



**MOVING IN THE
RIGHT DIRECTION**

Q2

QUARTERLY REPORT FOR THE THREE AND SIX MONTHS ENDED JUNE 30, 2006

August 28, 2005 (Calgary) - RIVAL ENERGY LTD. ("RGY" – TSX Venture Exchange) is pleased to release its operating and financial performance for the second quarter and first six months of 2006.

Highlights Table

	Three Months Ended June 30			Six Months Ended June 30		
	<u>2006</u>	<u>2005</u>	<u>Percent Change</u>	<u>2006</u>	<u>2005</u>	<u>Percent Change</u>
<u>Financial</u>						
Oil & gas sales	\$3,894,658	\$3,443,770	13	\$7,527,674	\$6,623,058	14
Cash flow from operations	1,371,112	1,742,433	(21)	3,021,538	3,051,712	(1)
Net income	24,691	580,624	(96)	298,069	642,858	(54)
Cash flow per share	0.07	0.09	(23)	0.15	0.16	(6)
Net income per share	0.00	0.03	(96)	0.02	0.03	(50)
Average shares outstanding (000)	19,809	19,121	4	19,809	19,121	4
<u>Operating (6:1 BOE)</u>						
Average daily production						
Natural gas (mcf)	2,582	2,972	(13)	2,619	3,012	(13)
Oil and NGL (bblsd)	414	294	41	392	283	38
Barrels of oil equivalent (boe)	845	789	7	828	785	6
<u>Average Sales Price</u>						
Natural gas (\$/mcf)	\$ 5.85	\$ 7.38	(21)	\$ 6.72	\$ 7.15	(6)
Oil (\$/bbl)	64.46	54.67	18	59.54	52.54	13

Q2 Highlights:

- Ø Rival drilled 6 wells during Q2 with an 83% success. One oil well and one natural gas well were drilled in the Killam/Bellshill Lake area of east central Alberta and three natural gas wells were drilled on the Company's Robsart property in south-western Saskatchewan.
- Ø Rival completed two complementary property acquisitions during the quarter: one which increased its interest in its operated Bellshill Lake oil properties, while the Morinville property acquisition added production, land and additional drilling prospects to the Company's inventory within east central Alberta.

Q2 Highlights continued:

- Ø Corporate production volume growth continued as volumes increased by 7% over Q2 of 2005 (to average 845 boe per day) and was 4% higher than Q1 of this year. Current production after shutting in over 30 boe per day of marginal natural gas production, is approximately 900 boe per day.

- Ø The Company negotiated a multi-well, joint venture farmin opportunity on a 42 section block of land (adjacent to Rival's Killam oil pools) with access to view and reprocess an extensive 3D seismic data base in the Killam area of east central Alberta.

Rival's production growth continued in Q2, although tempered by surface access and availability of drilling equipment. This growth was achieved primarily due to the Company's successful drilling program. Rival was able to drill only six wells during the second quarter, with an 83% success ratio (1 oil well, 4 natural gas wells and 1 abandonment), and of these wells, only four (2 oil and 2 natural gas) were able to be placed on production during the quarter as a result of surface access delays.

The growth in Rival's production volumes resulted in an increase in oil and natural gas revenues to \$3.9 million from the \$3.4 million posted for Q2 in 2005. Corporate cash flow was reduced, however, due to significantly lower natural gas prices and increased operating costs for the quarter. Operating costs per unit of production were higher during the quarter as the Company received a belated (2005) invoice for \$107,000 from the operator of one of our significant properties and Rival incurred additional costs for the replacement of three downhole pumps at our Killam oil pool (\$78,000), that occurred during this time period.

Rival remained active during Q2, despite the operational challenges in the field, as we were successful in completing two complementary property acquisitions. These acquisitions added approximately 125 barrels of oil equivalent to Rival's production volumes. One acquisition was the purchase of partner interests in properties that were jointly held. This transaction ensures Rival's operations are more efficient and gives the Company complete control of the timing and level of future development on its North and West Bellshill Lake oil properties. Rival plans an additional five wells on these properties during the remainder of 2006.

The second property acquisition was a strategic acquisition that not only provides Rival with a base of production in a new area, but the transaction brought with it an additional 12,000 net acres of prospective landholdings that are adjacent to the producing properties acquired. Rival is currently working to develop an active work program for Q4 of 2006 and Q1 of 2007 that will focus on the pursuit of the exploration leads identified.

These transactions, combined with Rival's multi-well shallow natural gas farm in north central Alberta and another multi-section joint venture farm recently concluded, have seen the Company's access to undeveloped landholdings increase significantly. Commensurate with access to these landholdings is the development, by Rival, of a significant number of drilling prospects that greatly expand the Company's prospect inventory. As a result of both the acquisitions and drilling opportunities realized by Rival to date, the Company earlier announced it has expanded its forecast capital budget from \$12-15 million to \$15-20 million for calendar 2006.

Currently, with the recent resolution of certain specific surface issues, Rival is preparing to commence a five-well drilling program, targeting oil prospects only. It is expected that this drilling program will be completed by the end of the current fiscal quarter. As Rival continues to expand its inventory of drilling prospects, it is preparing for an active winter drilling season. Current drilling plans call for the drilling of at least five wells in the northern portion of Rival's area of focus, and in conjunction with the prospects currently identified and those being developed, Rival expects the 2007 winter drilling season to be its busiest ever.

MANAGEMENT'S DISCUSSION AND ANALYSIS

The following discussion and analysis ("MD&A") of the financial and operating results for Rival Energy Ltd. ("Rival" or "the Company"), should be read in conjunction with the audited financial statements of the Company for the years ended December 31, 2005 and 2004 and the notes to those audited financial statements.

Cash flow from operations, which is determined before changes in non-cash working capital, is used by the Company as a key measure of performance. Cash flow from operations does not have a standardized meaning prescribed by GAAP and therefore may not be comparable with the calculation of similar measures for other companies. Cash flow from operations as presented is not intended to represent operating profits for the period nor should it be viewed as an alternative to cash provided by operating activities, net earnings or other measures of financial performance calculated in accordance with GAAP.

Netbacks, which are calculated on a barrel of oil equivalent basis are used in this MD&A as a key measure of performance, have no standardized meaning prescribed by GAAP and may not be comparable to the calculation of similar measures by other companies.

Natural gas volumes are expressed in terms of barrels of oil equivalent (boe) based upon the estimated relative energy content of six thousand cubic feet of gas to one barrel of oil.

Production

Production sales volumes increased by 7 percent to average 845 boe per day for the second quarter of 2006, compared to 789 boe per day for the same quarter of 2005. This was also a 4 percent improvement over the 812 boe per day produced in the first quarter of 2006. Production volumes for the month of May for the acquired Morinville wells and for the months of April and May for the acquired Bellshill interests, have not been included in these volumes as the corresponding revenue and expenses have been treated as a reduction of the purchase price in accordance with GAAP. Oil and natural gas liquids volumes were 41 percent higher than last year's second quarter, averaging 414 barrels per day with new oil wells at North Bellshill placed on production in the second quarter of 2006. Wet weather in the field in June caused inventories to be higher, reducing June sales. Second quarter natural gas volumes for 2006 were 13 percent lower than the first quarter of 2005 due to natural declines and a lack of natural gas drilling in the prior six

months. The Company successfully drilled and placed on production two oil wells (100%) during the quarter and placed two of the three Robsart natural gas wells (50%) on production at the end of the second quarter of 2006. The remaining natural gas well came on-stream during July of the third quarter.

Oil and Natural Gas Sales

Despite significantly lower natural gas prices throughout this fiscal quarter, Rival's oil and natural gas sales for the second quarter of 2006 still rose to a record \$3.9 million, a 13 percent increase over the second quarter of 2005. This increase was due to a 41 percent increase in oil production volumes and a stronger average commodity price for oil. Production revenues, royalties and expenses for the month of May for the acquired Morinville wells and for the months of April and May for the acquired Bellshill well interests have been recorded as a reduction of the purchase price of the assets acquired.

<u>Average Benchmark Prices</u>	<u>Three months ended June 30, 2006</u>	<u>Six months ended June 30, 2006</u>
Natural gas Aeco daily \$CAD per mcf	6.01	6.76
Crude Oil WTI –\$US/bbl	70.70	67.09
Exchange rate \$US/\$CAD	1.1224	1.1385
Crude Oil Edmonton Par Price –\$CAD/bbl	78.55	73.75
 <u>Rival average prices received</u>		
Natural gas \$CAD per mcf	5.85	6.72
Crude Oil \$CAD per bbl	64.46	59.54

Oil and Natural Gas Operating Netbacks per Boe

	<u>Three months ended June 30, 2006</u>	<u>Three months ended June 30, 2005</u>	<u>Six months ended June 30, 2006</u>	<u>Six months ended June 30, 2005</u>
Sales price	\$ 50.67	\$ 47.95	\$ 50.21	\$ 46.59
Royalties	(9.55)	(8.82)	(9.94)	(8.35)
ARTC	.91	0.67	0.98	0.54
Operating expenses	(15.35)	(9.94)	(13.04)	(11.21)
Transportation expenses	(1.03)	(1.35)	(1.15)	(1.33)
Operating netback	\$ 25.65	\$ 28.51	\$ 27.06	\$ 26.24

Royalties

Royalties averaged 18.8 percent of sales for the second quarter of 2006, virtually identical to the 18.4 percent average for the same quarter of 2005.

Operating Costs

Well operating costs, excluding transportation charges, were 65% higher and averaged \$15.35 per boe for the second quarter of 2006, versus the \$9.94 per boe for the same period of 2005. This jump in operating costs resulted from three individual factors: (1) the receipt of a belated (2005) invoice for \$107,000 from the operator of one of our significant properties; (2) significant charges to operating costs for a compressor station problem (\$25,000), and three downhole pump replacements (\$78,000); (3) an overall higher cost structure environment experienced throughout the industry.

Product Transportation and Tariff

Transportation and tariff costs averaged \$1.03 per boe for the June quarter, which was lower than the \$1.28 per boe in the March 2006 quarter and the \$1.35 in the June 2005 quarter. This savings was primarily a result of production increases from Rival's oil properties at North Bellshill and West Bellshill which are both pipeline connected, in conjunction with lower volumes of oil trucked at Killam due to natural declines. Trucking costs are significantly more expensive than pipeline tariffs to move the same volume of oil.

General and Administrative

General and administrative expenses (G&A) for the June 2006 quarter were double compared with the same quarter of 2005 and 69 percent higher for the six months of 2006 over the same period in 2005. Rival staffed-up with the addition of a Vice President, Exploration, a Land Manager and senior geologist in the third quarter of 2005, and also added a senior geophysicist in the second quarter of 2006. Higher rent from new office space and other costs in 2006 were also partly responsible.

Interest

Interest expense was 43 percent higher for the June 2006 quarter over the same period in 2005 due to the increase in debt at the end of May 2006 to fund the property acquisitions. Bank debt increased from \$6,000,000 to \$15,300,000 due to the acquisitions.

Cash Flow from Operations

Cash flow from operations was \$1,371,112 (\$0.07 per share) for the second quarter of 2006, a 21 percent reduction from the second quarter of 2005. Significantly lower natural gas prices, combined with higher operating costs and increased general and administrative costs in the second quarter of 2006 contributed to the decrease in cash flow. For the first six months of 2006, cash flow from operations was only one percent lower than the same period in 2005.

Reconciliation of Cash Flow from Operations to Net Income

	Three months ended June 30, <u>2006</u>	Three months ended June 30, <u>2005</u>	Six months ended June 30, <u>2006</u>	Six months ended June 30, <u>2005</u>
Net income	\$ 24,691	\$ 580,624	\$ 298,069	\$ 642,858
Depletion and depreciation	1,230,000	925,000	2,350,000	2,100,000
Accretion	48,263	13,445	84,898	73,126
Stock based compensation	68,158	12,364	115,374	24,728
Future income tax	-	211,000	173,197	211,000
Cash flow from operations	<u>\$ 1,371,112</u>	<u>\$ 1,742,433</u>	<u>\$ 3,021,538</u>	<u>\$ 3,051,712</u>

Depletion and Depreciation

Depletion expense for the second quarter of 2006 was 33 percent higher than the second quarter of 2005 due to the addition of \$14.8 million in capital spending due mainly to the two acquisitions consummated by Rival during this quarter.

Accretion

Accretion expense in the June 2006 quarter was slightly higher than the first quarter of 2006 due to the added liability from the acquisition of properties in the second quarter. Accretion expense in the June 2006 quarter was higher than the same quarter of 2005 due to a correction in 2005.

Stock Based Compensation

Stock based compensation expense was 4.5 times higher in the second quarter of 2006 than the second quarter of 2005 due to the issue of 150,000 options in 2006 and 865,000 options in the second half of 2005.

Income Taxes

Capital taxes for the six months of 2006 were 51 percent higher than the same period in 2005 as a result of a credit in 2005 from a prior year over accrual. The Company is not currently taxable except for capital taxes. The Company has a provision of nil for future income taxes in the June 2006 quarter compared with \$211,000 for 2005.

Net Income

Net income was \$24,691 (\$0.00 per share) for the 2006 second quarter compared with net income of \$580,624 (\$0.03 per share) in the same quarter of 2005, due to higher operating, general and administrative, and depletion costs, as well as weaker natural gas prices.

Capital Acquisitions and Expenditures

The following table summarizes the breakdown of capital expenditures for the first six months of 2006 and 2005:

<i>Petroleum and Natural Gas Properties</i>	<u>2006</u>	<u>2005</u>
Land	\$ 365,335	\$ 247,873
Geological & geophysical	608,364	26,043
Drilling & completion	3,503,433	1,199,374
Equipping & facility	930,183	1,142,583
Abandonment	-	-
Acquisition (disposition)	9,166,080	(991,287)
Office	18,150	-
Capitalized overhead	<u>275,000</u>	<u>125,000</u>
	\$ <u>14,866,545</u>	\$ <u>1,749,586</u>

Liquidity

The working capital deficiency at June 30, 2006 was \$16.2 million, including bank debt of \$15.3 million which is shown in current liabilities. In June, Rival increased its bank operating line of credit to \$16.5 million together with an acquisition line of \$1.6 million which is subject to bank approval and is currently undrawn. Rival Energy Ltd. expects to fund its proposed 2006 capital program through existing bank lines and cash flow. Rival expects cash flow from the recent acquisitions to average about \$200,000 per month which when annualized together with the pre-acquisition cash flow would be about \$8.2 million per year.

Commitments

The Company has entered into an office lease effective November 1, 2005, and has committed to the expenditure of \$1.8 million, including operating costs, over five years.

Quarterly operating and financial summary

Per Quarter	2006		2005	
	<u>Q2</u>	<u>Q1</u>	<u>Q4</u>	<u>Q3</u>
Natural gas production (mcf/d)	2,582	2,655	2,807	2,820
Oil & NGL production (bbls/d)	414	369	419	444
Average natural gas price received	\$ 5.85	\$ 7.63	\$ 11.39	\$ 9.43
Average crude oil price received	64.46	53.18	54.83	66.37
Average shares outstanding (000)	19,809	19,809	19,809	19,121
Net income	\$ 24,691	\$ 273,378	\$ 952,630	\$ 1,288,740
Net income per share	0.00	0.01	.05	0.07
Net income per share fully diluted	0.00	0.01	.05	0.07

Quarterly operating and financial summary

Per Quarter	2005		2004	
	<u>Q2</u>	<u>Q1</u>	<u>Q4</u>	<u>Q3</u>
Natural gas production (mcf/d)	2,972	3,052	3,099	2,729
Oil & NGLs production (bbls/d)	294	273	223	226
Average natural gas price received	\$ 7.38	\$ 6.98	\$ 6.47	\$ 6.32
Average crude oil price received	54.85	51.67	44.71	48.47
Average shares outstanding (000)	19,121	19,121	19,196	19,233
Net income (loss)	\$ 580,624	\$ 62,234	\$ (212,491)	\$ 64,663
Net income (loss) per share	0.03	0.00	(0.01)	0.00
Net income (loss) per share fully diluted	0.03	0.00	(0.01)	0.00

Company information applicable to Canadian securities regulations has been filed on the Sedar system at www.sedar.com and the Company's website at www.rivalenergy.com

Consolidated Financial Statements of

RIVAL ENERGY LTD.

Six months ended June 30, 2006 and 2005

RIVAL ENERGY LTD.

Consolidated Balance Sheets

(Unaudited)

	June 30, 2006	December 31, 2005
Assets		
Current assets		
Accounts receivable	\$ 2,920,952	\$ 2,826,762
Prepaid	310,204	175,262
	<u>3,231,156</u>	<u>3,002,024</u>
Petroleum and natural gas properties (Note 3)	37,185,763	24,050,009
	<u>\$ 40,416,919</u>	<u>\$ 27,052,033</u>
Liabilities and Shareholders' Equity		
Current liabilities		
Accounts payable and accrued liabilities	\$ 4,118,839	\$ 4,198,436
Bank loan (Note 4)	15,301,095	3,147,359
	<u>19,419,934</u>	<u>7,345,795</u>
Asset retirement obligation (Note 7)	2,482,796	1,778,689
Future income tax (Note 8)	1,584,011	1,410,814
	<u>23,486,741</u>	<u>10,535,298</u>
Shareholders' equity		
Share capital (Note 5)	16,354,233	16,354,233
Contributed surplus (Note 5)	599,578	484,204
Retained earnings (deficit)	(23,633)	(321,702)
	<u>16,930,178</u>	<u>16,516,735</u>
	<u>\$ 40,416,919</u>	<u>\$ 27,052,033</u>

See accompanying notes to consolidated financial statements.

RIVAL ENERGY LTD.

Consolidated Statements of Income and Deficit (Unaudited)

	Three months ended June 30,		Six months ended June 30,	
	2006	2005	2006	2005
Revenue:				
Oil and gas sales	\$ 3,894,658	\$ 3,443,770	\$ 7,527,674	\$ 6,623,058
Royalties	(733,726)	(633,247)	(1,490,482)	(1,186,214)
Alberta royalty tax credit	69,619	48,062	147,248	76,788
	<u>3,230,551</u>	<u>2,858,585</u>	<u>6,184,440</u>	<u>5,513,632</u>
Expenses:				
Operating	1,180,271	713,659	1,954,778	1,593,976
Product transportation and tariff	79,274	96,728	172,808	189,401
General and administrative	471,841	230,422	835,403	495,654
Interest and financing costs	110,151	77,121	158,049	155,212
Depletion and depreciation	1,230,000	925,000	2,350,000	2,100,000
Accretion	48,263	13,445	84,898	73,126
Stock based compensation	68,158	12,364	115,374	24,728
	<u>3,187,958</u>	<u>2,068,739</u>	<u>5,671,310</u>	<u>4,632,097</u>
Income before taxes	42,593	789,846	513,130	881,535
Capital taxes	17,902	(1,778)	41,864	27,677
Future income taxes	0	211,000	173,197	211,000
Net income for the period	24,691	580,624	298,069	642,858
Retained earnings (deficit), beginning of period	(48,324)	(3,143,696)	(321,702)	(3,205,930)
Retained earnings (deficit), end of period	\$ (23,633)	\$ (2,563,072)	\$ (23,633)	\$ (2,563,072)
Net income per share basic and diluted:	\$ -	\$ 0.03	\$ 0.02	\$ 0.03

See accompanying notes to consolidated financial statements.

RIVAL ENERGY LTD.

Consolidated Statements of Cash Flows (Unaudited)

	Three months ended June 30,		Six months ended June 30,	
	2006	2005	2006	2005
Cash provided by (used in):				
Operations:				
Net income for the period	\$ 24,691	\$ 580,624	\$ 298,069	\$ 642,858
Items not involving cash:				
Depletion and depreciation	1,230,000	925,000	2,350,000	2,100,000
Accretion	48,263	13,445	84,898	73,126
Stock based compensation	68,158	12,364	115,374	24,728
Future income tax	-	211,000	173,197	211,000
Cash flow from operations	1,371,112	1,742,433	3,021,538	3,051,712
Change in non-cash working capital	(493,755)	(368,049)	(544,479)	(381,236)
	877,357	1,374,384	2,477,059	2,670,476
Investments:				
Petroleum and natural gas properties	(2,858,549)	(1,162,479)	(5,700,465)	(2,740,873)
Sale of P&NG properties	-	950,000	-	991,287
Change in non-cash working capital	(6,250)	(150,910)	235,750	(251,494)
Purchase of P&NG properties	(9,166,080)	-	(9,166,080)	-
	(12,030,879)	(363,389)	(14,630,795)	(2,001,080)
Financing:				
Bank loan	11,153,522	(1,010,995)	12,153,736	(669,396)
	11,153,522	(1,010,995)	12,153,736	(669,396)
Increase (decrease) in cash	-	-	-	-
Cash, beginning of period	-	-	-	-
Cash, end of period	\$ -	\$ -	\$ -	\$ -

See accompanying notes to consolidated financial statements

RIVAL ENERGY LTD.

Notes to Consolidated Financial Statements

Six months ended June 30, 2006 and 2005

(Unaudited)

Rival Energy Ltd. (the “Company”) is in the business of exploring for, acquiring and producing petroleum and natural gas in Canada.

1. Significant accounting policies

The accompanying unaudited, consolidated financial statements have been prepared by management in accordance with accounting principles generally accepted in Canada. The interim consolidated financial statements have been prepared following the same accounting policies and methods used in the consolidated financial statements for the fiscal year ended December 31, 2005.

The disclosures provided herein are incremental to those included with the annual consolidated financial statements (the “annual statements”). Certain disclosures, which are required to be included in the notes to the annual statements, have been condensed or omitted in these interim consolidated financial statements, which should be read in conjunction with the annual statements.

2. Business acquisitions

During the second quarter, the Company completed two transactions in which it purchased petroleum and natural gas interests, for cash, as follows:

(a) Morinville area, Alberta

Effective date	May 1, 2006
Closing date	May 31, 2006
Purchase price	\$ 7,125,000
Asset retirement obligation	553,000
Tax pools acquired	7,125,000
Purchase price net of adjustments	7,016,080

(b) Bellshill area, Alberta

Effective date	Apr 1, 2006
Closing date	June 8, 2006
Purchase price	\$ 2,300,000
Asset retirement obligation	113,000
Tax pools acquired	2,300,000
Purchase price net of adjustments	2,150,000

The purchase price adjustments on both acquisitions are not final. They will be finalized in the coming months

RIVAL ENERGY LTD.

Notes to Consolidated Financial Statements,
Six months ended June 30, 2006 and 2005

3. Petroleum and natural gas properties

June 30, 2006	Cost	Accumulated depletion & depreciation	Net book value
Oil and gas properties	\$ 74,161,799	\$ 37,109,243	\$ 37,052,556
Other assets	258,370	125,163	133,207
	<u>\$ 74,420,169</u>	<u>\$ 37,234,406</u>	<u>\$ 37,185,763</u>

December 31, 2005	Cost	Accumulated depletion & depreciation	Net book value
Oil and gas properties	\$ 58,694,195	\$ 34,774,243	\$ 23,919,952
Other assets	240,220	110,163	130,057
	<u>\$ 58,934,415</u>	<u>\$ 34,884,406</u>	<u>\$ 24,050,009</u>

The Company has reviewed the carrying value of its properties at June 30, 2006 and determined that the recoverable value of the reserves, based on forecast prices, exceeded the recorded net book value.

The Company capitalized the following overhead costs directly relating to petroleum and natural gas properties:

	Three months ended June 30		Six months ended June 30	
	2006	2005	2006	2005
Capitalized general & administrative costs	\$150,000	\$ 55,000	\$275,000	\$125,000

4. Bank loan

The Company has a demand credit facility at a Canadian chartered bank with \$16.5 million (2005 - \$8.5 million) available at the bank's prime rate plus ¼ percent, and a conditional acquisition line of \$1.6 million (2005 - \$2.0 million,) which is subject to bank approval and is undrawn, at the bank's prime interest rate plus ¾ percent. Based on the demand nature of this facility, the Company's debt has been classified as a current obligation. These lines are secured by a general assignment of book debts and a \$25,000,000 first floating charge debenture on all assets.

5. Share capital

(a) Authorized

Unlimited number of common shares.

Unlimited number of preferred shares issuable in series, rights and privileges to be determined upon issue.

RIVAL ENERGY LTD.

Notes to Consolidated Financial Statements,
Six months ended June 30, 2006 and 2005

(b) Issued

	June 30, 2006		December 31, 2005	
	Number of shares	Amount	Number of shares	Amount
Balance beginning of year	19,808,781	\$ 16,354,233	19,121,281	\$ 15,539,976
Common share issue (c)	-	-	687,500	825,000
Share issue costs (c)		-	-	(10,743)
Issued and outstanding	19,808,781	\$ 16,354,233	19,808,781	\$ 16,354,233
Weighted average basic shares outstanding	19,808,781		19,293,156	
Diluted average shares outstanding	20,369,604		19,451,226	

(c) Share issues

In October 2005, the Company issued 687,500 shares to directors, officers and employees for a total consideration of \$825,000 before share issue costs of \$10,743.

(d) Options

The Company has a fixed stock option plan in which it may grant up to 1,980,878 common share options to its directors, officers and employees. Under this plan, the exercise price of each option equals the market price of the Company's stock on the date of grant, options vest over three years and an option's maximum term is five years. Options are granted periodically throughout the year. At June 30, 2006, 2,020,000 options were outstanding, (of which 39,122 are subject to shareholders' approval at the next annual meeting,) and 841,250 were vested. In the first six months of 2006, 150,000 options were issued in May at \$1.44.

RIVAL ENERGY LTD.

Notes to Consolidated Financial Statements,
Six months ended June 30, 2006 and 2005

The fair value of the options granted was estimated using the Black Scholes model and the following assumptions:

	<u>2006</u>	<u>2005</u>
Risk free rate	4%	4%
Expected life (years)	5	5
Expected volatility	43%	48%
Weighted average fair value of options granted	\$0.62	\$0.53

(e) Stock based compensation

The following table sets out the changes in contributed surplus related to the stock based compensation expense.

	<u>2006</u>
Opening balance January 1, 2006	\$ 484,204
Stock based compensation for the period	115,374
Exercise of options	-
Closing balance June 30, 2006	\$ 599,578

6. Related party transactions

During the six months of 2006, the Company paid legal fees of \$10,307 to a law firm, one of the partners of which became a director of the Company in August of 2005.

7. Asset retirement obligation

The Company estimates the total undiscounted amount of cash flows required to settle its asset retirement obligations is \$6,988,732 (December 31, 2005 - \$5,276,457) of which the majority for the wells is expected to be incurred between 2009 and 2021. A credit adjusted risk-free rate of 8% and an inflation factor of 2% per annum were used to calculate the fair value of the asset retirement obligations.

RIVAL ENERGY LTD.

Notes to Consolidated Financial Statements,
Six months ended June 30, 2006 and 2005

The following table sets out changes in the asset retirement obligation:

	Six months ended June 30 2006	Year ended December 31 2005
Asset retirement obligations		
Opening balance, January 1	\$ 1,778,689	\$ 1,830,692
Current period accretion expense	84,898	145,716
Current additions to asset carrying value	634,141	144,611
Revisions to estimated cash flows	(14,932)	(234,267)
Abandonment costs incurred	-	(108,063)
Closing balance, end of period	\$ 2,482,796	\$ 1,778,689

8. Income taxes

The Company had the following income tax pools available at June 30, 2006:

Tax Pools	(millions)
Canadian Exploration Expense (CEE)	\$ 1.3
Canadian Development Expense (CDE)	3.2
Canadian Oil and Gas Property Expense (COGPE)	16.4
Undepreciated Capital Cost (UCC)	7.3
Foreign Exploration and Development Expense (FEDE)	1.1
Share issue costs	0.2
Total	\$ 29.5

Corporate Information

Directors

Larry M. Jones
Independent Businessman
Calgary, Alberta

Colin F. Ogilvy
President and Chief Executive Officer,
Rival Energy Ltd.
Calgary, Alberta

Douglas R. Martin
President, Charles Avenue Capital Corp.
Calgary, Alberta

F.K. Roy Gillespie
Independent Businessman
Calgary, Alberta

Harley L. Winger
Partner, Burstall Winger LLP
Calgary, Alberta

Officers

Larry M. Jones
Chairman

Colin F. Ogilvy
President and Chief Executive Officer

John E. Clark
Vice President, Engineering

George D. Ziroff
Vice President, Finance and Chief Financial Officer

John C. Wilson
Vice President, Exploration

Harley L. Winger
Corporate Secretary

Abbreviations

bbl barrel
mcf thousand cubic feet
mbbl thousand barrels
mmcf million cubic feet
bcf billion cubic feet
boe barrel of oil equivalent
mboe thousand barrels of oil equivalent

Key Employees

Clarence A. Murray
Operations Manager

Ron G. Britton
Senior Geologist

R. Kenneth Pretty
Manager, Land

Steven W. Book
Senior Accountant

Deborah A. Sears
Revenue / Joint Venture Accountant

Joe Pozzobon
Senior Geologist

Gilbert Dubuc
Senior Geophysicist

Auditors

Deloitte & Touche LLP

Banker

National Bank of Canada

Reserve Engineers

GLJ Petroleum Consultants Ltd.

Legal Counsel

Burstall Winger LLP

Transfer Agent

Olympia Trust Company

Stock Exchange

TSX Venture Exchange Listing: "RGY"

Head Office

1700, 333-5th Avenue S.W.
Calgary, Alberta T2P 3B6
Tel: 403-233-0039
Fax: 403-265-8452
E-mail: info@rivalenergy.com
Website: www.rivalenergy.com

