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## Rally Energy Increases Proved and Probable Reserves by 466%

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Rally Energy Corp. is pleased to announce significant increases in the Corporation’s oil and gas reserves recognized in the independent engineering report of DeGolyer and MacNaughton Canada Limited (“DeGolyer”) as of December 31, 2005. This report was prepared in accordance with NI 51-101 guidelines. Reserves highlights, using Degolyer’s escalated case pricing assumptions, are as follows:

- Total Proved and Probable Reserves increased to 45.7 million barrels of oil equivalent (“boe”), up 466% from 8.1 million boe in 2004. The Net Present Value (“NPV”), discounted at 10%, increased to \$264 million, up 144% from \$108 million in 2004.
- Total Proved Reserves increased to 18.6 million boe, up 328% from 4.4 million boe in 2004. The NPV, discounted at 10%, increased to \$108 million, up 61% from \$67 million in 2004.
- For 2005, the Corporation’s Proved Reserves production replacement ratio was 16.2 (40.9 on a Proved and Probable basis).
- In Egypt, Proved and Probable Reserves increased to 35.3 million bbls, up 386% from 7.3 million bbls in 2004. Proved Reserves increased 153% to 10.0 million bbls.
- In Pakistan, Proved and Probable Reserves are 57 bcf of natural gas and 247,000 bbls of natural gas liquids for a total of 9.8 million boe. No reserves were assigned to Pakistan in 2004.

The recognition of significant reserves additions in 2005 confirms the success of the Corporation’s Issaran, Egypt capital programs, including our successful thermal pilot operations, and it also confirms the additional value of our new commercial gas discovery in Pakistan.

		<u>December 31</u>		
		<u>2005</u>	<u>2004</u>	
		<u>mboe</u>	<u>mboe</u>	<u>Increase</u>
<b>Proved:</b>	Egypt	10,038	3,967	
	Pakistan	8,328	-	
	Canada	<u>278</u>	<u>388</u>	
	<b>Total</b>	<b>18,644</b>	<b>4,355</b>	<b>328%</b>
<b>Proved plus Probable:</b>	Egypt	35,271	7,261	
	Pakistan	9,779	-	
	Canada	<u>615</u>	<u>808</u>	
	<b>Total</b>	<b>45,665</b>	<b>8,069</b>	<b>466%</b>

All amounts represent the Corporation’s working interest before royalties and related burdens; boe’s are based on a conversion rate of six thousand cubic feet of natural gas to one barrel of oil.

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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 22.5% interest in the Safed Koh Block, where it is participating in the development of a large natural gas/condensate discovery. In Canada, Rally Energy is active in Alberta and Saskatchewan with varied working interests in several producing properties.*

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#### **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.*