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Rally Energy Increases Ownership in Pakistan Concession

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Rally Energy Corp. ("Rally Energy" or the "Corporation") is pleased to announce that it has entered into an agreement to increase its working interest in the Safed Koh Concession from 22.5% to 30%. The 200,000 acre Safed Koh Block, located in the Province of Punjab, is a natural gas/condensate rich area.

The Offer to Purchase for the additional 7.5% working interest is with one of Rally Energy's existing Safed Koh Block partners (a private company) for a purchase price of US\$11.4 million and is subject to certain conditions. Rally Energy has reserved for issuance to the vendor 1,372,846 million common shares, at a price of \$2.30 per share, representing 25% of the purchase price. The remaining balance of US\$8.55 million will be paid at closing from existing credit facilities. Rally Energy will have 94,750,716 common shares outstanding after giving effect to this transaction.

At December 31, 2005, Rally Energy's 22.5% working interest represented 9.8 million barrels of oil equivalent ("boe") in proved and probable reserves, as evaluated by an independent reservoir evaluation firm. This acquisition represents an addition of 3.3 million boe, on a proved and probable basis, at a cost of US\$3.50/boe.

Construction of production facilities, pipeline and several development wells at the Salsabil Field is expected to commence in the third quarter with first production scheduled for late 2006.

Mr. Abby Badwi, President, noted that "this acquisition represents an excellent opportunity to enhance the Corporation's position in this world-class natural gas play and, in conjunction with our successful Issaran, Egypt oil project, continues to reflect a corporate balance of oil and gas investments. This will provide us with the opportunity to increase our exposure to the upside potential of the two additional structures located directly south of the Salsabil Field."

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.

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.