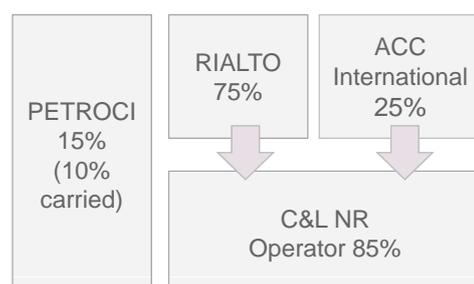
The contractor is entitled to 100% cost recovery of opex and capex – this increases its exposure to the cash flow from the project, particularly the first couple of years. Note: the CI-202 JV will not share in the historical ~US\$200m spent on the block.

License Structure

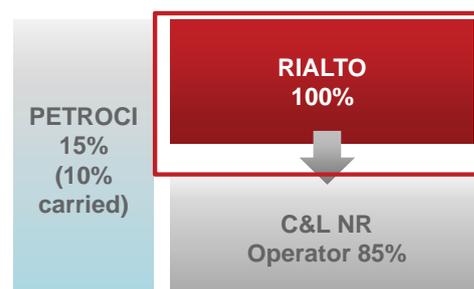
RIA will hold 85% of CI-202 through its 100% ownership of C&L Natural Resources.

Petroci hold 15% and are carried for 10% of its 15% through to FID.

Current Corporate Structure
Current License Structure



Post Acquisition Corporate Structure
Post Acquisition License Structure



Dividends

We have not forecast any dividends at this stage for RIA given its growth plans through development and exploration over the next few years.

Balance Sheet

Following the current capital raising and acquisition RIA will have circa \$60m cash. Based on the expected cost of the FDP, staff recruitment and early development costs RIA anticipate undertaking a larger raising in mid CY'11 of >\$100m for field development from FY'12.

RIA has no debt.

Currency

The majority of revenues and costs should be received in US\$ or Euros.

Sovereign Risk

Cote d'Ivoire is a multiparty Republic with its independence from France established in 1960. Currently the government is operating under a power-sharing agreement mandated by international mediators. In 1999 and 2001, Cote d'Ivoire experienced military coups and a civil war which ran between 2002 and 2007 (although most of the fighting ended 2004).

Cote d'Ivoire has remained well associated through political and economic ties to African states to the west and Western nations, particularly France. It is heavily reliant on agriculture and related industries.

Cocoa production (world's largest producer/exporter of cocoa beans) for export and foreign investment in Cote d'Ivoire has made it one of the most prosperous of the West African states.

Since 2006, oil and gas production have become more important engines of economic activity than cocoa. Cote d'Ivoire offshore oil and gas production has resulted in substantial crude oil exports and provides sufficient natural gas to fuel electricity exports to Ghana, Togo, Benin, Mali and Burkina Faso. Oil exploration by a number of consortiums of private companies continues offshore.

Presidential elections took place November 2010. The ruling FPI contested the preliminary results on vote fraud after the Electoral Commission showed former prime minister Alassane Ouattara winning 54% of the vote. This in turn led to tension and violence. Subsequently, some voting results were excluded as they were ruled unlawful by the Constitutional Council, giving Gbagbo 51% of the vote despite the UN organizing an inauguration for Ouattara. This raised further fears for potential civil unrest.

The UN Security Council recognized Alassane Ouattara as winner of the elections based on the position of Economic Community of West Africa States. Cote d'Ivoire has been suspended from both the ECOWAS and African Union decision-making bodies and membership.

It is important to note, RIA's planned operations will be offshore which mitigates some of the sovereign risk, although associated gas will likely to be piped to shore at some stage.

Key Risks

Development complexity: whilst often large, stratigraphic traps, particularly marine channel sands often are more technically complex from a development perspective. Completion techniques have improved a lot over the past few years and we view this will be a low-moderate risk. The reprocessed multi vintage 3D seismic dataset which covers most of the block mitigates this risk.

Production flow rates: based on the 21 DST's on the 12 wells in Block CI-202, information suggests the wells will comfortably have the capacity to flow at commercial rates, say >2,500 bopd. Our understanding is the tests were largely equipment restrained in the late 1970's.

Sovereign risk: see page 5.

Oil price: our analysis suggests the current discoveries would be commercial down to at least US\$25/bbl. We view the risk of an oil price lower than this as very low.

Associated gas: how will RIA treat this? At this stage we have assumed zero cost, zero income but a number of commercial opportunities are likely to be available through piping to shore to deliver into an underutilised energy market. Flaring in the short to medium term may also be an option. The timing of Block CI-202 development may depend upon how RIA can treat its associated gas.

Development timing: we expect the CI-202 JV to advance the development concept over the next six months through its FDP. As with any oil & gas project there may be delays to the FDP and any subsequent drilling program and potential development.

Block CI-202, Cote d'Ivoire

RIA hold an 85% operating interest in Block CI-202, offshore Cote d'Ivoire, along the prolific West African margin.

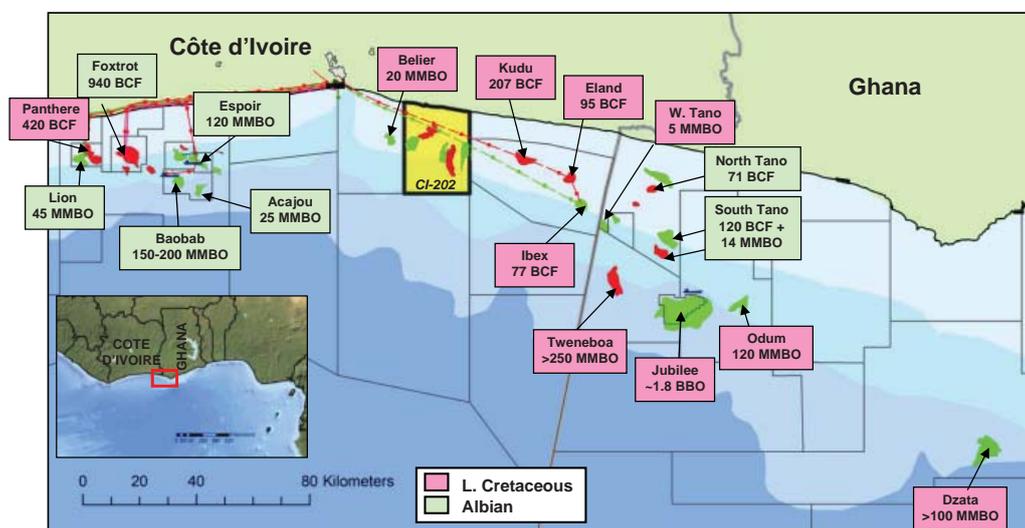
Block CI-202 is situated in the shallow water, shelf-edge and slope margin of the Ivorian Basin, which plays host to the giant Cretaceous Jubilee 1.2Bn bbl oil discovery.

Block CI-202 contains five oil & gas discoveries from 14 previous wells.

3D seismic and 21 well tests provide confidence in a >100 mmboe gross recoverable contingent resource base.

Additional exploration and appraisal potential has been identified on seismic, with the capacity to add several 100 mmbbls of prospect potential.

IVORIAN BASIN MAP



Source: Rialto Energy

Block CI-202 History

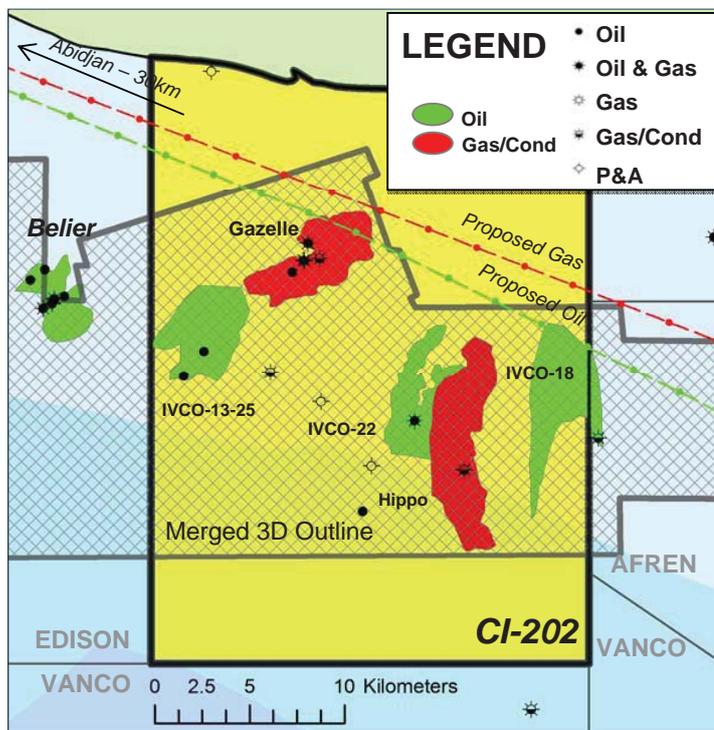
- 1972 -2003** Licensed by Esso, Shell, Petroci and Santa Fe
- 2006 CI-202** PSC awarded to C&L NR
- 2007** Jubilee trend stratigraphic traps discovered
- 2007** Rialto identifies Transform Margin opportunities
- 2008** Transform Margin hot up, focus on stratigraphic traps
- 2010** Rialto acquires CLNR Holdings

Source: Rialto Energy

Two hubs have been highlighted for development potential – Gazelle and Hippo.

A hungry gas market underpinning electricity supply to Cote d'Ivoire and neighbouring Ghana, offers attractive commercialisation opportunities with subsequent phases of development and completion of proposed pipeline infrastructure.

CI-202 FIELD DEVELOPMENT POTENTIAL



Source: Rialto Energy

GAZELLE HUB

Undeveloped shallow water offshore, close to onshore refineries and a gas hungry electricity market.

Five wells intersected and tested oil & gas at constrained rates of up to 2.5 kbopd and 40 mmscf/day.

Gazelle will be a focus for subsequent phases of development concentrating upon gas production.

Combined structural and stratigraphic traps containing Cretaceous canyon fill channel sand reservoirs that feed the giant Jubilee style, basin floor fan fields.

Significant down-dip exploration and near field appraisal potential.

HIPPO HUB

Undeveloped shallow water offshore accumulations.

Three oil and one gas/condensate discoveries.

Hippo is less structurally complex and arguably more oily than Gazelle and is likely to be targeted during the first phase of drilling from late CY'11.

The neighbouring Afren operated oil discovery is mapped as extending into block CI-202; this will be a priority for early appraisal drilling.

Significant upside exists in un-appraised analogues, juxtaposed to the existing discoveries.

RESERVES/RESOURCES

RIA's independently certified contingent mean RIA resources comprise 80 mmbbls recoverable oil and 224 Bcf recoverable gas.

Prospective resources comprise a further 140 mmbbls recoverable oil and 669Bcf recoverable gas.

The FDP should be complete in mid-CY'11; this should convert at least 20 and up to 80 mmbbls into the 2P reserves category.

RPS INDEPENDENT RESOURCE REPORT - CI-202

	STOIP Mean MMBBLS		Recoverable Mean MMBBLS
Contingent	250	Contingent	80
Prospective	409	Prospective	140
Total	659	Total	220

	GIIP Mean BCF		Recoverable Mean BCF
Contingent	218	Contingent	224
Prospective	760	Prospective	669
Total	978	Total	893

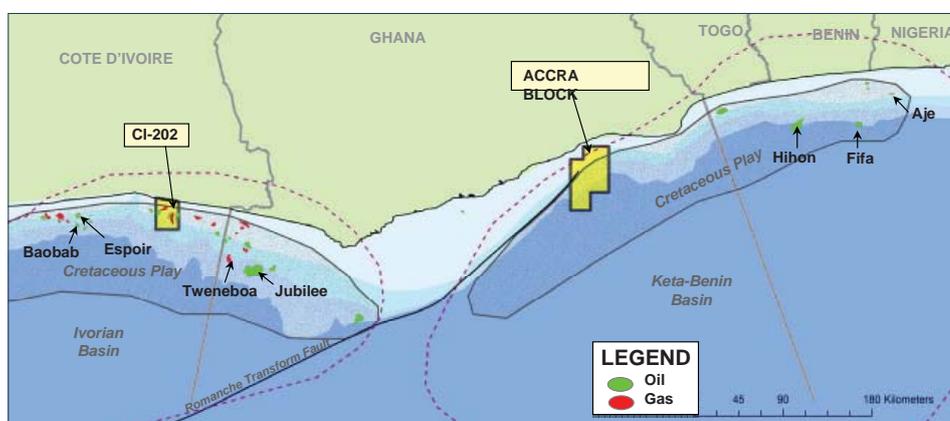
Source: RPS/Rialto Energy

Other Exploration - Ghana

RIA will acquire an 18% non-operating interest in the Accra Block, offshore Ghana, following final ministerial approval, due over the next 3-6 months.

The Accra Block is located in shallow-water, shelf-edge to continental slope, in the Keta-Benin Basin, on the West African margin.

ACCRA BLOCK MAP



Source: Rialto Energy

Deep Marine Turonian source rocks charging the neighbouring Ivorian Basin are modelled to charge the Keta-Benin Basin.

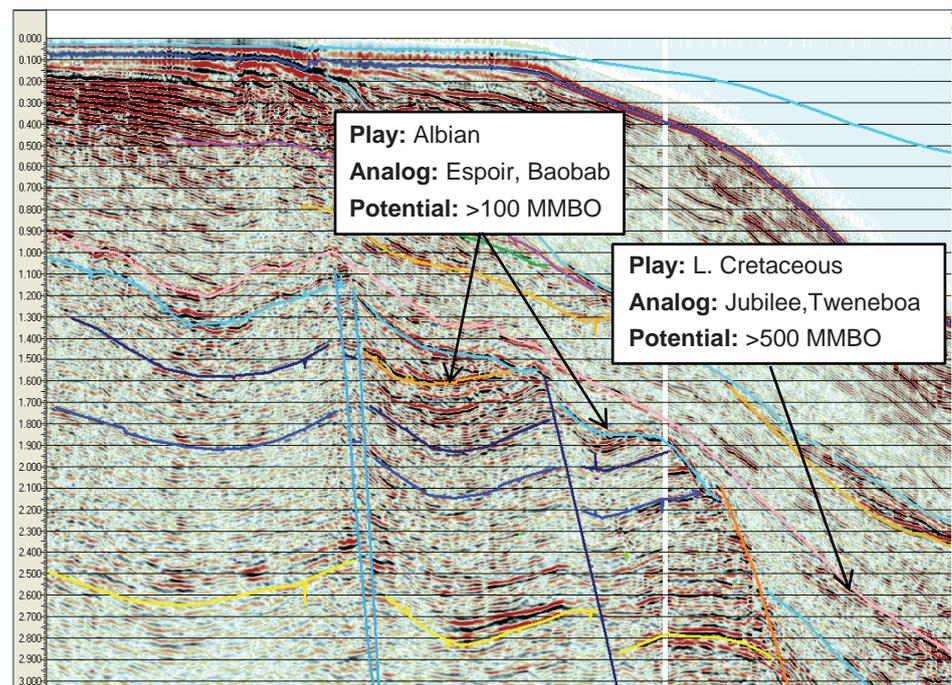
This active petroleum system has given rise to a number of large shelf edge, channel slope and basin floor fan stratigraphic and structural oil discoveries within the basin.

A number of large, 100 mmbbl recoverable potential, shallow to moderate water depth, stratigraphic and structural prospects have been identified within the block on existing 3D seismic.

Deeper water, late Cretaceous >500 mmbbl basin floor fan targets, analogous to Jubilee, have also been identified.

Drilling is not expected until at least CY'12.

ACCRA BLOCK SEISMIC SECTION



Source: Rialto Energy

Other Exploration – WA

Offshore Carnarvon Basin, Western Australia

RIA hold a 12% interest in WA-399P operated by Apache.

RIA is carried through 3D seismic acquisition to a drilling decision, expected next year.

Potential for an exploration well in CY'12.

The asset is non-core for RIA.

Issued Capital

The current issued capital is:

Fully paid ordinary shares	268.1 m
Performance shares	30.0 m
Options (ex @ \$0.60/sh, 30/6/11)	12.5 m
Options (ex @ \$0.25 – 0.70/sh)	32.1 m
Equity Raising	78.6m
Acquisition shares	30.4m
Total Fully Diluted Capital	451.6m

Top 20 Shareholders

as at 18 November 2010

No.	Shareholder	Shares (m)	(%)
1	National Nom Ltd	69.48	26.13
2	JP Morgan Nom Aust Ltd	31.98	12.03
3	HSBC Custody Nom Aust Ltd	25.83	9.72
4	JP Morgan Nom Aust Ltd	21.57	8.11
5	HSBC Custody Nom Aust Ltd	13.35	5.02
6	Acc Intl Hldgs Ltd	10.36	3.90
7	Macquarie Bank Ltd	6.67	2.51
8	HSBC Custody Nom Aust Ltd	6.40	2.41
9	HSBC Custody Nom Aust Ltd	6.37	2.39
10	Mount Royal Pty Ltd	2.51	0.95
11	Sternberg Yosef	2.20	0.83
12	Berne No 132 Nom Pty Ltd	1.97	0.74
13	Custodial Svcs Ltd	1.79	0.67
14	Nefco Nom Pty Ltd	1.52	0.57
15	Surfboard Pty Ltd	1.40	0.53
16	LJB Cons Pty Ltd	1.33	0.50
17	Citicorp Nom Pty Ltd	1.27	0.48
18	FD Sequoia Aggressive G	1.00	0.38
19	UBS Nom Pty Ltd	0.77	0.29
20	Banskin Pty Ltd	0.75	0.28
	TOTAL	208.52	78.44

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