



MOVING IN THE RIGHT DIRECTION



Q2

QUARTERLY REPORT FOR THE THREE AND SIX MONTHS ENDED JUNE 30, 2007

August 27, 2007 (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 2007. For this most recent quarter, Rival continued to post strong gains in production volumes and cash flow, despite a very challenging and competitive corporate environment for all energy producers.

Highlights Table

	Three Months Ended June 30			Six Months Ended June 30		
	<u>2007</u>	<u>2006</u>	<u>Percent Change</u>	<u>2007</u>	<u>2006</u>	<u>Percent Change</u>
<u>Financial</u>						
Oil & gas sales	\$5,173,015	\$3,894,658	33	\$10,490,235	\$7,527,674	39
Cash flow from operations	2,627,020	1,371,112	92	5,069,989	3,021,538	68
Net income	322,813	24,691	1207	390,283	298,069	31
Cash flow per share	0.12	0.07	68	0.23	0.15	51
Net income per share	0.01	0.00	N/A	0.02	0.02	(22)
Average shares outstanding (000)	22,349	19,809	13	22,332	19,809	13
<u>Operating (6:1 BOE)</u>						
Average daily production						
Natural gas (mcf)	1,985	2,582	(23)	2,071	2,619	(21)
Oil and NGL (bblsd)	688	414	66	732	392	87
Barrels of oil equivalent (boe)	1,019	845	21	1,077	828	30
<u>Average Sales Price</u>						
Natural gas (\$/mcf)	\$ 7.43	\$ 5.85	27	\$ 7.50	\$ 6.72	12
Oil (\$/bbl)	60.65	64.46	(6)	57.60	59.54	(3)

Q2 Highlights:

- Ø Drilled one successful oil well and completed and tied-in two previously drilled wells. These production additions replaced natural declines and flush production from Rival's most recent Bellshell oil discovery

(100%) during this reporting period and enabled Rival to average 1019 boe per day through this calendar quarter.

- Ø Strong production growth, year over year, has enabled Rival to post significant gains in oil and natural gas revenues and cash flow for this quarter was up 92% over last year's second quarter.
- Ø Actively developed additional drilling prospects during the first six months of 2007 and are currently completing arrangements for an active exploration program for the remainder of this year. The Company will participate in the drilling of at least six wells and complete three significant seismic programs to delineate additional oil prospects within its core areas of interest.
- Ø On the natural gas side, seven drilling locations have been approved and surveyed on the Company's Robsart and Morinville properties. These natural gas targets will be drilled once natural gas prices have demonstrated improved strength and stability.

Production and Operations Overview

Rival's production volumes remain at record levels and have remained at or above 2007 performance targets to date. The new volumes added through the Company's limited capital program in 2007 have replaced flush production volumes and natural declines throughout the first six months of the year. To date, Rival remains on track with production volumes averaging 1077 boe per day (65% oil) through the first six months of 2007. Current production is approximately 1040 barrels of oil equivalent per day.

As a result of these production numbers, Rival's oil and natural gas revenues have increased significantly over the same period for 2006 and cash flows have also showed significant growth. Revenues for Q2 2007 were up by 33% to \$5.2 million (or 39% and \$10.5 million for the six month period) and the resulting cash flow for the Company was up by 92% to \$2.6 million and this resulted in cash flow per share of \$0.12 for the second quarter, or \$0.23 per share for the first six months of the year. This strength in cash flow keeps Rival clearly on-track to both strengthen its balance sheet through fiscal 2007 and achieve its CFPS target of \$0.40 for this calendar year.

To date in 2007, Rival has taken a conservative approach to its exploration and capital spending activities. This position was taken during the first quarter of this year due to concerns over the high cost of most oilfield service costs, declining natural gas prices and a weakening equity market. To this end, Rival's exploration activities for 2007 have been curtailed, but as average production volumes continue to meet corporate forecasts, we remain confident the Company will meet its corporate targets for calendar 2007.

Since adopting this strategy, Rival has observed a significant reduction in almost all oilfield service costs and a major shift in the availability and timing of the required services for all exploration and development activities. Further, Rival's position on the natural gas market has provided it with a "softer" landing as the Company hedged 50% of its natural gas volumes for the summer months (April to November) and this position continues to have a positive impact on corporate cash flow. Finally, at the expense of an expanded capital program, Rival has taken the necessary steps to reduce its overall corporate debt by at least one million dollars per quarter, believing a strengthened balance sheet will be a significant benefit as we continue to invest in the growth of the Company.

The next few months for Rival should be very rewarding. Over the past six months the Company has dedicated capital and manpower to develop a drilling program that will provide additional growth prospects from each success and provide Rival with a meaningful presence in northern Alberta and the Peace River Arch. These are

areas Rival and its exploration team believe offer the opportunity for significant growth and the economical addition of longer life, quality reserves within an acceptable risk / reward profile.

Prospects in the Progress / Pouce Coupe areas of W6M will be undertaken within the next 60 days and at least one well and additional 3D seismic will be completed in the Culp area of northern W5M. These prospects are key to Rival's growth plans as we move forward with our strategy for establishing a significant presence in these new core areas.

In Rival's core area of east central Alberta, current plans call for participation in an attractive horizontal drilling opportunity that is currently being tested with a vertical test well. This play alone could deliver significant growth to Rival through Q4 2007 and Q1 2008.

The Company also plans to shoot three 3D seismic programs in the Morinville, Provost and Bellshill areas to delineate additional oil prospects for immediate drilling. These contingent drilling locations will supplement a growing inventory of prospects that Rival is developing. In conjunction with the Company's shallow natural gas drilling program (surveyed and licensed) in the Robsart area of Saskatchewan (5 wells) and the Morinville area of central Alberta (2 wells), Rival continues to pursue an active capital program despite the operational and financial challenges facing most junior oil companies at this time.

Rival will continue to develop its inventory of prospects and adjust its capital spending program to ensure we remain prudent and that our activity provides the best benefit for our shareholders as we manage the Company's growth through the current economic environment.

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, 2006 and 2005 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.

The term barrel of oil equivalent (BOE) may be misleading, particularly if used in isolation. A BOE conversion ratio of six thousand cubic feet to one barrel is based on an energy equivalency conversion method primarily applicable at the burner tip and does not represent a value equivalency at the wellhead

FORWARD LOOKING STATEMENTS

The MD&A contains forward-looking information. Estimates provided for 2007 and beyond are based on assumptions of future events, and actual results could be significantly different than these estimates. Events or circumstances may cause

actual results to be materially different from these predictions. The reader is cautioned not to place undue reliance on this forward-looking information.

Production and Operations Overview

Average production volumes increased to 1019 barrels of oil equivalent per day (boe/d) for the June 2007 quarter, and 1077 boe/d for the first six months of 2007. This was a 21% increase over Q2 of 2006 and a 30% increase over the same six month period of 2006. Oil volumes grew by 87 percent with volumes from the new Bellshill oil wells. Natural gas volumes for the first six months of 2007 were 21 percent lower than the same period of 2006 due to natural declines and the delay in the commencement of production from Rival's Morinville gas well until June of 2007.

Oil and Natural Gas Sales

Oil and natural gas sales for the second quarter of 2007 were \$5.2 million, a 33 percent increase over the second quarter of 2006. Sales for the first six months in 2007 were 39 percent higher than the 2006 six month period. The increase in oil production volumes combined with higher natural gas prices led to higher oil and natural gas sales for the 2007 second quarter and six month periods.

BENCHMARK AND COMPANY COMMODITY PRICES

	Three months ended <u>June 30/07</u>	Three months ended <u>June 30/06</u>	Six months ended <u>June 30/07</u>	Six months ended <u>June 30/06</u>
<u>Average Benchmark Prices</u>				
Natural gas Aeco daily \$CAD/ mcf	\$ 7.07	\$ 6.01	\$ 7.23	\$ 6.76
Crude Oil WTI \$US/bbl	65.03	70.70	61.60	67.09
Exchange rate \$CAD/\$US	1.0981	1.1224	1.1349	1.1385
Crude Oil Edmonton Par \$CAD/bbl	71.93	78.55	69.51	73.75
<u>Rival average prices received</u>				
Natural gas \$CAD per mcf	7.43	5.85	7.50	6.72
Crude Oil \$CAD per bbl	60.65	64.46	57.60	59.54

OIL AND NATURAL GAS OPERATING NETBACKS PER BOE

	Three months ended <u>June 30/07</u>	Three months ended <u>June 30/06</u>	Six months ended <u>June 30/07</u>	Six months ended <u>June 30/06</u>
Sales price	\$ 55.77	\$ 50.67	\$ 53.80	\$ 50.21
Royalties	(10.26)	(9.55)	(10.35)	(9.94)
ARTC	0.00	0.91	0.00	0.98
Operating expenses	(10.17)	(15.35)	(9.96)	(13.04)
Transportation expenses	(0.72)	(1.03)	(0.69)	(1.15)
Operating netback	\$ 34.62	\$ 25.65	\$ 32.80	\$ 27.06

Royalties

Royalties averaged 18.5 percent of sales for the first six month period in 2007 which was comparable to the 19.3 percent average royalty rate for the first six months in 2006. Royalties for the June 2007 quarter were comparable to the June 2006 quarter.

Operating Costs

Well operating costs, excluding transportation charges, were 23% percent lower, averaging \$9.96 per boe for the first half of 2007, versus \$13.04 per boe for the first half of 2006. For the June 2007 quarter operating costs averaged \$10.17 per boe compared to \$15.35 for the June 2006 quarter. Increased production volumes from the new oil pool at Bellshill are processed through Company owned facilities, resulting in lower per unit costs.

Product Transportation and Tariff

Transportation and tariff costs were \$0.69 per boe for the 2007 six month period which was a 40 percent reduction from \$1.15 for the same period of 2006 and a 30 percent per boe reduction from the June quarter of 2006. Oil volumes from the new pool in Bellshill which is pipeline connected, replaced oil declines at Killam where the oil has to be trucked, saving considerably on product transportation costs.

General and Administrative

General and administrative expenses (G&A) were 8 percent higher for the six months of June 2007 than the same period of 2006 due to inflationary increases in rent and salaries in 2007. For the June 2007 quarter G&A was lower than the 2006 June quarter, due primarily to the correction of an error which overstated G&A expenses at March 31, 2007.

Interest

Interest expense was 220 percent higher for the 2007 six months, compared with the same six month period of 2006, due to the increase in debt from \$4.1 million in 2006 to \$15.0 million at June 30, 2007. The Company's increase in debt was due to the two property acquisitions completed in Q2 last year and Rival's expanded Q4, 2006 capital program. The interest expense for the second quarter of 2007 was comparable to the first quarter of 2007 but two thirds of the interest expense in the 2006 six months occurred in the June quarter due to additional debt as a result of the property acquisitions.

Cash Flow from Operations

Cash flow from operations was \$2.6 million (\$0.12 per share) for the second quarter of 2007, a 92 percent increase over the second quarter of 2006. Cash flow from operations for the six months was a record \$5.1 million (\$0.23 per share) which was 68 percent higher than the six months ended June 30, 2006. Higher oil production volumes in 2007 generated the increase in cash flow.

Reconciliation of Cash Flow from Operations to Net Income

	Three months ended June 30, 2007	Three months ended June 30, 2006	Six months ended June 30, 2007	Six months ended June 30, 2006
Net income	\$ 322,813	\$ 24,691	\$ 390,283	\$ 298,069
Depletion and depreciation	2,060,000	1,230,000	4,220,000	2,350,000
Accretion	63,241	48,263	121,054	84,898
Stock based compensation	55,845	68,158	125,694	115,374
Unrealized gain on derivatives	(298,275)	-	(282,671)	-
Future income tax	423,396	-	495,629	173,197
Cash flow from operations	\$ 2,627,020	\$ 1,371,112	\$ 5,069,989	\$ 3,021,538

Depletion and Depreciation

Depletion expense for the second quarter of 2007 was 67 percent higher than the second quarter of 2006 and 80 percent higher for the 2007 six months than the six months in 2006. Acquisitions and higher capital spending in 2006, combined with higher production volumes in 2007 led to the increase in depletion expense in 2007. The lower forecast for natural gas prices going forward at December 31 2006, compared to the previous year, lowered corporate reserves for 2007 which also had the effect of increasing the depletion expense.

Accretion

Accretion expense was 31 percent higher in the June 2007 quarter and 42 percent higher for the six months ended June 30, 2007 than the comparable periods of 2006. The two acquisitions completed by Rival in 2006, along with the wells drilled in 2006, increased the number of wells to be abandoned at a future date, thereby increasing the Company's accretion expense.

Stock Based Compensation

Stock based compensation expense was 9 percent higher for the first six months of 2007, than for the same six month period of 2006, due to additional staff in 2007 and the re-pricing of employee stock options in March, 2007. For the June 2007 quarter, stock based compensation was lower than the same quarter in 2006 due to the expiry of some options.

Capital and Income Taxes

Saskatchewan capital taxes for the first half of 2007 were dramatically lower than the first half of 2006 due to reductions in the tax rate, and because a greater percentage of Rival's production is coming from wells drilled in recent years, which are taxed at a lower rate. The June 2007 quarter is negative due to the over-accrual of capital taxes in a prior year. The Company is not currently taxable except for capital taxes. Rival has provided \$495,629 for future income taxes for the 2007 six month period compared with \$173,197 for the first six

months of 2006 and \$423,396 in the June 2007 quarter due to the tax pools the Company renounced in March, 2007 as a result of the 2006 flow-through share issue..

Net Income

Net income was \$322,813 (\$0.01 per share) for the June quarter of 2007, compared with \$24,691 (\$0.00 per share) in the same quarter of 2006, due to the 92 percent increase in cash flow from higher oil production, and the unrealized gain of \$298,275 on the Company's natural gas hedge in 2007. Net income for the six months ended June 30, 2007 was 31 percent higher for similar reasons.

Capital Acquisitions and Expenditures

The following table summarizes the breakdown of capital expenditures for the first six months of 2007 and 2006:

Petroleum and Natural Gas Properties

	<u>2007</u>	<u>2006</u>
Land	\$ 2,249	\$ 365,335
Geological & geophysical	235,072	608,364
Drilling & completion	1,737,157	3,503,433
Equipping & facility	596,935	930,183
Abandonment	62,728	-
Acquisition (disposition)	(57,000)	9,166,080
Office	1,320	18,150
Capitalized overhead	<u>290,000</u>	<u>275,000</u>
	\$ <u>2,868,461</u>	\$ <u>14,866,545</u>

Liquidity

Rival Energy Ltd. reduced its working capital deficit to \$15.7 million at June 30, 2007 from \$18.2 million at December 31, 2006. Bank debt is included in current liabilities due to the demand nature of the facility. The Company is prioritizing its capital spending to lower risk development projects and those other projects that will meet its flow-through share obligations and using its excess cash flow to reduce the Company's outstanding debt.

Contingency

A statement of claim in the amount of \$2.4 million was filed against Rival Energy Ltd. on July 5, 2007, alleging damages from the processing of third party crude oil through one of the facilities operated by the Company. The Company has filed a statement of defence. The outcome of this lawsuit is not determinable at this time.

Quarterly operating and financial summary

<u>Per Quarter</u>	2007		2006	
	<u>Q2</u>	<u>Q1</u>	<u>Q4</u>	<u>Q3</u>
Natural gas production (mcf/d)	1,985	2,157	2,302	2,568
Oil & NGL production (bbls/d)	688	776	516	403
Average natural gas price received	\$ 7.43	\$ 7.57	\$ 7.11	\$ 5.81
Average crude oil price received	60.65	54.88	53.15	65.75
Average shares outstanding (000)	22,349	22,309	22,309	19,809
Net income (loss)	\$ 322,813	\$ 67,470	\$(249,990)	\$ 5,365
Net income (loss) per share	0.01	0.00	(0.01)	0.00
Net income (loss) per share fully diluted	0.01	0.00	(0.01)	0.00

Quarterly operating and financial summary

<u>Per Quarter</u>	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 & NGLs 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	66.25
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

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

RIVAL ENERGY LTD.

Consolidated Balance Sheets (Unaudited)

	June 30, 2007	December 31, 2006
Assets		
Current assets		
Accounts receivable	\$ 2,188,439	\$ 3,210,606
Prepaid	310,068	299,193
	<u>2,498,507</u>	<u>3,509,799</u>
Petroleum and natural gas properties (Note 3)	41,870,967	43,012,622
	<u>\$ 44,369,474</u>	<u>\$ 46,522,421</u>
Liabilities and Shareholders' Equity		
Current liabilities		
Accounts payable and accrued liabilities	\$ 3,156,091	\$ 6,051,399
Bank loan (Note 4)	15,036,931	15,663,114
	<u>18,193,022</u>	<u>21,714,513</u>
Asset retirement obligation (Note 7)	3,032,883	2,701,945
Future income tax (Note 8)	3,321,098	1,513,469
	<u>24,547,003</u>	<u>25,929,927</u>
Shareholders' equity		
Share capital (Note 5)	18,863,507	20,136,190
Contributed surplus (Note 5)	836,939	724,562
Retained earnings (deficit)	122,025	(268,258)
	<u>19,822,471</u>	<u>20,592,494</u>
	<u>\$ 44,369,474</u>	<u>\$ 46,522,421</u>

Commitments & contingency (Note 11)

See accompanying notes to consolidated financial statements.

RIVAL ENERGY LTD.

Consolidated Statements of Income, Comprehensive Income and Retained Earnings (Unaudited)

	Three months ended June 30,		Six months ended June 30,	
	2007	2006	2007	2006
Revenue:				
Oil and gas sales	\$ 5,173,015	\$ 3,894,658	\$ 10,490,235	\$ 7,527,674
Royalties	(951,236)	(733,726)	(2,018,049)	(1,490,482)
Alberta royalty tax credit	-	69,619	-	147,248
	<u>4,221,779</u>	<u>3,230,551</u>	<u>8,472,186</u>	<u>6,184,440</u>
Expenses:				
Operating	943,273	1,180,271	1,941,952	1,954,778
Product transportation and tariff	67,121	79,274	134,102	172,808
General and administrative	414,406	471,841	899,309	835,403
Interest and financing	263,903	110,151	505,988	158,049
Depletion and depreciation	2,060,000	1,230,000	4,220,000	2,350,000
Accretion	63,241	48,263	121,054	84,898
Stock based compensation	55,845	68,158	125,694	115,374
Realized (gain) loss on financial derivatives	(89,911)	-	(89,911)	-
Unrealized (gain) loss on financial derivatives	(298,275)	-	(282,671)	-
	<u>3,479,603</u>	<u>3,187,958</u>	<u>7,575,517</u>	<u>5,671,310</u>
Income before taxes	742,176	42,593	896,669	513,130
Capital taxes	(4,033)	17,902	10,757	41,864
Future income taxes	423,396	-	495,629	173,197
Net income and comprehensive income	322,813	24,691	390,283	298,069
Retained earnings (deficit), opening	(200,788)	(48,324)	(268,258)	(321,702)
Retained earnings (deficit), ending	\$ 122,025	\$ (23,633)	\$ 122,025	\$ (23,633)
Net income per share basic and diluted:				
(Note 5)	\$ 0.01	\$ -	\$ 0.02	\$ 0.02

RIVAL ENERGY LTD.

Consolidated Statements of Cash Flows (Unaudited)

	Three months ended June 30,		Six months ended June 30,	
	2007	2006	2007	2006
Cash provided by (used in):				
Operations:				
Net income	\$ 322,813	\$ 24,691	\$ 390,283	\$ 298,069
Items not involving cash:				
Depletion and depreciation	2,060,000	1,230,000	4,220,000	2,350,000
Accretion	63,241	48,263	121,054	84,898
Stock based compensation	55,845	68,158	125,694	115,374
Unrealized (gain) loss on financial derivatives	(298,275)	-	(282,671)	-
Future income tax	423,396	-	495,629	173,197
	2,627,020	1,371,112	5,069,989	3,021,538
Abandonment costs	(8,744)	-	(62,728)	-
Change in non-cash working capital	(311,805)	(493,755)	(1,407,640)	(544,479)
	2,306,471	877,357	3,599,621	2,477,059
Investments:				
Petroleum and natural gas properties	(1,543,442)	(2,858,549)	(2,862,734)	(5,700,465)
Purchase of P&NG properties	(7,999)	(9,166,080)	(7,999)	(9,166,080)
Sale of P&NG properties	-	-	65,000	-
Change in non-cash working capital	497,395	(6,250)	(193,705)	235,750
	(1,054,046)	(12,030,879)	(2,999,438)	(14,630,795)
Financing:				
Bank loan	(1,265,425)	11,153,522	(626,183)	12,153,736
Common share issue	13,000	-	26,000	-
	(1,252,425)	11,153,522	(600,183)	12,153,736
Increase (decrease) in cash	-	-	-	-
Cash, beginning of period	-	-	-	-
Cash, end of period	\$ -	\$ -	\$ -	\$ -

Changes in non-cash working capital (Note 10)

See accompanying notes to consolidated financial statements

RIVAL ENERGY LTD.

Notes to Consolidated Financial Statements

Three and six months ended June 30, 2007 and 2006

(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, 2006 except as noted below.

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.

Financial instruments

On January 1, 2007 the Company adopted three new standards issued by the CICA relating to the accounting for and disclosure of financial instruments.

Section 3855 – “Financial Instruments – Recognition and Measurement” prescribes when a financial asset, financial liability, or non-financial derivative is to be recognized on the balance sheet, as well as its measurement amount depending on its classification. This Section also specifies how gains and losses on financial instruments are to be presented.

Section 3865 – “Hedges” expands on and replaces Accounting Guideline 13 – “Hedging Relationships” by specifying how hedge accounting is to be applied and what disclosures are necessary when it is applied.

Section 1530 – “Comprehensive Income” introduces new standards for reporting and disclosure of comprehensive income. Comprehensive income is the change in equity of the Company during that period from transactions and changes in prices, markets, interest rates and exchange rates. Comprehensive income includes unrealized gains and losses on financial assets classified as available for sale; unrealized translation gains and losses from self-sustaining foreign operations and changes in the fair value of the effective portion of cash flow hedging instruments.

The current period disclosure for the above changes is presented in note 9 “Financial instruments”.

The Company’s financial instruments include accounts receivable, a bank loan (including Banker’s Acceptances,) accounts payable and accrued liabilities. Accounts receivable are measured at amortized cost consistent with the “loan and receivable” classification. The financial liabilities

RIVAL ENERGY LTD.

Notes to Consolidated Financial Statements,

Three and six months ended June 30, 2007 and 2006

(Unaudited)

include accounts payable, accrued liabilities and the bank loan (including Banker's Acceptances,) which are all measured at amortized cost consistent with the "other liabilities" classification. The fair value of these financial instruments approximates their carrying value due either to their short term to maturity or, as with the bank loan, to the fact that it bears interest at a floating market rate.

Risk management assets and liabilities are derivative financial instruments classified as "held for trading" unless designated for hedge accounting. Derivative instruments are recorded at fair value on the Balance Sheet. The change in fair value is recognized in earnings.

In addition, the Company does not have any items related to comprehensive income for the three and six months ended June 30, 2007 and, accordingly, comprehensive income is equivalent to net income.

The Company also adopted Section 1506 – "Accounting Changes", the only impact of which is to provide disclosure when an entity has not applied a new source of GAAP that has been issued but is not yet effective. This is the case with Section 1535 – "Capital Disclosures", Section 3862 – "Financial Instruments Disclosures" and Section 3863 – "Financial Instruments Presentations" which are required to be adopted for fiscal years beginning on or after October 1, 2007. The Company will adopt these standards on January 1, 2008 and it is expected the only effect on the Company will be incremental disclosures regarding the significance of financial instruments for the entity's financial position and performance, and the nature, extent and management of risks arising from financial instruments to which the entity is exposed.

2. Future accounting changes

As of January 1, 2008 the Company will be required to adopt CICA Handbook section 1535, "Capital Disclosures", which requires entities to disclose their objectives, policies and processes for managing capital and, in addition, whether the entity has complied with any externally imposed capital requirements. The Company is assessing the impact of this new standard on its consolidated financial statements and anticipates that the main impact will be in terms of additional disclosures required.

In January 2006, the CICA Accounting Standards Board ("AcSB") adopted a plan requiring the adoption of International Financial Reporting Standards ("IFRS") by the end of 2011. The Company continues to monitor and assess the impact of convergence of Canadian GAAP and IFRS.

As of July 1, 2007, the Company will be required to adopt CICA Handbook Section 3031, Inventory. This new standard is effective for interim and annual financial statements relating to fiscal years beginning on or after July 1, 2007. This new standard will have no impact on the Company's consolidated financial statements.

RIVAL ENERGY LTD.

Notes to Consolidated Financial Statements,

Three and six months ended June 30, 2007 and 2006

(Unaudited)

3. Petroleum and natural gas properties

		Accumulated	
	Cost	depletion & depreciation	Net book value
June 30, 2007			
Oil and gas properties	\$ 85,956,843	\$ 44,194,243	\$ 41,762,600
Other assets	263,530	155,163	108,367
	<u>\$ 86,220,373</u>	<u>\$ 44,349,406</u>	<u>\$ 41,870,967</u>
	Cost	Accumulated depletion & depreciation	Net book value
December 31, 2006			
Oil and gas properties	\$ 82,879,818	\$ 39,989,243	\$ 42,890,575
Other assets	262,210	140,163	122,047
	<u>\$ 83,142,028</u>	<u>\$ 40,129,406</u>	<u>\$ 43,012,622</u>

The Company has reviewed the carrying value of its properties at June 30, 2007 and determined that the recoverable value of the reserves, based on forecast prices, exceeded the recorded net book value.

The costs of unproven land and seismic at June 30, 2007 of \$2,130,000 (2006 - \$2,793,000) and salvage of \$5,015,000 (2006 - \$4,734,000) have been excluded from the depletion calculation. Future development costs related to proved non-producing and proved undeveloped reserves of \$174,000 (2006 - \$1,985,000) are included in the depletion calculation.

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

	Three months ended		Six months ended	
	June 30		June 30	
	2007	2006	2007	2006
Capitalized general & administrative costs	\$ 140,000	\$ 150,000	\$ 290,000	\$ 275,000

4. Bank loan

The Company has a demand credit facility of \$17.5 million at a Canadian chartered bank. Interest on advances is charged at the bank's prime rate plus ¼ percent. Under this facility, the Company can also issue up to \$8 million in Banker's Acceptances. Based on the demand nature of this facility, the Company has classified this debt as a current obligation. The facility is secured by a general assignment of book debts and a \$25,000,000 first floating charge debenture on all assets. The lending agreement requires the Company to maintain a specified minimum working capital position, which the Company was in compliance with at June 30, 2007.

RIVAL ENERGY LTD.

Notes to Consolidated Financial Statements,

Three and six months ended June 30, 2007 and 2006

(Unaudited)

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.

(b) Issued

	June 30, 2007		December 31, 2006	
	Number of shares	Amount	Number of shares	Amount
Balance, beginning of period	22,308,781	\$ 20,136,190	19,808,781	\$ 16,354,233
Common share issue	40,000	39,317	2,500,000	4,000,000
Share issue costs		-		(329,043)
Tax effect of share issue costs		-		111,000
Tax effect of flow through shares renounced		(1,312,000)		-
Balance, end of period	22,348,781	\$ 18,863,507	22,308,781	\$ 20,136,190
Weighted average basic shares outstanding	22,332,114		20,433,781	
Diluted average shares outstanding	22,506,203		20,627,781	

(c) Share issues

In the first six months, the Company issued the following shares on the exercise of options:

Issued	Number of shares	Exercise amount	From		Total consideration
			contributed surplus		
March	20,000	\$ 13,000	\$ 6,659	\$	19,659
April	20,000	13,000	6,658		19,658
	40,000	\$ 26,000	\$ 13,317	\$	39,317

(d) Options

The Company has a stock option plan in which the Company may grant options to its directors, officers and employees for up to 10% of the outstanding shares of common stock. Under this plan, the exercise price of each option equals the market price of the Company's stock on the date of grant, and an option's maximum term is five years. Options are granted periodically throughout the year. No options were issued in the first half of 2007.

RIVAL ENERGY LTD.

Notes to Consolidated Financial Statements,

Three and six months ended June 30, 2007 and 2006

(Unaudited)

(e) Stock based compensation

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

	Three months ended June 30 2007		Six months ended June 30 2007		Year ended December 31 2006
Balance, beginning of period	\$	787,752	\$	724,562	\$ 484,204
Stock based compensation		55,845		125,694	240,358
Exercise of options		(6,658)		(13,317)	-
Balance, end of period	\$	836,939	\$	836,939	\$ 724,562

6. Related party transactions

The Company incurred and paid the following legal fees to a law firm, one of the partners of which is a director of the Company.

	Three months ended June 30 2007		Six months ended June 30 2006			
Related party transactions	\$	16,515	\$	6,935	\$ 16,515	\$ 10,307

7. Asset retirement obligation

The Company estimates the total undiscounted amount of cash flows required to settle its asset retirement obligations is \$7,660,274 (December 31, 2006 - \$7,327,036) of which 51% for the wells is expected to be incurred between 2012 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,

Three and six months ended June 30, 2007 and 2006

(Unaudited)

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

	Six months ended June 30 2007	Year ended December 31 2006
Asset retirement obligations		
Balance, beginning of period	\$ 2,701,945	\$ 1,778,689
Accretion expense	121,054	195,297
Liabilities incurred - drilling	21,339	195,044
Liabilities incurred - property acquisitions	-	666,000
Change in estimate	251,273	(100,496)
Liabilities settled or dispositions	(62,728)	(32,589)
Balance, end of period	\$ 3,032,883	\$ 2,701,945

8. Income taxes

The Company had the following income tax pools available at June 30, 2007, after deducting \$4.0 million of flow through share renouncements:

Tax Pools	(millions)
Canadian Exploration Expense (CEE)	\$ 2.3
Canadian Development Expense (CDE)	4.4
Canadian Oil and Gas Property Expense (COGPE)	14.0
Undepreciated Capital Cost (UCC)	6.0
Foreign Exploration and Development Expense (FEDE)	0.9
Share issue costs	0.3
Total	\$ 27.9

9. Financial instruments

In March 2007 the Company entered into an agreement to fix the sales price for 1,200 gigajoules per day of natural gas production from April 1 to October 31, 2007 at \$7.525 per gigajoule. In 2006 the Company had no agreements to fix the sales price of any of its production. This natural gas hedge is a derivative financial instrument, but has no embedded derivatives. The Company does not apply hedge accounting under Section 3865, so the commodity contract is measured at mark-to-market on each reporting date.

RIVAL ENERGY LTD.

Notes to Consolidated Financial Statements,

Three and six months ended June 30, 2007 and 2006

(Unaudited)

10. Statement of Cash Flows

Changes in non-cash working capital balances are as follows:

	Three months ended		Six months ended	
	June 30		June 30	
	2007	2006	2007	2006
Accounts receivable	\$ 719,783	\$ (64,812)	\$ 1,022,167	\$ (94,190)
Prepaid	(37,170)	(93,833)	(10,875)	(134,942)
Accounts payable and accrued liabilities	(795,298)	(341,360)	(2,895,308)	(79,597)
Total Balance Sheet	(112,685)	(500,005)	(1,884,016)	(308,729)
Amounts related to operating activities	(311,805)	(493,755)	(1,407,640)	(544,479)
Unrealized (gain) loss on financial derivatives	(298,275)	-	(282,671)	-
Amounts related to investing activities	497,395	(6,250)	(193,705)	235,750
Total Statement of Cash Flows	\$ (112,685)	\$ (500,005)	\$ (1,884,016)	\$ (308,729)

11. Commitments and contingency

In March 2007 the Company renounced \$4 million of oil and natural gas expenditure tax pools to flow through share subscribers effective December 31, 2006. As of June 30, 2007 Rival has incurred \$2.1 million of eligible expenditures, leaving \$1.9 million to be spent in the balance of 2007.

A statement of claim in the amount of \$2.4 million was filed against Rival Energy Ltd. on July 5, 2007, alleging damages from the processing of third party crude oil through one of the facilities operated by the Company. The Company has filed a statement of defence. The outcome of this lawsuit is not determinable at this time.

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. Zirotf
Vice President, Finance and Chief Financial Officer

John C. Wilson
Vice President, Exploration

Harley L. Winger
Corporate Secretary

Abbreviations

bbbl	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

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"

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