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Rally Energy Reports First Gas Production in Pakistan and Provides Operations Update

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FIRST GAS PRODUCTION IN PAKISTAN

Rally Energy Corp. (the "Corporation") is pleased to announce that natural gas production from the Salsabil Field in Pakistan commenced on June 29, 2007 into the Sui Northern Gas Pipeline system. Initially, production is from one well at a rate of 9.5 mmcf/d (2.9 mmcf/d [480 boe/d] net to the Corporation), and is expected to increase to 20 mmcf/d (6 mmcf/d [1,000 boe/d] net to the Corporation) when the second well is connected into the system later this week. Associated condensate production is approximately 7 barrels/mmcf/d (2.1 barrels/mmcf/d net to the Corporation). Production rates are expected to reach 50 mmcf/d (15 mmcf/d [2,500 boe/d] net to the Corporation) by December 2007, following drilling of the Dewan-5A development well which is scheduled to spud by the end of August 2007.

"This is a significant event in Rally's rapid growth where we now have a second source of revenue that is sufficient to fund our ongoing development and exploration activities in Pakistan" said Abby Badwi, President and CEO of the Corporation.

The Zindapir exploration well has been named Al Baraka North-1 and is expected to commence drilling on July 20, 2007. This well is located 37 kilometers south of the Salsabil Field on the Safed Koh concession and will be drilled to a depth of 2,100 meters to test a large seismically defined structural closure and is planned to be completed in 60 days.

EGYPT OPERATIONS UPDATE

Average production during the second quarter was 5,900 boe/d, 6% lower than the first quarter due primarily to a production interruption of approximately 900 boe/d for 20 days from well #63 while it underwent a workover operation. In addition, the drilling rig at the Issaran Field was down for scheduled repairs for 12 days in April and several conventional development drilling wells were re-scheduled to the third and fourth quarters. This allowed the Corporation to accelerate the drilling of six thermal and two West Issaran delineation wells.

All eleven wells drilled during the second quarter were completed as oil wells and well #63 is back on production at an average rate of 800 boe/d.

Average production during the month of June was 6,386 boe/d including production of approximately 1,000 boe/d from eight thermal wells. Second quarter exit production from the Issaran field was 6,591 boe/d. Four more thermal wells will be starting their first production cycle this month. Conventional development drilling is expected to resume immediately with 12 Nukhul wells scheduled for the remainder of this year and 11 thermal Upper Dolomite wells planned for the fourth quarter, utilizing a second drilling rig expected to arrive at the Issaran Field in October 2007.

The Issaran Field average oil price for the second quarter was US\$43.48/bbl, 24% higher than US\$35.05/bbl for the first quarter of 2007 and represents 63% of the corresponding Brent oil price.

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.

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.