



**Rialto Energy Limited**

208 Bagot Rd  
Subiaco WA 6008

ACN 117 227 086  
Tel: +61 8 9381 2229  
Fax: +61 8 9381 2208  
admin@rialtoenergy.com  
[www.rialtoenergy.com](http://www.rialtoenergy.com)

**To:** Company Announcements Office  
ASX Limited, Exchange Centre  
20 Bridge Street  
Sydney NSW 2000



**ASX Code: RIA**

**RIALTO TO ACQUIRE A MAJORITY INTEREST IN A  
WEST AFRICAN BLOCK CONTAINING UNDER-APPRAISED OIL AND GAS DISCOVERIES**

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**Highlights**

- Rialto has entered into a binding Heads of Agreement to ultimately acquire a 75% interest in C+L Natural Resources Limited (C & L Natural), the holder of an 85% participating interest in the Cote d'Ivoire Offshore Block CI-202. The Cote d'Ivoire State petroleum company, Société Nationale d'Opérations Pétrolières de la Côte d'Ivoire (Petroci), holds the remaining 15% interest.
- CI-202 is a highly prospective petroleum exploration licence that contains multiple pre-existing unappraised oil and gas discoveries. CI-202 has the following attributes:
  - 13 wells drilled between 1977 and 2001 predominately on vintage 2D seismic data;
  - 12 wells intersected hydrocarbons;
  - test rates of 2,280 bopd and 37 mmscfd achieved post 435 km<sup>2</sup> of high quality 3D seismic data; and
  - the licence is located in shallow water and close to existing oil and gas markets.
- CI-202 is located 80km to the west of the giant Jubilee offshore discovery made in Ghana in 2007 (1.8 billion barrels oil reserves), and the subsequent Tweneboa (>250 million barrels oil equivalent reserves) and Odum (120 million barrels oil reserves) discoveries, which have established the Ivorian Basin, located in the West African Transform Margin, as one of the most promising emerging offshore petroleum provinces in the world.
- The proximity of the Ghanaian discoveries, located in the same basin, has significantly re-rated the potential size of the existing discoveries within CI-202 and the exploration upside of stratigraphic traps.
- As part of the acquisition, Rialto will appoint new directors to complement the existing directors and management team.



**INTRODUCTION**

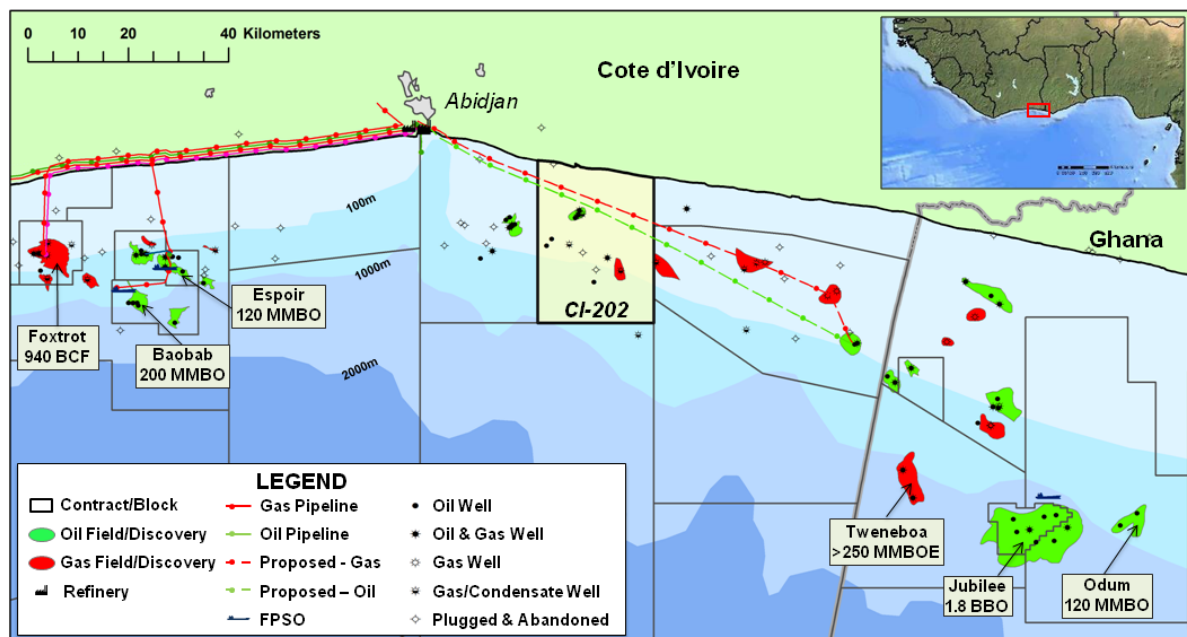
Rialto is pleased to announce that it has entered into a binding Heads of Agreement whereby Rialto will acquire 100% of CLNR Holdings Limited (CLNR) which is to hold a 75% interest in C & L Natural Resources Limited (C & L Natural). C & L Natural is the holder of an 85% participating interest in Block CI-202. The balance of 15% in Block CI-202 is held by the Cote d'Ivoire State petroleum company, Société Nationale d'Opérations Pétrolières de la Côte d'Ivoire (Petroci).

The proposed transaction will be subject to various conditions precedent including approval of the shareholders of Rialto, raising sufficient capital to fund the acquisition, CLNR completing its acquisition of a 75% interest in C & L Natural and execution of final documentation. The transaction also requires the consent of the Government of the Republic of Cote d'Ivoire to the change of control of C & L Natural and confirmation to the satisfaction of Rialto, that the minimum work obligation under the Block CI-202 production sharing contract is a single exploration well. Formal application for the change of control consent has been lodged and a determination is expected from the Government of Cote d'Ivoire within 60 days.

A capital raising totalling approximately A\$16 million will be undertaken by Rialto to fund the acquisition and to provide ongoing working capital to fund C & L Natural's work programme and Rialto's existing work programmes. Rialto intends to offer existing shareholders the opportunity to participate in a share purchase plan following completion of the transaction.

It is anticipated that formal agreements will be entered into during April 2010 and a Notice of Meeting to shareholders dispatched shortly thereafter.

Details of the transaction and completion capital structure are attached.



**Figure 1.** Location Map CI-202



**WORLD CLASS EMERGING PETROLEUM PROVINCE**

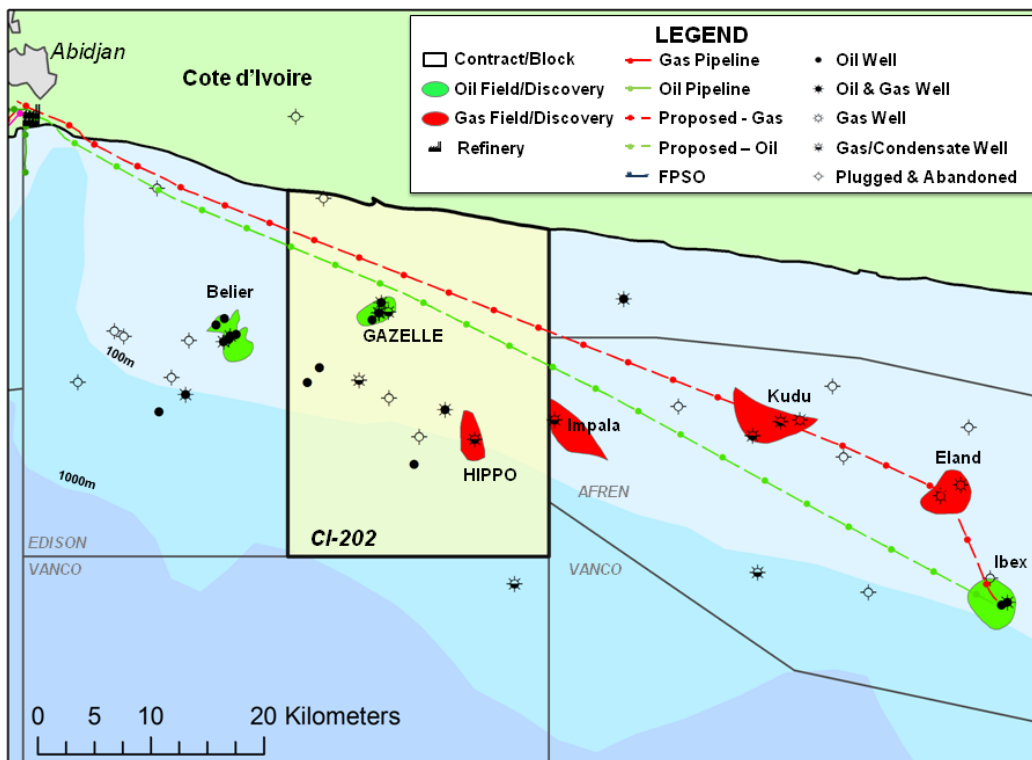
The giant Jubilee field (1.8 billion barrels oil reserves), discovered in 2007 by Tullow Oil and Kosmos Energy, and the subsequent Tweneboa (>250 million barrels oil equivalent reserves) and Odum (120 million barrels oil reserves) discoveries, has established the Ivorian Basin, located in the West African Transform Margin, as one of the most promising emerging offshore petroleum provinces in the world. (Figure 1).

These three discoveries, totalling in excess of 2.2 billion barrels of reserves, are either wholly stratigraphic or combined structural/stratigraphic traps. They were all defined and de-risked using 3D seismic data, modern seismic inversion processing and detailed seismic interpretation prior to drilling.

*The proximity and new geological insight obtained from the discoveries in Ghana has significantly re-rated the potential size of the existing discoveries within CI-202 and the exploration potential of the Block.*

**CI-202**

CI-202 covers an area of 675 km<sup>2</sup> (Figure 2) and is located 30 km to the southeast of Abidjan, the primary commercial centre of Cote D'Ivoire, extending from the coastline to water depths of almost 1000 meters. CI-202 is located within the Ivorian Basin, which encompasses offshore eastern Cote d'Ivoire and offshore western Ghana.



**Figure 2. CI-202 – Wells and Discoveries**



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Between 1977 and 2001, 13 wells were drilled on Block CI-202. The drilling targets of these wells were almost exclusively located using vintage 2D seismic data. The primary targets of the wells were deep structural closures analogous to the producing fields of Espoir (discovered in 1979) and Foxtrot (discovered in 1981), located about 100km to the west (Figure 1). Drilling results for the CI-202 wells indicate that none of these deep structural closures, still currently in production in Espoir and Baobab, intersected these hydrocarbon bearing intervals.

However, in the shallower, younger reservoir intervals, 12 of the 13 wells within CI-202 did intersect significant hydrocarbons intervals, in the age equivalent section to the recent giant Jubilee and Tweneboa discoveries of Ghana. Many of these shallower hydrocarbon-bearing intervals were production tested with test rates of up to 2,280 barrels of oil per day (BOPD) and 37 million standard cubic feet per day gas (MMSCFD). These test rates were achieved on two of the discoveries within the Block – Gazelle and Hippo (Figure 2).

Integration of the existing well production test results, combined with preliminary re-interpretation of 3D seismic data now clearly indicates that all the wells were located sub-optimally and did not adequately appraise the full potential of the shallower hydrocarbon zones. The 3D seismic was shot between 1995 and 1998 and was not available at the time of drilling most of the CI-202 wells. Rialto believes that the Gazelle and Hippo discoveries are likely stratigraphic traps on the basis of new 3D seismic mapping and review of the production test results. This re-interpretation also indicates significant under-appraisal and under-estimation of the resource potential.

Comprehensive appraisal of the existing discoveries, which we believe to be a significant prerequisite for unlocking the full potential of CI-202, is supported technically by the impressive and consistent drilling and appraisal results achieved at Jubilee, Tweneboa and Odum.

### **FORWARD WORK PROGRAM**

Excellent quality 3D seismic data totalling 435 km<sup>2</sup> was shot in two surveys between 1995 and 1998 over CI-202. Crucially, the acquisition of the 3D seismic data post-dates the drilling of most of the wells within the block.

During 2010, the latest seismic processing, phase modelling and seismic inversion techniques will be applied to the existing 3D seismic dataset. Results of the work program will re-appraise the extent of existing Block CI-202 discoveries. By analogy, advanced geophysical analysis of 3D data was critical in unlocking the full potential of the stratigraphic traps in Ghana. Results of this work program will enable well locations to be optimised for drilling in 2011.

### **OIL AND GAS MARKETS**

Facilitated by the development of the Foxtrot, Lion, Baobab and Espoir fields; Cote d'Ivoire has developed a regional gas market, built local oil refining capacity, delivered electrical generating capacity and has become an export point for international oil supply. This capacity has also been used for local industry development and has enabled market expansion through pipelines and long distance power transmission lines to Western Ghana and surrounding countries.



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Hydrocarbon resource development has assisted Cote d'Ivoire's economic growth over the past thirty years. However, the fields that supplied the resources to allow this growth are now in decline and the market requires additional oil and gas to support the country's continued growth. CI-202 is well located and has the potential to meet this demand in the near term.

### BOARD CHANGES

Upon completion of the acquisition of CLNR, Mr Glenn Whiddon and Mr Chaim Lebovits will be appointed to the Board of Directors of Rialto. Mr Brett Woods will remain as Managing Director. Mr Simon Potter and Mr Robert Hall will step down from the Board upon completion and Mr. Hall will remain as Rialto's General Manager.

The Board changes are considered to be complementary to the current management structure and result in a highly experienced team who have the technical, operational, financial, and West African experience necessary to deliver the best possible results for shareholders.

The proposed Board and management team of Rialto is attached.

### ABOUT RIALTO

Rialto Energy Limited (ASX:RIA) is an oil and gas explorer based in Perth, Western Australia, which was listed on the Australian Securities Exchange in July 2006 by a group of experienced industry professionals with the aim of identifying and developing high impact exploration and production opportunities in a responsible and profitable manner. Rialto now boasts a team of industry experienced geoscientists, with a history of identifying and capturing high value opportunities and with extensive experience in Africa, Asia and Australia.

Rialto has one exploration permit located in Australia's premier hydrocarbon province, the Carnarvon Basin on the North West Shelf, offshore Western Australia. Rialto also has a Joint Venture Agreement with Challenger Minerals Inc (CMI), a wholly owned subsidiary of Transocean (NYSE:RIG), whereby the parties are actively evaluating international growth opportunities. An opportunity in Ghana, which arose out of this joint venture with CMI, is the subject of a separate ASX announcement today. Further details on Rialto are available on [www.rialtoenergy.com.au](http://www.rialtoenergy.com.au)

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**Enquiries to:** Brett Woods (Managing Director)  
Telephone: +61 (0)8 9381 2229  
Email: [admin@rialtoenergy.com](mailto:admin@rialtoenergy.com)  
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### Commercial Terms and Consideration

The Consideration payable by Rialto on completion to acquire 75% of C&L Natural via the acquisition of CLNR is as follows:

- Issue of 32,591,124 Rialto shares to the C&L Natural minority shareholders. These shareholders will retain a 25% shareholding in C&L Natural.
- Issue to the sellers of CLNR or its nominees:
  - 63,980,132 Rialto shares; and
  - 10,000,000 options with a 5 year term and an exercise price of 25 cents each.

In addition, Rialto will issue up to a further 30,000,000 shares to the sellers of CLNR or its nominees on satisfaction of certain milestones (Earn Out Shares) as follows:

- (a) 15,000,000 Rialto shares (in aggregate) upon the issue of an independent reserve report accepted by the Board of Rialto and complying with SPE standards delineating mean reserves in excess of 40,000,000 barrels of oil equivalent in respect of Block CI-202; and
- (b) without limitation to (a) above, 15,000,000 Rialto shares (in aggregate) upon the first of:
  - (i) the securing by Rialto, CLNR (or any subsidiary of CLNR) of a farm-out of, or provision of funding in respect of, the first well on Block CI-202 (estimated at US\$25,000,000); or
  - (ii) Block CI-202 or the Production Sharing Contract being sold or otherwise disposed of after a declaration of commerciality in respect of a well on Block CI-202; or
  - (iii) any third party (other than any of the sellers of CLNR or their associates), alone or with associates, acquiring a relevant interest in 50% or more of Rialto shares.

Rialto will (by paying A\$10 million cash at completion) also acquire, at face value, A\$10 million of loans that have been provided to CLNR in consideration for the assignment of those loans to Rialto and will issue 3,000,000 Rialto shares as a facilitation and advisory fee

Rialto shall, by way of interim funding, advance to CLNR A\$1,000,000 to fund the progression of Block CI-202 pending completion of the transaction. CLNR will issue two convertible notes with no interest payable to Rialto in relation to this advance. If the transaction is not completed the advance will be repaid or the convertible notes will convert into CLNR shares.

Rialto will also provide an effective carry for any Joint Venture approved costs of US\$ 2 million to the C & L Natural minority sellers before they are required to contribute their proportional share.

Rialto intends to raise approximately A\$16 million to fund the acquisition and to provide ongoing working capital to fund C & L Natural's obligations and Rialto's existing portfolio. The capital raising shall be in the following tranches:

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- Placement of 11,000,000 shares to sophisticated investors at a price of 12.5 cents, to raise \$1,375,000. Of the 11,000,000 shares, 6,664,681 shares will be issued immediately to non related parties pursuant to ASX Listing Rule 7.1 to raise \$833,085 to partially fund the \$1,000,000 funding obligation referred to above. The balance of 4,335,319 shares will be subject to shareholder approval to issue the shares.
- Placement to raise approximately A\$15,000,000 by the issue of shares at a discount of no greater than 20% to the preceding 5 day VWAP. This placement will be subject to shareholder approval.



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### Capital Structure of the Company

The capital structure of the Company following Completion will be as follows:

Shares	Number
Shares on issue prior to transaction	44,431,212
First Placement	11,000,000
Second Placement	30,000,000 to 60,000,000
Consideration Shares issued to C & L Natural minority shareholders	32,591,124
Consideration Shares issued to CLNR sellers	63,980,132
Facilitation Fee	3,000,000

185,002,468 to 215,002,468 <sup>1</sup>
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### Options

25 cents on or before the fifth anniversary of completion (unquoted)	15,000,000 <sup>2</sup>
50 cents on or before the fifth anniversary of completion (unquoted)	3,500,000 <sup>2</sup>
60 cents on or before 30 June 2011 (quoted)	12,525,000
Various exercise prices between 35 cents and 70 cents and expiry dates between 31 August 2011 and 31 July 2014	11,080,003

42,105,003
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### Notes

- The capital structure table does not include:
  - the shares to be issued pursuant to an intended Share Purchase Plan; or
  - the 30,000,000 Earn Out Shares.
- The capital structure table includes the grant of options to related parties, subject to shareholder approval.





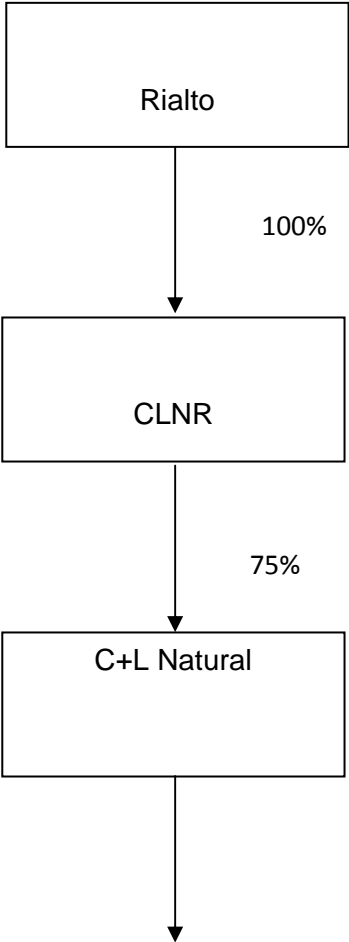
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**Corporate Structure Diagram**

The Corporate Structure following Completion will be as follows:



Holder of 85% participating interest in CI-202  
(Rialto will have an effective 63.75% interest in CI-202)



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**Proposed Timetable to Completion**

Execution of Formal Documents	April 2010
Dispatch of Notice of Meeting	May 2010
Shareholders' Meeting	June 2010
Completion	June 2010



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**Block CI-202 Licence Terms**

The Block CI-202 production sharing contract (PSC) was granted on 10 May 2006 for 3 periods over 6 years with signatories being the Cote d'Ivoire government represented by the Minister for Mines & Energy and the Minister for Finance and Petroci and CLNR as the licence holders.

The Minister for Mines & Energy has granted a 3 year extension to the first exploration period of the PSC which commenced on 10 May 2009.

A subsequent amendment of the PSC by its signatories will be sought during the extension period.

It is a condition precedent to completion of the transaction that Rialto receives confirmation, to its satisfaction, that the minimum work obligation for the first period including the extension period is a single exploration well.

The terms of the PSC are confidential but are consistent with other PSC in Cote d'Ivoire.



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### **Proposed Board and Management**

#### **Brett Woods – Managing Director**

Mr. Woods is a geoscientist with over 15 years of experience in operating exploration and production licenses within West Africa, Australia, South East Asia and the United States. This has included acquisition of 2D and 3D seismic surveys, wildcat exploration, appraisal and development drilling, joint venture management of operated assets (including assets in countries such as Cameroon, Senegal, Mauritania, and Guinea Bissau). Mr. Woods began his career with Woodside Energy Ltd. where he held senior positions in the special studies geophysics department and led development teams on projects such as Banda (Mauritania), and Blacktip (Australia). More recently working for Sterling Energy plc, in the UK, where he was responsible for managing many of Sterling's considerable African oil and gas assets in Africa.

#### **Chaim Lebovits – Non Executive Director**

Mr. Chaim Lebovits, 39, is an international entrepreneur and businessman. He is the founder of C & L Natural Resources Limited and is the president and controlling shareholder of Brainstorm Cell Therapeutic, a Bio-Technology company. Over the years, Mr. Lebovits has negotiated many successful deals on behalf of African governments and global mining businesses. This has given him the opportunity to develop excellent personal relations with numerous African leaders. Mr. Lebovits has previously worked for DGI Group and headed its operation in Congo and instrumental in the development of the Nikanor copper mine (one of the largest copper mines in the world).

#### **Glenn Whiddon – Executive Director**

Mr. Whiddon has an extensive background in the natural resource sector, specifically in European and Russian oil and gas transactions and direct equity investments, and in banking and corporate advisory having worked for the Bank of New York in Sydney, Melbourne, Geneva and Moscow. Mr Whiddon was the founder of Grove Energy Limited in 2003, a European and Mediterranean focused E&P company that merged with Stratic Energy Limited in 2007 valued at approximately \$200 million. Mr. Whiddon holds a number of board positions in Australian and international companies and has built an extensive network of investors in Europe and North America.



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### **Robert Hall - General Manager**

Mr. Hall has been involved in International Oil and Gas Exploration and Development Projects for 30 years working in a variety of geographic locations and technical/operational positions. Mr. Hall has worked for a number of oil companies including Mobil Oil, ExxonMobil, Fusion Oil & Gas NL and Hardman Resources Limited. He has been involved in projects throughout Africa and Asia including residency in Ghana, China, Thailand, and Indonesia during operational periods.

### **Gerry Spanninga – Exploration Manager**

Mr. Spanninga is a petroleum explorationist with 15 years international industry experience working on exploration and appraisal ventures in South America, Africa, Gulf of Mexico, Australia and New Zealand. His career started in New Zealand with Fletcher Challenge Energy, working a range of exploration to development projects in the prolific onshore Taranaki Basin. Under his guidance, a prolific play was re-invigorated, leading to three successful, commercial onshore oil field discoveries. In 1997, he joined Woodside Energy Ltd, working on several projects both domestically and internationally. Key highlights include contributions as the lead geophysical interpreter for the Vincent and Enfield Fields in the Exmouth Sub-Basin, Australia. Gerry also contributed to the comprehensive screening and high grading of several exploration opportunities throughout Offshore West Africa and the Deepwater Gulf of Mexico. Most recently, his role Technical Manager - Latin America, culminated in the successful entry by Woodside Energy Ltd into the prolific Santos Basin, Offshore Brazil in 2006.

### **Jean Pierre Petit – Managing Director, C & L Natural Resources Limited**

Jean-Pierre Petit (Chemical Engineer and Economist) has wide ranging experience in oil exploration and production in Africa. Between 1996 to 2002, he was Vice President and General Manager for ExxonMobil in Chad, responsible for developing the Kome, Miandoum and Bolobo fields, expected to produce 225000 bopd. Responsibilities also included, drilling almost 400 wells and building the Chad-Cameroon pipeline (1,070 km) on behalf of the Consortium that included ExxonMobil, Chevron Texaco and Petronas; as well as negotiation for financing with the World Bank and other International Banks. Mr. Petit has held various executive level positions within ExxonMobil for thirty three years in various international roles. Mr. Petit is a Rotarian and an Officer of Merit order of the Knights of Malta and Knight of Chad Merit Order.