



May 24, 2006

## Rally Energy Finalizes US\$25 Million Debt Financing with the International Finance Corporation

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***"RAL"*** - TSX Exchange

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Rally Energy Corp. ("Rally Energy" or the "Corporation") is pleased to announce that it has finalized loan agreements with the International Finance Corporation ("IFC") (a member of the World Bank Group) for the provision of reserve-based long-term financing of up to US\$25 million to fund capital requirements and working capital needs for the Corporation's projects in Egypt and Pakistan.

The Loan Agreements consist of a US\$5 million Term facility with Rally Energy Corp. and a Revolving facility, consisting of two US\$10 million tranches, involving Rally Energy's wholly-owned subsidiaries Scimitar Production Egypt Ltd. and Rally Energy Safed Koh Ltd.

The Term facility, expiring on October 15, 2010, is expected to be fully disbursed to the Corporation shortly. The first US\$10 million tranche of the Revolving facility will be drawn down progressively thereafter as needed, and the second US\$10 million tranche will be available on conditions of effectiveness, that include, among others, finalizing production and marketing arrangements for natural gas sales from the Corporation's Pakistan Safed Koh Concession. The maturity date for both Revolving facility tranches is October 15, 2009.

Rally Energy has issued three million common share purchase warrants to the IFC as announced on April 11, 2006. Each warrant entitles the IFC to purchase one common share of the Corporation at a price of \$1.92 per common share on or before May 19, 2009. The warrants may be exercised in whole or in part, at any time prior to expiry, by initially surrendering all or part of the Term facility (cash adjustments may be required based on US and Canadian dollar exchange rate changes). Rally Energy can accelerate the expiry date of the warrants at any time after 30 days from the date on which the Corporation's common shares close at or above \$2.95 for ten consecutive trading days.

Mr. Abby Badwi, President of Rally Energy, stated that "The IFC credit facility has been put in place to give the Corporation maximum flexibility to supplement expected cash flow from its planned work programs, and to establish the ability to accelerate the thermal development project in the Issaran Field in Egypt. In addition, this strategic long term investment by the IFC, as lender and potential equity partner, will allow the Corporation continued access to competitive and sustainable financing arrangements to fund currently planned and future growth opportunities both in Egypt and Pakistan."

Following is a copy of the IFC's news release, being issued concurrently:

# INTERNATIONAL FINANCE CORPORATION

## NEWS RELEASE – May 24, 2006

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### **IFC to Invest up to \$25 Million in Rally Energy Corp. for Egyptian and Pakistani Oil and Gas Projects**

**Washington, D.C., May 24, 2006** — The International Finance Corporation, the private sector arm of the World Bank Group, has signed a \$25 million financing package for Rally Energy Corp. to support upstream oil and gas projects in Egypt and Pakistan. With its investment, IFC will help strengthen energy production to meet increasing domestic demand.

Somit Varma, IFC's Associate Director for Oil and Gas, said: "Companies like Rally are important participants in the hydrocarbon sectors of developing countries as they help develop domestic resources to satisfy growing demand. Importantly, they also bring revenues to governments and create employment as well as opportunities for local suppliers of goods and services."

Rally Energy is a Calgary-based oil and gas firm that is strongly committed to environmental and social sustainability. Working closely with IFC, the company is implementing comprehensive steps, including training, to ensure sound environmental and social management of its projects.

In Egypt, the mining and hydrocarbon sector plays a significant role in the country's economy, generating about 15 percent of GDP, 37 percent of export earnings, and the bulk of foreign investment. However, oil exports from Egypt have been under pressure as production at mature oil fields has fallen and domestic consumption has increased.

Rally's project in Egypt's Ras Issaran concession area helps to address this decline. Through a wholly-owned subsidiary, Scimitar Production Egypt Ltd., Rally has 100 percent working interest in a heavy oil development petroleum services agreement related to the Ras Issaran concession area on the western shore of the Gulf of Suez. The area is estimated to have significant heavy oil reserves. Scimitar Egypt is currently implementing a three year development program there that aims to step up oil recovery rates by employing a range of established oil enhanced oil recovery techniques.

In Pakistan, Rally's joint venture will strengthen domestic natural gas supplies in a market where increasing demand may lead to a shortfall in domestic supply and to potential gas imports. Rally has a 22.5 percent non-operating interest in the Safed Koh block in Punjab in central Pakistan, which is operated by its partner Dewan Petroleum Pvt. Ltd. The block includes the Salsabil gas and condensate field that will be developed as a part of the project. Rally and its partners will also explore prospects for additional gas reserves in the block. Natural gas from the project will strengthen fuel supplies to industrial and urban markets in the region.

Michael Essex, IFC's Director for the Middle East and North Africa region, said: "We welcome Rally's participation in the energy sectors of Egypt and Pakistan. It is IFC's strategic priority to support vital economic sectors in the region and help address increasing energy demand."

IFC's financing consists of revolving credit facilities of \$20 million in two tranches, and a \$5 million term loan with attached equity share warrants. The IFC investment will support Rally's three year capital expenditure plan and working capital needs for its projects in Egypt and Pakistan.

Abby Badwi, President and Chief Executive Officer of Rally Energy Corp., said: "The IFC credit facility has been put in place to give Rally maximum flexibility to supplement expected cash flow from its planned 2006 and 2007 work programs, and to enable us to accelerate the thermal development project in the Issaran Field in Egypt. In addition, this strategic long term investment by the IFC, as lender and potential equity partner, will provide Rally with continued access to competitive and sustainable financing arrangements to fund planned and future growth opportunities both in Egypt and Pakistan."

The International Finance Corporation is the private sector arm of the World Bank Group and is headquartered in Washington, D.C. IFC coordinates its activities with the other institutions of the World Bank Group but is legally and financially independent. Its 178 member countries provide its share capital and collectively determine its policies.

The mission of IFC is to promote sustainable private sector investment in developing and transition countries, helping to reduce poverty and improve people's lives. IFC finances private sector investments in the developing world, mobilizes capital in the international financial markets, helps clients improve social and environmental sustainability, and provides technical assistance and advice to governments and businesses. From its founding in 1956 through FY05, IFC has committed more than \$49 billion of its own funds and arranged \$24 billion in syndications for 3,319 companies in 140 developing countries. IFC's worldwide committed portfolio as of FY05 was \$19.3 billion for its own account and \$5.3 billion held for participants in loan syndications. For more information, visit [www.ifc.org](http://www.ifc.org).

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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.*