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Rally Energy Secures Two Additional Drilling Rigs for Egypt and One for Pakistan

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Rally Energy Corp. is pleased to announce the following operational update:

EGYPT

Drilling Rigs for Issaran Field

A two-year contract for a second drilling rig has been awarded to the Egyptian Drilling Company (rig number EDC-94), starting in October, 2007. The rig will be dedicated to drilling thermal CSS wells; we anticipate drilling 12 additional wells for a total of 16 CSS wells in 2007. Proposals for the third rig, to be available in February 2008, have been received from two drilling companies and we expect to award the contract in the next few days.

Thermal Program

Four new thermal CSS wells have been drilled and completed as oil wells in the second quarter. The wells started with cold production at an average rate of 30 bopd each. These are encouraging results since we can expect a significant increase in production rates after completion of the first steam injection cycle in the four wells commencing in July.

The contract for six steam generators has been awarded to a US manufacturer. We expect delivery of the first two generators in December 2007 and January 2008 and one additional generator thereafter in each quarter of 2008. Construction has commenced for a second 2,500 bopd Central Processing Facility ("CPF") in the southern portion of the Issaran field to accommodate production from CSS wells. We expect the CPF and expanded production facilities to be operational in December 2007.

Acceleration of Thermal Program in 2008

In 2008, the thermal drilling program will be accelerated further when the third drilling rig will be deployed in the Issaran field. Acceleration of the thermal drilling and facilities program in 2008, by utilizing the two new rigs and delivery of six new steam generators, will have a positive impact on the Corporation's production target for 2008.

Conventional Drilling Program

Even though no additional conventional development locations were drilled in the last two months, the Corporation has maintained its average production from the Issaran field at 6,000 bopd and current production is 6,500 bopd. The existing rig is currently drilling a Nukhul development location to increase conventional production and will then move to the West Issaran discovery area to drill three delineation wells by mid-July. The rig will then resume drilling the remainder of its conventional drilling program for the second half of 2007. We currently anticipate drilling 16 more wells for a total of 31 conventional wells in 2007.

Expanded Exploration Program

A new 60 square kilometre, 3-D seismic program for the Issaran Concession area was approved by the Operating Committee in Cairo last week to complete geophysical interpretation of leads at West Rahmi and the remainder of the Concession area. The program is scheduled for the fourth quarter of 2007 when the first seismic crew becomes available. The Corporation is expecting to commence exploitation of the Rahmi area before the end of 2007.

PAKISTAN

On May 15, the Operating Committee met in Islamabad with partners of the Safed Koh Concession and approved deploying a second larger rig for drilling the offset Dewan 5-A location at the Salsabil field. The well has been re-designed to mitigate surface-hole problems and is expected to commence drilling in August as soon as the rig is mobilized to the new location.

The current rig will be moved to the Zindapir prospect area following completion of the access road and securing all necessary equipment required for drilling the well. The 2,100 metre exploration well is expected to commence drilling in September.

Management of Rally Energy and the operator had several meetings with the Minister of Petroleum of Pakistan, Secretary of Petroleum and the Director General of Petroleum Concessions regarding the gas price issue. The Corporation has been informed that a final decision will be made during the first week of June. We have been advised by the operator that once confirmation of the gas price is received, Salsabil field production can commence within 30 days.

2007 PRODUCTION GUIDANCE

With sustained conventional production from the Issaran field, excellent initial productivity from several conventional wells drilled earlier this year, additional conventional drilling, new thermal production from CSS wells and development of the new discovery at West Issaran, we anticipate that the 2007 Issaran average production targets of approximately 7,400 bopd will be met. Average gas production for 2007 from Pakistan is now expected to be approximately 1,000 boepd due to the delay in production commencement, with an exit rate at full plant capacity of 2,900 boepd.

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.