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PRELIMINARY SHORT FORM PROSPECTUS DATED DECEMBER 2, 2005

New Issue December __, 2005

RALLY ENERGY CORP.

$8,000,000
6,400,000 Units
($1.25 per Unit)

This short form prospectus qualifies the distribution (the "Offering") of 6,400,000 Units (the "Units") of Rally Energy Corp. ("Rally" or the "Corporation"). Each Unit is priced at $1.25 and is comprised of one common share of Rally (a "Common Share") and one-half of a purchase warrant. Each whole warrant (a "Warrant") entitles the holder thereof to purchase an additional Common Share for a period of 12 months from the closing of this Offering at a price of $1.60. If at any time after the date that is six months from the closing of the Offering, the closing price for the Common Shares on the Toronto Stock Exchange (the "TSX") has been equal to or greater than $1.80 for 10 consecutive trading days, the Corporation shall be entitled, upon notice to the holders of the Warrants, to accelerate the expiry date of the Warrants to a date which is not less than 15 days subsequent to the date that notice is so provided to the holders of the Warrants.

The Common Shares are listed and posted for trading on the TSX under the trading symbol "RAL" and are quoted on the Freiverkehr der FWB Frankfurter Wertpapierbörse (the regulated unofficial market of Frankfurt Stock Exchange) under the symbol "REL". On November 29, 2005, the last trading day before the public announcement of the Offering, the closing price of the common shares on the TSX was $1.39. The offering price of the Units was determined by negotiation between the Corporation and a syndicate of Underwriters led by Jennings Capital Inc. and including Wellington West Capital Inc., Tristone Capital Inc., Dundee Securities Corporation and Wolverton Securities Ltd. (collectively, the "Underwriters"). See "Plan of Distribution".

The Corporation has applied to list the Common Shares included in the Units on the TSX. Listing is subject to the Corporation fulfilling all of the requirements of the TSX. There is no market through which the Warrants may be sold and none is expected to develop. Purchasers may not be able to resell the Warrants included in the Units that are purchased under this short form prospectus.

Price: $1.25 per Unit

	Price to the Public	Underwriters' Fee	Net Proceeds to the Corporation(1)
Per Unit	$1.25	$0.08125	$1.16875
Total	$8,000,000	$520,000	$7,480,000

Notes:

(1) Before deducting expenses of the Offering estimated to be $150,000 which, together with the Underwriters' Fee, will be paid from the general funds of the Corporation.

Rally has granted to the Underwriters an option (the "Underwriters' Option") to offer on an agency basis an additional 1,600,000 Units on the same terms and conditions as set forth above exercisable not later than 48 hours prior to the closing of the Offering, which additional Units are qualified for distribution under this prospectus. If the Underwriters'

Option is exercised in full and if the Underwriters sell, on behalf of the Corporation, all of the 1,600,000 Units, the total Offering, the Underwriters' Fee and the net proceeds to the Corporation (before deducting expenses of the Offering) will be $10,000,000, $650,000 and $9,350,000, respectively. See Plan of Distribution.

The Underwriters, as principal, conditionally offer the Units, subject to prior sale, if, as and when issued by the Corporation and delivered and accepted by the Underwriters in accordance with the conditions contained in the Underwriting Agreement referred to under "Plan of Distribution" and subject to approval of certain legal matters relating to the qualification for distribution of the Units on behalf of the Corporation by McCarthy Tétrault LLP, and on behalf of the Underwriters by Bennett Jones LLP.

Subscriptions for Units will be received subject to rejection or allotment in whole or in part and the right is reserved to close the subscription books at any time without notice. Closing of the Offering is expected to occur on or about December 19, 2005 or such other date not later than December 22, 2005 as the Corporation and the Underwriters may agree. It is expected that definitive certificates representing the Common Shares and Warrants comprising the Units will be available for delivery at closing.

Subject to applicable laws, the Underwriters may, in connection with the Offering, effect transactions which stabilize or maintain the market price of the Common Shares at levels other than those which might otherwise prevail on the open market. Such transactions, if commenced, may be discontinued at any time. See "Plan of Distribution".

Certain risk factors should be carefully reviewed and evaluated by investors. See "Risk Factors".

An investment in the Units should be considered speculative due to the Corporation's stage of development and the risk factors associated with the nature of its activities. A prospective investor should carefully consider the risk factors set out herein before making an investment in the Units.

All references to $ are to Canadian dollars unless otherwise stated.

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DOCUMENTS INCORPORATED BY REFERENCE

Information has been incorporated by reference in this short form prospectus from documents filed with securities commissions or similar authorities in Canada. Copies of the documents incorporated herein by reference may be obtained on request without charge from the Chief Financial Officer of Rally at 2000, 715 - 5 Avenue S.W., Calgary, Alberta, T2P 2X6, telephone (403) 538-0000. These documents are also available through the internet on the System for Electronic Document Analysis and Retrieval (SEDAR) which can be accessed at www.sedar.com.

The following documents, filed with the securities commission or similar authority in the provinces of British Columbia, Alberta, Saskatchewan, Manitoba, Ontario and Nova Scotia are specifically incorporated by reference in, and form an integral part of, this prospectus:

(a) the Annual Information Form of the Corporation for the year ended December 31, 2004 dated August 19, 2005 (the "AIF");

(b) the audited comparative consolidated financial statements of the Corporation for the years ended December 31, 2004 and 2003, together with the notes thereto and the auditors' report thereon;

(c) management's discussion and analysis of the financial condition and results of operations of the Corporation for the year ended December 31, 2004;

(d) the Information Circular of the Corporation dated April 29, 2005 relating to the annual general and special meeting of shareholders held on June 16, 2005, excluding the sections entitled "Report on Executive Compensation" and "Performance Graph";

(e) the unaudited interim comparative consolidated financial statements of the Corporation for the nine month periods ended September 30, 2005 and 2004, together with the notes thereto;

(f) management's discussion and analysis of the financial condition and results of operations of the Corporation as at and for the nine month periods ended September 30, 2005 and 2004;

(g) the material change report dated March 9, 2005 with respect to a major gas discovery in Pakistan;

(h) the material change report dated May 13, 2005 with respect to the private placement of 1.12 million common shares of the Corporation; and

(i) the material change report dated August 9, 2005 with respect to Rally's operations update and the private placement of 732,000 Common Shares of the Corporation.

Any material change reports (except confidential material change reports), unaudited interim comparative consolidated financial statements and accompanying management's discussion and analysis, audited comparative consolidated financial statements and the auditors' report thereon and information circulars (excluding the disclosure in an information circular relating to the downward repricing of options or stock appreciation rights, the composition of the Corporation's compensation committee and its report on executive compensation, the performance graph and corporate governance practices) and annual information forms filed by the Corporation with the securities commissions or similar authorities in Canada after the date of this short form prospectus and before the termination of the Offering, are deemed to be incorporated by reference in this short form prospectus.

Any statement contained in this prospectus or in a document incorporated or deemed to be incorporated by reference herein shall be deemed to be modified or superseded for purposes of this prospectus to the extent that a statement contained herein or in any other subsequently filed document which also is or is deemed to be incorporated by reference herein modifies or supersedes such statement. The modifying or superseding statement need not state that it has modified or superseded a prior statement or include any other information set forth in the document that it modifies or supersedes. Any statement so modified or superseded shall not be deemed to constitute a part of this prospectus, except as so modified or superseded.

FORWARD-LOOKING STATEMENTS

Certain statements contained in this short form prospectus and the documents incorporated by reference herein, including estimates of reserves, estimates of future cash flow and estimates of future production as well as other statements about anticipated future events or results, are forward-looking statements. Forward-looking statements often, but not always, are identified by the use of words such as "seek", "anticipate", "believe", "plan", "estimate", "expect", "targeting" and "intend" and statements that an event or result "may", "will", "should", "could", or "might" occur or be achieved and other similar expressions. The forward-looking statements that are contained in this short form prospectus and the documents incorporated by reference herein involve a number of risks and uncertainties. As a consequence, actual results might differ materially from results forecast or suggested in these forward-looking statements. Some of these risks and uncertainties are identified under "Risk Factors" and in the documents incorporated by reference herein. Additional information regarding these factors and other important factors that could cause results to differ materially may be referred to as part of particular forward-looking statements. The forward-looking statements are qualified in their entirety by reference to the important factors discussed under "Risk Factors" and in the documents incorporated by reference herein and to those that may be discussed as part of particular forward-looking statements.

ELIGIBILITY FOR INVESTMENT

In the opinion of McCarthy Tétrault LLP, counsel for the Corporation, and Bennett Jones LLP, counsel for the Underwriters, the Common Shares and Warrants, if issued on the date hereof, would be qualified investments for trusts governed by registered retirement savings plans, registered retirement income funds, registered education saving plans and deferred profit sharing plans ("Exempt Plans") under the *Income Tax Act* (Canada) (the "Tax Act") as in effect on the date hereof. Under proposed amendments to the regulations to the Tax Act, a Warrant will be a qualified investment for an Exempt Plan only if the Corporation deals at arm's length (within the meaning of the Tax Act) with each person who is an annuitant, a beneficiary, an employer or a subscriber under the governing plan of the plan trust.

THE CORPORATION

Based in Calgary, Alberta, Canada, Rally is an oil and gas exploration, development and production company. The Corporation's primary area of operations are in Egypt where it holds 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 plans to participate 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. See "The Corporation", "General Development of the Business" and "Narrative Description of the Business" in the AIF incorporated by reference in this short form prospectus.

The registered office of the Corporation is located at McCarthy Tétrault LLP, Suite 4700, Toronto Dominion Bank Tower, Toronto, Ontario, M5K 1E6 and its head office is located at Suite 2000, 715 – 5th Avenue S.W., Calgary, Alberta, T2P 2X6.

Rally has two directly-held, wholly-owned subsidiaries: Scimitar Hydrocarbons Corporation ("Scimitar") and Petrolease Equipment Ltd. ("Petrolease"). Rally has three additional subsidiaries held through Scimitar.

Scimitar was incorporated under the laws of the province of Alberta on June 24, 1986, under the name Village Ventures Inc. On September 4, 1993, Scimitar changed its name to Sunventures Corporation and consolidated its issued and outstanding capital on the basis of one new common share for each two previously issued common shares. On December 2, 1993, Scimitar changed its name to Sunventures Resources Inc. Effective January 13, 1995, Scimitar changed its name to Commonwealth Energy Inc. and consolidated its common shares on the basis of one new common share for each five previously issued common shares. Effective November, 1995, Scimitar completed a reverse take-over transaction when it acquired all of the issued and outstanding shares of Scimitar Production International Limited, a company organized under the laws of the British Virgin Islands, in exchange for 5,000,000 common shares of Scimitar. Upon completion of the reverse take-over and effective January 2, 1996, Scimitar changed its name to Scimitar Hydrocarbons Corporation.

Petrolease was incorporated under the laws of the of the British Virgin Islands on December 19, 2002. Petrolease carries on active oil and gas equipment leasing operations.

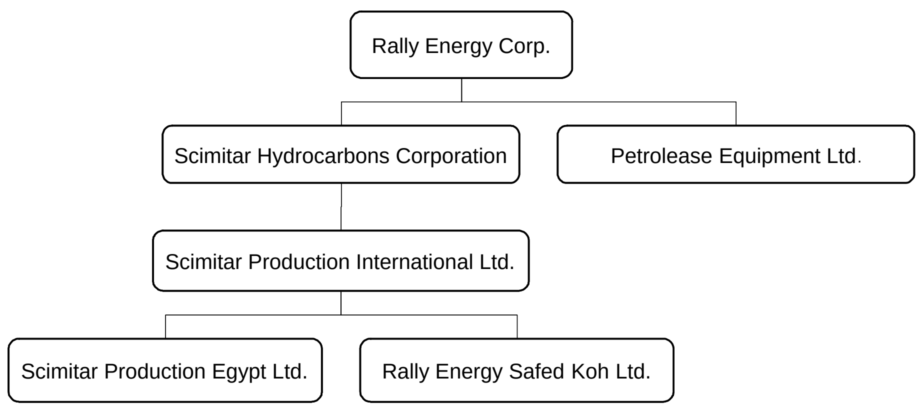
Scimitar has one direct wholly-owned subsidiary and two indirect wholly-owned subsidiaries as set forth below:

Name of Subsidiary	Jurisdiction of Incorporation	Remarks
Scimitar Production International Ltd. ("Scimitar	British Virgin Islands	Holds all of the outstanding shares of

International")		Scimitar Egypt and Rally Pakistan
Scimitar Production Egypt Ltd. ("Scimitar Egypt")	British Virgin Islands	Active oil and gas operations in Egypt
Rally Energy Safed Koh Ltd. ("Rally Pakistan")	British Virgin Islands	Holds gas and condensate interests in Pakistan

Diagram of Corporate Structure

(wholly-owned subsidiaries)



RECENT DEVELOPMENTS

Rally Energy Corp. has received approval from its partners in Egypt and Pakistan for its Three Year Global Development Plan ("the Plan"). The Plan establishes clear development objectives for the Corporation's core assets in the Issaran Oilfield in Egypt, for the Rodho gas discovery at Safed Koh in Pakistan, and for the Corporation's production base in Canada.

EGYPT

Since September 30, 2005, four wells have been drilled in the Issaran Oilfield. One is a producing oil well, two are currently being completed and one well was abandoned. Additional drilling, including a horizontal well, is planned before the end of 2005. Encouraging results from the evaluation of the Lower Dolomite steam pilot program has lead to the commencement of a second steam pilot operation in the Upper Dolomite formation.

PAKISTAN

Stimulations and testing of the first two Rodho gas discovery wells has lead to the determination that commercially viable production can be sustained. Upon filing and acceptance of the commerciality declaration, a 22 kilometre pipeline will be constructed and sales are expected to commence in 2006.

CANADA

An additional well is planned for the Valhalla, Alberta area (50% working interest) during the fourth quarter of 2005. A development well is planned for the Parkman, Saskatchewan area (37.5% working interest) in the first quarter of 2006.

OTHER

On October 31, 2005 the Corporation received approval from its lenders to increase its line of credit to US $7.0 million from US $4.5 million.

DESCRIPTION OF COMMON SHARES

The Corporation's authorized share capital consists of an unlimited number of common shares and an unlimited number of preferred shares. As of December 2, 2005, there were 83,015,379 common shares and no preferred shares issued and outstanding. The holders of common shares are entitled to notice of and to vote at all meetings of shareholders (except meetings at which only holders of a specified class or series of shares are entitled to vote) and are entitled to one vote per common share. Subject to the preferences accorded to holders of preferred shares and any other shares of the Corporation ranking senior to the common shares from time to time with respect to the payment of dividends, holders of common shares are entitled to receive, if, as and when declared by the board of directors of the Corporation, such dividends as may be declared thereon by the board of directors of the Corporation from time to time. In the event of the liquidation, dissolution or winding-up of the Corporation, or any other distribution of assets among its shareholders for the purpose of winding-up its affairs (such event referred to herein as a "Distribution"), holders of common shares, subject to the preferences accorded to holders of preferred shares and any other shares of the Corporation ranking senior to the common shares from time to time with respect to payment on a Distribution, are entitled to share equally, share for share, in the remaining property.

DESCRIPTION OF WARRANTS

Each whole Warrant will entitle the holder thereof to purchase one Common Share at a price of $1.60 per Common Share at any time for a period of 12 months following the closing of the Offering. If at any time after the date that is six months from the closing of the Offering, the closing price for the Common Shares on the Toronto Stock Exchange (the "TSX") has been equal to or greater than $1.80 for 10 consecutive trading days, the Corporation shall be entitled, upon notice to the holders of the Warrants, to accelerate the expiry date of the Warrants to a date which is not less than 15 days subsequent to the date that notice is so provided to the holders of the Warrants.

The Warrants will be separable from the corresponding Common Shares immediately upon issue. The Warrants will not be posted for trading on any recognized stock exchange.

The certificates representing the Warrants (the "Warrant Certificate") will contain provisions to the effect that in the event of any subdivision, consolidation, change, reclassification or alteration of the Common Shares or in the event of the consolidation, amalgamation or merger of the Corporation with another corporation, a proportionate adjustment or change will be made in the number and kind of securities issuable on the exercise of the Warrants.

The Warrant Certificate will also provide that the exercise price per Common Share is subject to adjustment in certain events including:

(a) the subdivision or consolidation of the Common Shares or the issue of Common Shares to all or substantially all of the holders of Common Shares by way of a stock dividend, other than an issue of Common Shares to such holders as a "dividend paid in the ordinary course" (as defined in the Warrant Certificate);

(b) the issue of rights, options or warrants to all or substantially all the holders of Common Shares entitling them within a period of no longer than 45 days after such date of issue to acquire (i) Common Shares at less than 95% of the "current market price" (as defined in the

Warrant Certificate) of the Common Shares or (ii) securities convertible into Common Shares where the conversion price at the date of issue of such convertible securities is less than 95% of the "current market price" of the Common Shares; and

(c) the distribution to all or substantially all of the holders of Common Shares or of shares of any other class or of rights, options, or warrants (other than those referred to above) or of evidences of indebtedness or of assets, excluding "dividends paid in the ordinary course of business" (as defined in the Warrant Certificate).

No adjustment in the exercise price of the Warrants will be required to be made unless the cumulative effect of such adjustment or adjustments would change the exercise price of the Warrants by at least one percent (1%).

"Current market price" will be defined in the Warrant Certificate to mean at any date the weighted average trading price per Common Share for the 20 trading days immediately preceding such date on the principal stock exchange on which the Common Shares are then listed.

The Corporation will also covenant in the Warrant Certificate that, during the period in which the Warrants are exercisable, it will give public notice of certain stated events at least 14 days prior to the record date or the effective date, as the case may be, of such events.

To the extent that the holder of a Warrant would otherwise be entitled to purchase a fraction of a Common Share, such right may be exercised only in combination with other rights which, in the aggregate, entitle the holder to purchase a whole number of Common Shares. No adjustments as to dividends will be made upon any exercise of Warrants. Holders of Warrants do not have any voting or pre-emptive rights or any other rights as shareholders of the Corporation.

None of the Common Shares and Warrants comprising the Units or the Common Shares issuable upon exercise of the Warrants have been or will be registered under the 1933 Act. The Warrant Certificate will provide that the Warrants may not be transferred except (i) to the Corporation or (ii) outside of the United States in accordance with Rule 904 of Regulation S under the 1933 Act and that the Warrants may not be exercised in the United States or by or on behalf of a U.S. person unless an exemption from the registration requirements of the 1933 Act and applicable state securities laws is available. Each Warrant Certificate shall carry a legend to that effect.

CONSOLIDATED CAPITALIZATION

The following table sets forth the capitalization of the Corporation as at December 31, 2004 and as at September 30, 2005 as well as at December 2, 2005 both before and after giving effect to the Offering.

Designation	As at December 31, 2004	As at September 30, 2005	As at December 2, 2005	As at December 2, 2005 after giving effect to the Offering[(2)]
Long term debt	$5,784,486	nil	nil	nil
Common shares[(1)]	$37,991,329 (74,350,379 shares)	$46,440,010 (82,906,380 shares)	$46,505,749 (83,015,379 shares)	$53,835,749 (89,415,379 shares)
Warrants	nil	nil	nil	3,200,000 warrants

Notes:

(1) As at December 2, 2005, Rally had outstanding options to acquire, in aggregate, 6,192,092 common shares pursuant to its stock option plan at prices ranging between $0.60 and $1.85 with expiry dates ranging from April 2, 2006 to November 1, 2010. In addition, Rally had outstanding $1,314,000 Convertible Debentures which entitle the holders to acquire 1,194,546 common shares at a conversion price of $1.10 per common share at any time prior to July 1, 2006. The convertible debentures are redeemable at par, in whole or in part, if the closing price of the corporation's common shares are at or above $2.00 for 30 consecutive trading days. The convertible debentures are entitled to semi-annual interest payments and mature on July 1, 2006.

(2) After deducting the Underwriters' Fee and the estimated expenses of the Offering but not including the Underwriters' Option.

USE OF PROCEEDS

The net proceeds to the Corporation from the sale of the Units hereunder are estimated to be $7,330,000 after deducting the fees of $520,000 payable to the Underwriters and the expenses of the Offering estimated to be $150,000. If the Underwriters' Option is exercised in full and if the Underwriters sell, on behalf of the Corporation all of the 1,600,000 Units, the total net proceeds to Rally will be $9,200,000. The net proceeds will be used to fund exploration and development activities in Egypt, Pakistan and Canada, as well as for working capital purposes.

PLAN OF DISTRIBUTION

Pursuant to an underwriting agreement dated as of December 2, 2005 between Rally and the Underwriters (the "Underwriting Agreement"), the Corporation has agreed to issue and sell an aggregate of 6,400,000 Units to the Underwriters, and the Underwriters have severally agreed to purchase such Units on December 19, 2005, or such other later date not later than December 22, 2005 as may be agreed to by the Corporation and the Underwriters. Each Unit is comprised of one Common Share and one half of a Warrant. Delivery of the Common Shares and Warrants comprising the Units is conditional upon payment at the closing of the Offering of $1.25 per Unit by the Underwriters to the Corporation. The Underwriting Agreement provides that the Corporation will pay the Underwriters' fee of $0.08125 per Unit for Units issued and sold by the Corporation, for an aggregate fee payable by the Corporation of $520,000 in consideration for their services in connection with the offering. The terms of the Offering were determined by negotiation between the Underwriters and the Corporation.

Rally has granted the Underwriters an option (the "**Underwriters' Option**") to offer on an agency basis an additional 1,600,000 Units on the same terms and conditions set forth above, exercisable 48 hours prior to the closing, which additional Units are qualified under this prospectus. If the Underwriters' Option is exercised in full and if the Underwriters sell, on behalf of the Corporation all of the 1,600,000 Units, the total offering, the Underwriters' fee and the net proceeds (before deducting expenses of the offering) to Rally will be $10,000,000, $650,000 and $9,350,000, respectively.

The obligations of the Underwriters under the Underwriting Agreement are several and not joint, and may be terminated at their discretion upon the occurrence of certain stated events. If an Underwriter fails to purchase the Units which it has agreed to purchase, the other Underwriters may, but are not obligated to, purchase such Units. The Underwriters are, however, obligated to take up and pay for all Units if any are purchased under the Underwriting Agreement. The Underwriting Agreement also provides that the Corporation will indemnify the Underwriters and their directors, officers, agents, shareholders and employees against certain liabilities and expenses.

It is expected that the Closing will take place on or about December 19, 2005 or such other date as the Underwriters and the Corporation may agree, but in any event not later than December 22, 2005. It is expected that definitive certificates representing the Common Shares and Warrants comprising the Units will be available for delivery at closing.

Pursuant to rules and policy statements of certain securities regulators, the Underwriters may not, at any time during the period ending on the date the selling process for the Units ends and all stabilization arrangements relating to the Common Shares are terminated, bid for or purchase Common Shares. The foregoing restrictions are subject to certain exceptions including (a) a bid for or purchase of Common Shares if the bid or purchase is made through the facilities of the TSX in accordance with the Universal Market Integrity Rules of Market Regulation Services Inc., (b) a bid or purchase on behalf of a client, other than certain prescribed clients, provided that the client's order was not solicited by the Underwriter, or if the client's order was solicited, the solicitation occurred before the period of distribution as prescribed by the rules, and (c) a bid or purchase to cover a short position entered into prior to the period of distribution as prescribed by the rules. The Underwriters may engage in market stabilization or market balancing activities on the TSX where the bid for or purchase of the Common Shares is for the purpose of maintaining a fair and orderly market in the Common Shares, subject to price limitations applicable to such bids or purchases. Such transactions, if commenced, may be discontinued at any time.

The Corporation has agreed that, subject to certain exceptions, it will not offer or issue, or enter into an agreement to offer or issue, Common Shares or any securities convertible or exchangeable into Common Shares for a period of 90 days subsequent to the closing date of the Offering without the consent of Jennings Capital Inc. on behalf of the Underwriters, which consent may not be unreasonably withheld.

The Corporation has applied to list the Common Shares comprising a portion of the Units as well as the Common Shares issuable upon exercise of the Warrants that also comprise a portion of the Units. Listing is subject to the Corporation fulfilling all of the listing requirements of the TSX on or before the date that is • days from the closing of the Offering. There is no market through which the Warrants may be sold and none is expected to develop. Purchasers may not be able to resell the Warrants included in the Units that are purchased under this short form prospectus.

The Units have not been and will not be registered under the *United States Securities Act of 1933*, as amended (the "1933 Act") or any state securities laws, and accordingly may not be offered or sold within the United States of America or to U.S. Persons (as such term is defined in Regulation S under the 1933 Act) except in certain transactions exempt from the registration requirements of the 1933 Act and applicable state securities laws. In addition, until 40 days after the commencement of this Offering, any offer or sale of Units offered hereby within the United States of America by any dealer (whether or not participating in the Offering) may violate the registration requirements of the 1933 Act unless made pursuant to Rule 144A under the 1933 Act.

RISK FACTORS

An investment in the Units involves a certain degree of risk and should be considered speculative due to the nature of Rally's involvement in the exploration for and the acquisition,

development and production of oil and natural gas. A prospective investor should carefully consider the risk factors set out below before making an investment in the Units.

A number of factors, including but not limited to, those discussed in this section could cause the Corporation's results to differ materially from its expectations. Prospective investors should carefully review the following factors, and all information contained elsewhere in this document and in the documents incorporated by reference. Exploration for oil and natural gas involves many risks, which even a combination of experience, knowledge and careful evaluation may not be able to overcome. There is no assurance that further commercial quantities of oil and natural gas will be discovered by the Corporation.

General

An investment in the Corporation should be considered highly speculative due to the nature of Rally's business, the stage of development of Rally's operations and the geographic location of the Corporation's properties. A prospective investor should consider carefully the risk factors set out below. In addition, prospective investors should carefully review and consider all other information contained herein before making an investment decision.

Exploration, Development and Production Risks

Oil and natural gas exploration involves a high degree of risk and there is no assurance that expenditures made on future exploration by the Corporation will result in new discoveries of oil or natural gas in commercial quantities. It is difficult to project the costs of implementing an exploratory drilling program due to the inherent uncertainties of drilling in unknown formations, the costs associated with encountering various drilling conditions such as over pressured zones and tools lost in the hole, and changes in drilling plans and locations as a result of prior exploratory wells or additional seismic data and interpretations thereof.

The long-term commercial success of the Corporation depends on its ability to find, acquire, develop and commercially produce oil and natural gas reserves. No assurance can be given that the Corporation will be able to locate satisfactory properties in the future for acquisition or participation. Moreover, if such acquisitions or participations are identified, the Corporation may determine that current markets, terms of acquisition and participation or pricing conditions make such acquisitions or participations uneconomic.

Future oil and gas exploration may involve unprofitable efforts, not only from dry wells, but from wells that are productive but do not produce sufficient net revenues to return a profit after drilling, operating and other costs. Completion of a well does not assure a profit on the investment or recovery of drilling, completion and operating costs. In addition, drilling hazards or environmental damage could greatly increase the cost of operations, and various field operating conditions may adversely affect the production from successful wells. These conditions include delays in obtaining governmental approvals or consents, shut-ins of connected wells resulting from extreme weather conditions, insufficient storage or transportation capacity or other geological and mechanical conditions. While close well supervision and effective maintenance operations can contribute to maximizing production rates over time, production delays and declines from normal field operating conditions cannot be eliminated and can be expected to adversely affect revenue and cash flow levels to varying degrees.

In addition, oil and gas operations are subject to the risks of exploration, development and production of oil and natural gas properties, including encountering unexpected formations or pressures, premature declines of reservoirs, blow-outs, cratering, sour gas releases, fires and spills. Losses resulting from the occurrence of any of the these risks could have a material adverse effect on future results of operations, liquidity and financial condition.

Foreign Operations

Some of Rally's operations and related assets are located in countries outside North America, some of which may be considered to be politically and economically unstable or which could become politically and economically unstable in the future. Such instability is outside the Corporation's control. Exploration or development activities in such countries may require protracted negotiations with host governments, national oil companies and third parties and are frequently subject to economic and political considerations, such as taxation, nationalization, expropriation, inflation, currency fluctuations, increased regulation and approval requirements, governmental regulation and the risk of actions by terrorist or insurgent groups, any of which could aversely affect the economics of exploration or development projects. The potential for conflict and war in the Middle East, where the Corporation has significant assets, continues to exist.

Kyoto Protocol

Canada has ratified the Kyoto Protocol (the "Protocol"). This Protocol calls for Canada to reduce its greenhouse gas emissions to six percent below 1990 levels during the period between 2008 and 2012. The Protocol will only become legally binding when it is ratified by at least 55 countries, covering at least 55 percent of the emissions addressed by the Protocol. If the Protocol is ratified and becomes legally binding, it is expected to affect the operation of all industries in Canada, including the oil and gas industry. As details of the implementation of this Protocol have yet to be announced, the effect on the Corporation cannot be determined at this time.

Insurance

The Corporation's involvement in the exploration for and development of oil and gas properties may result in the Corporation becoming subject to liability for pollution, blow-outs, property damage, personal injury or other hazards. Although the Corporation carries insurance in accordance with industry standards to address such risks, such insurance has limitations on liability that may not be sufficient to cover the full extent of such liabilities. In addition, such risks may not, in all circumstances be insurable or, in certain circumstances, the Corporation may elect not to obtain insurance to deal with specific risks due to the high premiums associated with such insurance or other reasons. The payment of such uninsured liabilities would reduce the funds available to the Corporation. The occurrence of a significant event that the Corporation is not fully insured against, or the insolvency of the insurer of such event, could have a material adverse effect on the Corporation's financial position, results of operations or prospects.

Prices, Markets and Marketing of Crude Oil and Natural Gas

Oil and natural gas are commodities whose prices are determined based on world demand, supply and other factors, all of which are beyond the control of the Corporation. World prices for oil and natural gas have fluctuated widely in recent years. Any material decline in prices could result in a reduction of net production revenue. Certain wells or other projects may become uneconomic as a result of a decline in world oil prices and natural gas prices, leading to a reduction in the volume of the Corporation's oil and gas reserves. The Corporation might also elect not to produce from certain wells at lower prices. All of these factors could result in a material decrease in the Corporation's future net production revenue, causing a reduction in its oil and gas acquisition and development activities. In addition, bank borrowings available to the Corporation may in part be determined by the borrowing base of the Corporation. A sustained material decline in prices from historical average prices could limit reduce the Corporation's borrowing base, therefore reducing the bank credit available to the Corporation, and could require that a portion of any incurred bank debt of the Corporation be repaid.

In addition to establishing markets for its oil and natural gas, the Corporation must also successfully market its oil and natural gas to prospective buyers. The marketability and price of oil and natural gas which may be acquired or discovered by the Corporation will be affected by numerous factors beyond its control. The Corporation will be affected by the differential between the price paid by refiners for light quality oil and the grades of oil produced by the Corporation. In Western Canada and Pakistan the ability of the Corporation to market its natural gas may depend upon its ability to acquire space on pipelines which deliver natural gas to commercial markets. The Corporation will also likely be affected by deliverability uncertainties related to the proximity of its reserves to pipelines and processing facilities and related to operational problems with such pipelines and facilities and extensive government regulation relating to price, taxes, royalties, land tenure, allowable production, the export of oil and natural gas and many other aspects of the oil and natural gas business. The Corporation has limited direct experience in the marketing of oil and natural gas.

Substantial Capital Requirements; Liquidity

The Corporation anticipates that it will make substantial capital expenditures for the acquisition, exploration, development and production of oil and natural gas reserves in the future. If the Corporation's revenues or reserves decline, the Corporation may have limited ability to expend the capital necessary to undertake or complete future drilling programs. There can be no assurance that debt or equity financing, or cash generated by operations will be available or sufficient to meet these requirements or for other corporate purposes or, if debt or equity financing is available, that it will be on terms acceptable to the Corporation. Moreover, future activities may require the Corporation to alter its capitalization significantly. The inability of the Corporation to access sufficient capital for its operations could have a material adverse effect on the Corporation's financial condition, results of operations or prospects.

Competition

The oil and gas industry is highly competitive. The Corporation actively competes for reserve acquisitions, exploration leases, licences and concessions and skilled industry personnel with a substantial number of other oil and gas companies, many of which have significantly greater financial resources than the Corporation. The Corporation's competitors include major integrated oil and natural gas companies and numerous other independent oil and natural gas companies and individual producers and operators.

Certain of the Corporation's customers and potential customers are themselves exploring for oil and natural gas, and the results of such exploration efforts could affect the Corporation's ability to sell or supply oil or gas to these customers in the future. The Corporation's ability to successfully bid on and acquire additional property rights, to discover reserves, to participate in drilling opportunities and to identify and enter into commercial arrangements with customers will be dependent upon developing and maintaining close working relationships with its future industry partners and joint operators and its ability to select and evaluate suitable properties and to consummate transactions in a highly competitive environment.

Environmental Risks

All phases of the oil and natural gas business present environmental risks and hazards and are subject to environmental regulation pursuant to a variety of international conventions and state and municipal laws and regulations. Environmental legislation provides for, among other things, restrictions and prohibitions on spills, releases or emissions of various substances produced in association with oil and gas operations. The legislation also requires that wells and facility sites be operated, maintained, abandoned and reclaimed to the satisfaction of applicable regulatory authorities. Compliance with such legislation can require significant expenditures and a breach may result in the imposition of fines and penalties, some of which may be material. Environmental legislation is evolving in a manner expected to result in stricter standards and enforcement, larger fines and liability and potentially increased capital expenditures and operating costs. The discharge of oil, natural gas or other pollutants into the air, soil or water may give rise to liabilities to third parties and may require the Corporation to incur costs to remedy such discharge. No assurance can be given that environmental laws will not result in a curtailment of production or a material increase in the costs of production, development or exploration activities or otherwise adversely affect the Corporation's financial condition, capital expenditures, results of operations or prospects.

Reserves Replacement

The Corporation's future oil and natural gas reserves, production, and cash flows to be derived therefrom are highly dependent on the Corporation successfully discovering new reserves in Pakistan and Western Canada and on optimizing existing reserves in Egypt. Without the continual addition of new reserves, any existing reserves the Corporation may have at any particular time and the production therefrom will decline over time as such existing reserves are exploited. A future increase in the Corporation's reserves will depend on the Corporation's ability to develop any properties it may have from time to time. There can be no assurance that the Corporation's future exploration and development efforts will result in the discovery and development of additional commercial accumulations of oil and natural gas. The recovery and reserve estimates on the Corporation's properties are estimates only. The actual reserves on the Corporation's properties may be greater or less than those calculated or estimated by the Corporation or its independent advisors. In addition, the recoverability of such reserves may be greater or less than calculated or estimated by the Corporation or its independent advisors.

Reliance on Operators and Key Employees

To the extent the Corporation is not the operator of its oil and gas properties, the Corporation will be dependent on such operators for the timing of activities related to such properties and will largely be unable to direct or control the activities of the operators. In addition, the success of the Corporation will be largely dependent upon the performance of its management and key employees. The Corporation does not have any key man insurance policies, and therefore there is a risk that the death or departure of any member of management or any key employee could have a material adverse effect on the Corporation.

Corporate Matters

To date, the Corporation has not paid any dividends on its outstanding Common Shares and does not anticipate the payment of any dividends on its Common Shares for the foreseeable future. Certain of the directors and officers of the Corporation are also directors and officers of other oil and gas companies involved in natural resource exploration and development, and conflicts of interest may arise between their duties as officers and directors of the Corporation and as officers and directors of such other companies. Such conflicts must be disclosed in accordance with, and are subject to such other procedures and remedies as apply under the *Business Corporations Act* (Ontario).

Permits and Licenses

The operations of the Corporation may require additional licenses and permits from various governmental authorities and renewals thereof. There can be no assurance that the issuer will be able to obtain all necessary licenses and permits or renewals thereof that may be required to carry out exploration and development on projects, other than on the permits and licenses currently held.

Additional Funding Requirements

The Corporation may not have sufficient funds to provide for its proposed exploration programs, or to successfully develop potential prospects. The Corporation may require additional financing in order to carry out its oil and gas acquisition, exploration and development activities. Failure to obtain financing on a timely basis could cause the Corporation to miss certain exploration, development and acquisition opportunities. If the Corporation's working capital and cash flow from operations are not sufficient to satisfy its capital expenditure requirements, there can be no assurance that additional debt or equity financing will be available to meet these requirements or available on favourable terms.

INTERESTS OF EXPERTS

Certain legal matters relating to the Offering will be passed upon on behalf of the Corporation by McCarthy Tétrault LLP, Calgary, Alberta, and on behalf of the Underwriters by Bennett Jones LLP, Calgary, Alberta. The partners and associates of McCarthy Tétrault LLP and the partners and associates of Bennett Jones LLP, as a group, beneficially own, directly or indirectly, less than 1% of the outstanding common shares of the Corporation.

Reserve estimates incorporated by reference into this short form prospectus are based upon reports prepared by DeGolyer and MacNaughton Canada Limited ("**DMCL**"). As of the date hereof, the principals of each of DMCL do not beneficially own, directly or indirectly, any securities of the Corporation.

AUDITORS, REGISTRAR AND TRANSFER AGENT

The auditors of the Corporation are BDO Dunwoody LLP, Chartered Accountants, Calgary, Alberta.

Valiant Trust Company, at its principal offices in Calgary, Alberta and its co agent, BNY Trust Company of Canada, in Toronto, Ontario, is the registrar and transfer agent for the Common Shares of the Corporation.

PURCHASERS' STATUTORY RIGHTS

Securities legislation in certain of the provinces of Canada provides purchasers with the right to withdraw from an agreement to purchase securities. This right may only be exercised within two business days after receipt or deemed receipt of a prospectus and any amendment. In several of the provinces, the securities legislation further provides a purchaser with remedies for rescission or, in some jurisdictions, damages if the prospectus and any amendment contains a misrepresentation or is not delivered to the purchaser, provided that the remedies for rescission or damages are exercised by the purchaser within the time limit prescribed by the securities legislation of the purchaser's province. The purchaser should refer to any applicable provisions of the securities legislation of the purchaser's province for the particulars of these rights or consult with a legal adviser.

AUDITORS' CONSENT

We have read the preliminary short form prospectus dated December 2, 2005 qualifying the distribution of Units of Rally Energy Corp. (the "Corporation"). We have complied with Canadian generally accepted standards for an auditor's involvement with offering documents.

We consent to the incorporation by reference in the above-mentioned prospectus of our report to the shareholders of the Corporation on the audited comparative consolidated financial statements of the Corporation for the years ended December 31, 2004 and 2003. Our report is dated March 23, 2005.

Calgary, Canada
December 2, 2005

(signed) "BDO Dunwoody LLP"
Chartered Accountants

CERTIFICATE OF RALLY ENERGY CORP.

Dated: December 2, 2005

This short form prospectus, together with the documents incorporated herein by reference, constitutes full, true and plain disclosure of all material facts relating to the securities offered by this short form prospectus as required by the securities legislation of the provinces of British Columbia, Alberta, Saskatchewan, Manitoba and Ontario.

(signed) Abdel F. Badwi *President & Chief Executive Officer*	(signed) Douglas C. Urch *Chief Financial Officer*

On behalf of the Board of Directors:

(signed) Gregory G. Turnbull *Director*	(signed) Michael J. Hibberd *Director*

CERTIFICATE OF THE UNDERWRITERS

Dated: December 2, 2005

To the best of our knowledge, information and belief, this short form prospectus, together with the documents incorporated herein by reference, constitutes full, true and plain disclosure of all material facts relating to the securities offered by this short form prospectus as required by the securities legislation of each of the provinces of British Columbia, Alberta, Saskatchewan, Manitoba and Ontario.

JENNINGS CAPITAL INC.

By: (signed) Martin McGoldrick

WELLINGTON WEST CAPITAL MARKETS INC.

By: (signed) Jeff Reymer

TRISTONE CAPITAL INC.

By: (signed) David M. Vetters

DUNDEE SECURITIES CORPORATION

By: (signed) Ali Bhojani

WOLVERTON SECURITIES LTD.

By: (signed) Ian Thomson