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## Rally Energy Spuds Exploration Well in Pakistan and Provides Operational Update

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### PAKISTAN

Rally Energy Corp. is pleased to announce that the Al-Baraka-1 (Zindapir Prospect) exploration well spudded on July 20, 2007 at the Safed Koh Concession in Pakistan, 37 kilometers south of the Salsabil Field, utilizing the Z-30 rig, to test a large seismically defined structural closure. Target depth is 2,100 meters. It is estimated that the well will be drilled and tested in 60 days.

A second rig, Z-40, is currently being mobilized to the Salsabil Field and is expected to commence drilling the Dewan-5A development well by the end of August 2007. Target depth is 3,200 meters. It is estimated the well will take 65 days to drill and an additional 30 days for testing.

Current production from the two producing wells in the Salsabil Field is 18 mmcf/d (5.4 mmcf/d or 900 boe/d, net) and improving.

The Government of Pakistan announced last week a new five year energy policy to encourage investment in the oil and gas sector. Under the 2007 Policy, all new discoveries such as the Zindapir well, if successful, will qualify for higher oil and gas prices. The Corporation and its partners in the Safed Koh Block in Pakistan are currently studying the relevant details of the Policy and are in contact with Government officials to determine if the new gas prices will apply to the Salsabil Field.

### EGYPT

Rally Energy Corp. is also pleased to announce that the fourth delineation well drilled on the West Issaran discovery has encountered 136 feet of oil pay in the Upper Dolomite zone and 204 feet of oil pay in the Lower Dolomite zone. Several more wells are planned before year-end 2007.

### PRODUCTION

Current corporate production is approximately 7,250 boe/d, with 6,350 boe/d from the Issaran Field in Egypt and 900 boe/d from the Salsabil Field in Pakistan.

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*Based in Calgary, Alberta, Canada, Rally Energy is an oil and gas exploration, development and production company. The Corporation's primary area of operations 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.*

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#### **ADVISORY**

*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.*

*In conformity with Canadian Securities Administrators National Instrument 51-101, natural gas volumes have been converted to equivalent barrels of oil ("boe") using a conversion ratio of six thousand cubic feet ("mcf") to one boe. This ratio is based on an energy equivalency conversion method primarily applicable at the burner tip and does not represent a value equivalency at the wellhead. Readers are cautioned that boes may be misleading, particularly if used in isolation.*

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