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RALLY ENERGY REPORTS NEW DISCOVERY AT WEST ISSARAN IN EGYPT AND PROVIDES OPERATIONAL UPDATE

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EGYPT EXPLORATION DISCOVERY

Rally Energy Corp. is pleased to announce that it has successfully completed drilling of the West Issaran #1 exploratory well to a total depth of 2,552 feet. Located on the Corporation's Issaran Concession in Egypt, approximately three kilometers west of the existing Issaran Field, the well was drilled to evaluate the potential of the three main Issaran producing formations. The well was drilled on a separate 3-D seismically-defined structural closure estimated by management to be approximately 4.5 square kilometers in size.

The three formations of interest are the Nukhul, the Lower Dolomite and the Upper Dolomite. All three zones were penetrated at West Issaran. The deepest zone, the Nukhul, was present but was tight and not hydrocarbon bearing. At the Lower Dolomite level, petrophysical analysis indicates that 120 feet is considered to be effective dolomite oil pay with porosities averaging 20%. Image logs and drilling data details that this interval is significantly fractured, indicating that the formation has the potential to produce conventionally. At the Upper Dolomite, the well penetrated 224 feet of potential net oil pay averaging 29% dolomite porosity. There were excellent hydrocarbon shows encountered while drilling. Image logs did not reveal any significant fracturing present within this zone, indicating to management that the well had, in all probability, discovered another encouraging reservoir of thermally recoverable reserves.

Testing of the well has commenced at the Lower Dolomite level and upon determination of results within 3-4 weeks, the well will be placed on production.

Based on existing 3-D seismic data, the Corporation initially anticipates two additional West Issaran wells will be drilled in the next several months to delineate the extent of the Upper and Lower Dolomite accumulations and to evaluate the ultimate reserves potential from thermal recovery methods.

EGYPT OPERATIONS UPDATE

Average production during the first quarter was 6,294 bbls/d with an exit rate of approximately 7,150 bbls/d. For March 2007, average production was 6,822 bbls/d. Nine wells were drilled during the quarter resulting in nine oil wells. The Issaran Field average oil price for the quarter was US\$35.05/bbl, representing 62% of the corresponding Brent oil price, as compared to US\$34.75/bbl for the Fourth Quarter of 2006.

The Central Production Facility construction is now completed and the first 3,000 bbls/d train began operations on April 7, 2007. The second train is scheduled to commence operations on May 15, 2007.

Steam operations, utilizing a new 50 MMBTU steam generator, are scheduled to begin the first steam cycle on the recently drilled seven CSS wells, on April 15, 2007. The production cycle from 4 of these wells will begin on June 5, 2007. The 20 MMBTU steam unit is currently injecting steam for a second cycle in CSS-1.

A 20 year gas supply agreement has been signed with City Gas, the local utility company, to provide natural gas to the Issaran Field in sufficient quantities for current and anticipated future demand, at the current domestic price of US\$1.25 per mscf. The domestic gas price is subject to change and is set by Prime Ministerial Decree. The use of gas for Issaran operations will result in an overall cost savings compared to world commodity-based diesel fuel costs.

PAKISTAN ACTIVITY UPDATE

Surface casing was set at 200 metres at the Dewan-5 development well after encountering severe mud losses and shallow H₂S gas while drilling. It took several days to control mud losses and the 20 inch casing was successfully set. Intermediate hole is currently drilling at 500 metres; total depth is expected to be approximately 3,000 metres.

First gas production has been delayed due to extended negotiations to finalize a Provisional Gas Price Agreement ("PGPA") between the operator of the Safed Koh Concession and government authorities. We have been advised by the operator that the PGPA cannot be finalized until the new 2007 Petroleum Policy is ratified by the Pakistan Government and we understand that an official announcement on this matter is expected to be made in the next few days. We have also been informed by the operator that it will take an additional month after that announcement, to sign the PGPA and start production.

STAFF ANNOUNCEMENTS

Doug Brown, Vice President Production and Engineering has given notice of his resignation, effective June 30, 2007, from his position with Rally Energy largely for personal reasons and to pursue a new business opportunity that will require less travel. Mr. Brown said, *"It is not common for a person to have to choose between two great opportunities, Rally Energy is a fantastic company with tremendous momentum and asset strength being run by a great team. Add to that, we have one of the best operations teams in Egypt who demonstrate that every day. I am grateful for the opportunity to contribute to the value creation shareholders have enjoyed in the last two years and I am convinced that Rally still has much more to offer."* Doug will remain in his position until the end of June, 2007 to ensure an easy transition. We will miss Doug's energy and contribution and wish him good luck.

During the last two years, Rally has been building a strong technical and administrative team in Cairo that has been an important part of the Corporation's success in Egypt. Based on this initiative, we are pleased to announce that Dr. Islam El Nashar, Rally's Operation and Production Manager in Cairo will assume the position of Vice President, Production and Engineering of Rally's subsidiary, Scimitar Production Egypt Ltd. Dr. El Nashar is a graduate of the University of Alexandria, Egypt with a PhD in Chemical Engineering with 20 years of oil experience. Prior to joining Scimitar, he worked for BP Egypt for 10 years as General Manager of Production for the Gulf of Suez Operating Company in Egypt and Installation Manager for BP North Sea Andrew Field in Scotland. Dr. El Nashar will be reporting to Engineer Aly Moussa, Scimitar's Vice President and General Manager in Cairo and will be working closely with Rally's management and technical and consulting teams in Calgary.

Based in Calgary, Alberta, Canada, Rally Energy is an oil and gas exploration, development and production company. The Corporation's primary area of operation is in Egypt, where it has a 100% operating interest in the Issaran oilfield, a significant heavy oil development opportunity with strong growth potential. In Pakistan, the Corporation holds a 30% interest in the Safed Koh Block, where it is participating in the development of a large natural gas/condensate discovery.

FORWARD-LOOKING STATEMENTS

Except for statements of historical fact, all statements in this news release - including, without limitation, statements regarding production estimates, potential reserves and future plans and objectives of Rally - are forward-looking statements that involve various risks and uncertainties. There can be no assurance that such statements will prove to be accurate; actual results and future events could differ materially from those anticipated in such statements. Important factors that could cause actual results to differ materially from anticipated results include risks and uncertainties most of which are beyond Rally's control such as: risks relating to estimates of reserves and recoveries; production rates and operating cost assumptions; development risks and costs; the risk of commodity price and currency fluctuations; general economic and industry conditions; political and regulatory risks; environmental risks; stock market volatility; access to sufficient capital from internal and external sources; and other risks and uncertainties as disclosed under the heading "Risk Factors" and elsewhere in Rally's documents filed from time-to-time with the Toronto Stock Exchange and other regulatory authorities. The reader is cautioned that assumptions used in the preparation of such information, while considered reasonable by Rally at the time, may prove to be incorrect. The Corporation disclaims any intention or obligation to update or revise any forward-looking statements, whether as a result of new information, future events or otherwise.

The TSX has neither approved nor disapproved of the contents of this news release.