

YOUR RIGHTS CERTIFICATE IS ENCLOSED. PLEASE READ THIS MATERIAL CAREFULLY AS YOU ARE REQUIRED TO MAKE A DECISION PRIOR TO 12:00 P.M. (TORONTO TIME) ON OCTOBER 1, 2009. IF YOU ARE IN DOUBT AS TO HOW TO DEAL WITH IT, YOU SHOULD CONSULT YOUR INVESTMENT DEALER, STOCK BROKER, BANK MANAGER OR OTHER PROFESSIONAL ADVISOR.

No securities commission or similar regulatory authority in Canada has in any way passed upon the merits of the securities offered hereunder and any representation to the contrary is an offence. The offer of these securities is being made in each of the Provinces of British Columbia, Alberta, Saskatchewan and Ontario in Canada only. The securities offered hereunder have not been and will not be registered under the United States Securities Act of 1933, as amended, or any state securities laws, and they will not be offered or sold in the United States or to U.S. Persons (as defined in Regulation S issued under such Act), except in exempt transactions under that Act. In addition the offering is not being made in jurisdictions where Tuscany Energy Ltd is not eligible to make such offer. See "Residents of Jurisdictions other than the Qualified Jurisdictions".

RIGHTS OFFERING CIRCULAR

TUSCANY ENERGY LTD.

Offer of Rights to Subscribe for Common Shares

TO: Holders of Common Shares of Tuscany Energy Ltd.

August 19, 2009

Tuscany Energy Ltd. ("**Tuscany**", the "**Corporation**", "**us**", "**we**" or "**our**") is issuing to holders of the outstanding common shares in the capital of the Corporation ("**Common Shares**") of record at the close of business on September 2, 2009 (the "**Record Date**") rights (each, a "**Right**") to subscribe for additional Common Shares on the terms set forth herein (the "**Offering**"). Rights will be evidenced by transferable rights certificates (each, a "**Rights Certificate**"). Each registered holder of Common Shares on the Record Date will receive one (1) Right for each one (1) Common Share held. Four (4) Rights plus the sum of \$0.06 (the "**Subscription Price**") are required to subscribe for one (1) Common Share (the "**Basic Subscription Privilege**"). The Rights expire at 12:00 p.m. (Toronto time) on October 1, 2009 (the "**Expiry Date**") after which time unexercised Rights will be void and without value. If the total number of Rights held by one (1) holder is not evenly divisible by four (4), the number of Common Shares that the holder is entitled to purchase will be rounded down to the nearest whole number. No fractional Common Shares will be issued. See "*Details of the Rights Offering*". **This offering is not subject to any minimum subscription level.**

Number of Rights	34,767,836
Record Date	September 2, 2009
Expiry Date	12:00 p.m. (Toronto time) on October 1, 2009
Subscription Price	\$0.06 per Common Share
Basic Subscription Privilege	Four (4) Rights will entitle the holder to subscribe for one (1) Common Share at a price of \$0.06
Additional Subscription Privilege	Holders who have exercised all of their Rights may subscribe for additional Common Shares not taken up under the initial subscription (see " <i>Details of the Offering – Additional Subscription Privilege</i> " and " <i>How to Exercise the Rights – To Subscribe for Additional Common Shares – Form 2</i> ")
Stand-by Commitment	There is no stand-by commitment
Maximum number of Common Shares to be issued	8,691,959 (subject to adjustment for rounding)
Maximum gross proceeds	\$521,518
Minimum proceeds	The completion of the Offering is not conditional upon Tuscany receiving any minimum amount of subscriptions.
Estimated expenses	\$40,000
Subscription Agent	Computershare Investor Services Inc.

Unless otherwise indicated, references herein to "\$" or "dollars" are to Canadian dollars.

The Rights issued hereunder are offered for distribution only in the Provinces of British Columbia, Alberta, Saskatchewan and Ontario in Canada (the "**Qualified Jurisdictions**"). Accordingly, Rights may not be exercised by persons resident in any province or jurisdiction other than the Qualified Jurisdictions. Any subscription for Common Shares pursuant to the Rights will not be accepted from nor will any Rights be issued to any person, or his agent, who

appears to be or who the Corporation or Computershare Investor Services Inc., the Corporation's subscription agent (the "**Subscription Agent**"), has reason to believe is, a resident of a jurisdiction other than a Qualified Jurisdiction except as set forth herein under the heading "*Details of the Rights Offering – Residents of Jurisdictions other than the Qualified Jurisdictions*". In the case of shareholders resident outside of the Qualified Jurisdictions, reference is made to instructions under "*Residents of Jurisdictions Other than the Qualified Jurisdictions*".

Tuscany is a reporting issuer in British Columbia and Alberta. Pursuant to the securities legislation in each of British Columbia, Alberta, Saskatchewan and Ontario, the Rights and the Common Shares issuable on exercise of the Rights may be resold without hold period restrictions under the applicable securities laws of these jurisdictions by the persons receiving same provided that: (i) the sale is not a "control distribution" of the Corporation; (ii) no unusual effort is made to prepare the market or create a demand for the securities being resold; (iii) no extraordinary commission or consideration is paid to a person or company in respect of the resale; and (iv) if the selling security holder is an insider or officer of the Corporation, the selling security holder has no reasonable grounds to believe that the Corporation is in default of securities legislation. See "*Statement as to Resale Restrictions*".

The Common Shares are listed on the TSX Venture Exchange (the "**Exchange**") under the trading symbol "TUS". The Rights will be listed on the Exchange under the trading symbol "TUS.RT" and will be posted for trading on the Exchange until 10:00 a.m. (Calgary time) on the Expiry Date. See "*Details of the Offering – Sale and Transfer of Rights*". The Common Shares issuable on exercise of the Rights have also been approved for listing on the Exchange.

Any holder of a Rights Certificate who exercises all of his or her Rights has the privilege of subscribing for additional Common Shares at \$0.06 per Common Share (the "**Additional Subscription Privilege**"). The Common Shares available for such purpose will be those Common Shares available under the Offering that have not been subscribed and paid for by the Expiry Date. If the aggregate number of Common Shares subscribed for by all holders who exercise their Additional Subscription Privilege exceeds the number of available Common Shares, each such holder of Rights shall be entitled to receive on exercise of the Additional Subscription Privilege, the number of Common Shares equal to the lesser of: (i) the number of Common Shares subscribed for by the holder under the Additional Subscription Privilege; and (ii) the aggregate number (disregarding fractions) of Common Shares available through unexercised Rights multiplied by the number of Rights previously exercised by the holder, divided by the aggregate number of Rights previously exercised by the holders of Rights who have subscribed for Common Shares under the Additional Subscription Privilege. See "*Details of the Offering – Additional Subscription Privilege*" and "*How to Exercise the Rights – To Subscribe for Additional Common Shares – Form 2*".

The Corporation has not retained a manager to form a soliciting dealer group to solicit the exercise of Rights.

If a shareholder elects not to exercise Rights, the value of the Common Shares held by such shareholder may be diluted as a result of the exercise of Rights by other shareholders. Investment in the Common Shares should be regarded as speculative due to the nature of the Corporation's business. See "*Risk Factors*".

Enquiries relating to this Offering should be addressed to:

Tuscany Energy Ltd
2000, 633 – 6th Avenue S.W.
Calgary, Alberta T2P 2Y5

Attention: Tony Teare
Telephone: (403) 269-9889
E-mail: tony@humboldtcapital.com

Computershare Investor Services Inc.
9th Floor, 100 University Avenue
Toronto, Ontario M5J 2Y1

Attention: Corporate Actions
Telephone: 1-800-564-6253
E-mail: corporateactions@computershare.com

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FORWARD-LOOKING STATEMENTS

This Rights Offering Circular contains forward-looking information and statements, including statements relating to matters that are not historical facts and statements of the Corporation's beliefs, intentions and expectations about developments, results and events which will or may occur in the future, which constitute "forward-looking information" within the meaning of applicable Canadian securities legislation (collectively, the "forward-looking information and statements"). Forward-looking information and statements are typically identified by words such as "anticipate", "could", "should", "expect", "seek", "may", "intend", "likely", "will", "plan", "estimate", "believe" and similar expressions suggesting future outcomes or statements regarding an outlook.

Forward-looking information and statements are included throughout this document and include but are not limited to, statements with respect to: the timing of and other procedural matters associated with the Offering; the successful completion of the Offering and the use of proceeds therefrom; the timing of and other procedural matters associated with the Arrangement (as defined herein), the successful completion of the Arrangement, the Corporation's business strategy and outlook; intention of insiders to exercise Rights; and other such matters.

All such forward-looking information and statements regarding the timing of and other procedural matters associated with the Offering and the successful completion of the Offering are based upon the terms of the offering circular and assumes that the maximum 8,691,959 Common Shares will be issued pursuant to the Offering. All such forward-looking information and statements regarding the Corporation's business and use of proceeds from the Offering are based on certain assumptions and analyses made by the Corporation in light of its experience and perception of historical trends, current conditions and expected future developments, as well as other factors the Corporation believes are appropriate in the circumstances.

These statements are, however, subject to known and unknown risks, uncertainties and other factors. These risks, uncertainties and other factors are difficult to predict and may affect operations, and may include, without limitation: the risks of operations; foreign exchange fluctuations; equipment and labour shortages and inflationary costs; general economic conditions; industry conditions; changes in applicable environmental, taxation and other laws and regulations as well as how such laws and regulations are interpreted and enforced; the ability of oil and natural gas companies to raise capital; the effect of weather conditions on operations and facilities; the existence of operating risks; volatility of oil and natural gas prices; oil and gas product supply and demand; risks inherent in the ability to generate sufficient cash flow from operations to meet current and future obligations; increased competition; stock market volatility; opportunities available to or pursued by us; and other factors, many of which are beyond our control. The foregoing factors are not exhaustive and are further discussed herein under the heading "*Risk Factors*".

Actual results, performance or achievements could differ materially from those expressed in, or implied by, these forward-looking information and statements and, accordingly, no assurance can be given that any of the events anticipated by the forward-looking information will transpire or occur, or if any of them do, what benefits will be derived therefrom. Except as expressly required by applicable securities laws, Tuscany disclaims any intention or obligation to update or revise any forward-looking information and statements, whether as a result of new information, future events or otherwise.

The forward-looking information and statements contained herein are expressly qualified, in their entirety, by this cautionary statement.

THE CORPORATION

Tuscany Energy Ltd. ("**Tuscany**" or the "**Corporation**") was incorporated as 630995 Alberta Ltd. under the *Business Corporations Act* (Alberta) on November 7, 1994, and on April 7, 1995 changed the name of the Corporation to Tuscany Resources Ltd.

At its shareholders' meeting on August 11, 1998, the Corporation's shareholders approved an amendment to the Articles of the Corporation to change the number of outstanding common shares of the Corporation ("**Common Shares**"), by consolidating the issued and outstanding Common Shares on a five-for-one basis and the name of the Corporation was changed to Tuscany Energy Ltd.

The head and principal office of Tuscany is located at Suite 2000, 633 Sixth Avenue S.W., Calgary, Alberta, T2P 2Y5. The registered office of Tuscany is Suite 1400, 350 Seventh Avenue S.W., Calgary, Alberta, T2P 3N9.

BUSINESS OF THE CORPORATION

The Corporation is a junior oil and natural gas exploration and production company and is in the business of acquiring producing and non-producing oil and natural gas properties with the intent of exploring for or further developing the resources contained therein.

Tuscany is engaged in the acquisition of, exploration for and development and production of, crude oil and natural gas in Western Canada. The primary focus of Tuscany is exploring for oil in Alberta and Saskatchewan. The following is a description of the Corporation's assets.

Tuscany's current operations are focused on the development of its heavy oil property at Evesham, Saskatchewan and an oil and gas property at Wildwood, Alberta. In December 2008 Tuscany drilled a Horizontal oil well in the Dina formation at Evesham and the Corporation plans to focus on developing this pool over the next year with the use of its available cash flow, if any, credit facilities, funds available following completion of the Arrangement (as defined below) and proceeds of equity financings, if any.

RECENT DEVELOPMENTS

On August 17, 2009, Tuscany entered into an arrangement agreement with Goldmark Minerals Ltd. ("**Goldmark**") pursuant to which Tuscany has agreed to acquire, subject to certain conditions, by way of a plan of arrangement (the "**Arrangement**"), all of the issued and outstanding common shares of Goldmark ("**Goldmark Shares**"). Under the terms of the Arrangement, Tuscany will issue, in aggregate, approximately 12,180,854 Common Shares to shareholders of Goldmark based on an exchange ratio of 0.6 Common Shares for each Goldmark Share. Goldmark's principal asset is cash in the amount of approximately \$1.4 million. Closing is expected to occur in late September 2009 or early October 2009, subject to regulatory approval, approval of Goldmark's shareholders, court approval and certain other conditions. Completion of the Offering and the issuance of Common Shares in relation thereto is not conditional upon the closing of the Arrangement.

DETAILS OF THE RIGHTS OFFERING

Basic Subscription Privilege

A Rights Certificate evidencing the number of Rights to which a registered holder is entitled and the number of Common Shares which may be obtained on exercise of those Rights is being mailed with a copy of this Rights Offering Circular (the "**Circular**") to each registered holder of Common Shares resident in a Qualified Jurisdiction as of the close of business on September 2, 2009. Each beneficial holder of Rights on the Record Date is entitled to subscribe for one (1) Common Share at a price of \$0.06

for each four (4) Rights held upon the terms set forth in this Circular (the "**Basic Subscription Privilege**"). Rights not exercised by 12:00 p.m. (Toronto time) on October 1, 2009, the Expiry Date, will be of no value. No fractional Common Share will be issued in connection with the Offering. If the total number of Rights held by one (1) holder is not evenly divisible by four (4), the number of Common Shares that the holder shall be entitled to purchase will be rounded down to the nearest whole number.

A Right does not entitle the holder thereof to any rights whatsoever as a securityholder of the Corporation other than the right to subscribe for and purchase Common Shares on the terms and conditions of the Rights described herein.

Additional Subscription Privilege

Any holder of a Rights Certificate who exercises all of his or her Rights pursuant to the Basic Subscription Privilege has the privilege of subscribing for additional Common Shares, if available, at \$0.06 per Common Share (the "**Additional Subscription Privilege**"). The Common Shares available for such purpose will be those Common Shares available under the Offering that have not been subscribed and paid for pursuant to outstanding Rights by the Expiry Date.

To exercise the Additional Subscription Privilege, any holder of a Rights Certificate who exercises all of his Rights by completing Form 1 of the Rights Certificate for the maximum number of Common Shares that may be subscribed for under such Rights Certificate, may concurrently exercise his Additional Subscription Privilege by completing Form 2 of the Rights Certificate, specifying the number of additional Common Shares desired (see "*How to Exercise the Rights – To Subscribe for Additional Common Shares – Form 2*"). The purchase price for Common Shares subscribed for under the Additional Subscription Privilege must accompany the Rights Certificate when it is delivered to the Subscription Agent and is payable in Canadian funds by certified cheque, bank draft or money order payable to the order of "Computershare Investor Services Inc." These funds will be placed in a segregated account pending allocation of the additional Common Shares, with any excess funds being returned by mail without interest or deduction.

If the aggregate number of additional Common Shares subscribed for by all holders who exercise their Additional Subscription Privilege is less than the number of available Common Shares, each such holder will be allotted the number of additional Common Shares subscribed for under the Additional Subscription Privilege.

If the aggregate number of additional Common Shares subscribed for by all holders who exercise their Additional Subscription Privilege exceeds the number of available Common Shares, each such holder of a Right shall be entitled to receive on exercise of the Additional Subscription Privilege, the number of Common Shares equal to the lesser of:

1. the number of Common Shares subscribed for by the holder under the Additional Subscription Privilege; and
2. the aggregate number (disregarding fractions) of Common Shares available through unexercised Rights multiplied by the number of Rights previously exercised by the holder pursuant to the Basic Subscription Privilege, divided by the aggregate number of Rights previously exercised, pursuant to the Basic Subscription Privilege by the holders of Rights who have subscribed for Common Shares under the Additional Subscription Privilege.

Any unexercised Rights shall be allocated on a pro rata basis to holders who subscribed for additional Common Shares based on the Additional Subscription Privilege up to the number of Common Shares subscribed for by a particular holder.

As soon as practicable after the Expiry Date, the Subscription Agent will mail to each holder who completed Form 2 of the Rights Certificate, a certificate for the additional Common Shares which that holder has purchased and shall return to the holder any excess funds paid for the subscription of Common Shares by such holder under the Additional Subscription Privilege, without interest or deduction.

Residents of Jurisdictions Other Than the Qualified Jurisdictions

The Circular has not been filed with the securities commissions or similar regulatory authority of any jurisdiction other than the Qualified Jurisdictions. Accordingly, the Rights and Common Shares issuable upon exercise of the Rights are not being offered to persons who are or appear to be, or the Corporation or the Subscription Agent have reason to believe are, residents of jurisdictions other than the Qualified Jurisdictions or located in the United States, nor will the Corporation or Subscription Agent accept subscriptions from any securityholder or from any transferee of Rights who is or appears to be, or who the Corporation or the Subscription Agent have reason to believe is, a resident of any jurisdiction or place other than the Qualified Jurisdictions or located in the United States ("**Non-Qualified Shareholders**") unless such securityholder or transferee satisfies the Corporation that such offering to and subscription by such securityholder or transferee is lawful and in compliance with all securities and other laws applicable in the jurisdiction where such security holder or transferee is resident.

Rights Certificates will not be issued and forwarded by the Corporation to Non-Qualified Shareholders. Non-Qualified Shareholders who subscribe for Rights will be sent a letter advising them that their Rights Certificates will be issued to and held by the Subscription Agent, which will hold such Rights as agent for the benefit of all Non-Qualified Shareholders. Instructions as to the sale, transfer or exercise of the Rights represented thereby will not be accepted from such shareholders. The Subscription Agent will use its best efforts to sell the Rights evidenced by such Rights Certificates on behalf of all such respective holders prior to the Expiry Date. The net proceeds (less any applicable withholding tax) of such sale will be paid to such holders on a pro rata basis by cheque after the Expiry Date, provided the net proceeds attributable to such holder equals or exceeds \$20.00. In the event that the net proceeds attributable to any Non-Qualified Shareholder is less than \$20.00, then no monies will be paid or delivered to such shareholder and, in such event, the Corporation and the Subscription Agent will have no further obligations to such shareholder whatsoever.

The Subscription Agent's ability to sell the Rights of Non-Qualified Shareholders, and the price obtained therefor, are dependent on market conditions. The Subscription Agent will not be subject to any liability for failure to sell any Rights of Non-Qualified Shareholders at a particular price or at all. The Subscription Agent will act in its capacity as agent of the Non-Qualified Shareholders on a best efforts basis only and neither Tuscany nor the Subscription Agent will accept responsibility for the price obtained on the sale or the inability to sell the Rights on behalf of any Non-Qualified Shareholder. **There is a risk that the Subscription Agent will be unable to sell any of the Rights of Non-Qualified Shareholders or that the proceeds received from the sale of the Rights will not exceed the brokerage commissions, taxes required to be withheld (if applicable) and the costs incurred by the Subscription Agent in respect of the sale of such Rights. In such event, no proceeds will be forwarded to Non-Qualified Shareholders.**

Shareholders will be presumed to be resident in the place of their registered address, unless the contrary is shown to the satisfaction of the Corporation. A registered Non-Qualified Shareholder whose address of record is outside the Qualified Jurisdictions but who holds Common Shares on behalf of a holder who is

eligible to participate in the Offering must notify the Corporation and the Subscription Agent, in writing, on or before the close of business on September 18, 2009, the 10th day prior to the Expiry Date, if such beneficial holder wishes to participate in the Offering. In that case, the registered holder of Common Shares giving such notification must provide evidence, satisfactory to the Subscription Agent and the Corporation, as to the eligibility of the beneficial holder of such Rights and that the exercise of the Rights would not violate the laws of the jurisdiction in which the registered holder is located. Otherwise, the Subscription Agent will sell the Rights of such shareholder as described above.

Rights delivered to brokers, dealers or other intermediaries may not be delivered by those intermediaries to beneficial owners of Common Shares who are resident in a jurisdiction other than the Qualified Jurisdictions. Intermediaries receiving Rights that would otherwise be deliverable to Non-Qualifying Shareholders should attempt to sell those rights for the accounts of such Non-Qualifying Shareholders and should deliver the proceeds of sale to such persons.

There is a risk that the proceeds received from the sale of Rights will not exceed the costs of or incurred by the Subscription Agent in connection with the sale of such Rights and if applicable, the Canadian tax required to be withheld. In such event, no proceeds will be forwarded.

Common Shares Held Through the Canadian Depository for Securities Limited

For shareholders whose Common Shares are held through a participant of the CDS Clearing and Depository Services Inc. ("**CDS**"), Rights Certificates will be issued in registered form to CDS and will be deposited with CDS. The Corporation expects that each Beneficial Holder will receive a confirmation of the number of Rights issued to it from its CDS participant in accordance with the practices and procedures of that CDS participant. CDS will be responsible for establishing and maintaining book-entry accounts for its participants holding Rights.

A Beneficial Holder may subscribe for Common Shares by instructing the CDS participant holding its Rights to exercise all or a specified number of such Rights and forwarding the Subscription Price for each Common Share subscribed for in accordance with the terms of the Offering to the CDS participant which holds the subscriber's Rights.

The Subscription Price is payable by direct debit from the Beneficial Holder's brokerage account or by electronic funds transfer or other payment mechanism satisfactory to the CDS participant. The entire Subscription Price for Common Shares subscribed for must be paid at the time of subscription and must be received by Computershare prior to the Expiry Date. Accordingly, if you are subscribing through a CDS participant, you must deliver your payment (by method described above) and instructions to the CDS participant sufficiently in advance of the Expiry Date to allow the CDS participant to properly exercise the Rights on your behalf.

CDS participants that hold Rights for more than one Beneficial Holder may, upon providing evidence satisfactory to the Corporation and Computershare, exercise Rights on behalf of its accounts on the same basis as if the Beneficial Holders were Shareholders.

The Corporation and the Subscription Agent shall have no liability for (i) the records maintained by CDS or CDS participants relating to the Rights or the book-entry accounts maintained by CDS, (ii) maintaining, supervising or reviewing any records relating to such Rights, (iii) any advice or representation made or given by CDS or CDS participants with respect to the rules and regulations of CDS, (iv) any action to be taken by CDS or CDS participants, or (v) any failure by CDS participants to take any action or any matter relating to the Rights or the exercise thereof.

The ability of a person having an interest in Rights held through a CDS participant to pledge such interest or otherwise take action with respect to such interest (other than through a CDS participant) may be limited due to the lack of a physical Rights Certificate.

Beneficial Holders whose Common Shares are held through a CDS participant must arrange purchases or transfers of Rights and the exercise of Rights to purchase Common Shares through CDS participants. The Corporation anticipates that each such purchaser of a Right or Common Shares will receive a customer confirmation of purchase from the CDS participant from whom such Right or Common Share is purchased in accordance with the practices and procedures of such CDS participant.

Except as otherwise specifically provided herein (see "*Residents of Jurisdictions Other Than the Qualified Jurisdictions*"), payment of the Subscription Price will constitute a representation to the Corporation, the Subscription Agent and to any CDS participant that the subscriber is not in the United States, a U.S. person (as defined in Regulation S under the United States Securities Act of 1933, as amended) or the agent of any U.S. person and is not purchasing the Common Shares for the account or benefit of, or for the resale to, any U.S. Person.

If mail is used for delivery of subscription funds, for the protection of the subscriber, certified mail return receipt requested, should be used and sufficient time should be allowed to avoid the risk of late delivery.

Subscriptions for Common Shares made in connection with this Offering either directly or through a CDS participant will be irrevocable and subscribers will be unable to withdraw their subscriptions for Common Shares once submitted.

Sale and Transfer of Rights

The Rights will be listed and posted for trading on the Exchange under the trading symbol "TUS.RT" and will be posted for trading on the Exchange until 10:00 a.m. (Calgary time) on the Expiry Date. On the trading day that is three trading days before the Expiry Date, the rights will trade only on a cash basis. Holders of Rights Certificates not wishing to exercise their Rights may sell or transfer them directly or through their stockbroker or investment dealer at the shareholder's expense, subject to any applicable resale restrictions, See "*Statement as to Resale Restrictions*". Rights Certificates will not be registered in the name of a Non-Qualified Shareholder. Holders of Rights Certificates may elect to exercise only a part of their Rights and dispose of the remainder, or dispose of all of their Rights. Any commission or other fee payable in connection with the exercise or any trade of Rights (other than the fee for services to be performed by the Subscription Agent as described herein) is the responsibility of the holder of such Rights. Depending on the number of rights a holder may wish to sell, the commission payable in connection with a sale of Rights could exceed the proceeds received from such sale. See "*How to Exercise the Rights – To Sell or Transfer Rights - Form 3*".

Trading in Rights on the Exchange will terminate at 10:00 a.m. (Calgary time) on the Expiry Date.

Expiry of Rights

The Rights Certificates expire at 12:00 p.m. (Toronto time) on October 1, 2009. To subscribe for Common Shares, a properly completed Rights Certificate and payment for the Common Shares must be delivered to the office (the "**Subscription Office**") of the Subscription Agent listed below before the Expiry Date.

The Rights Certificate will expire and be of no value if not properly completed and received with payment for the Common Shares subscribed for, at the Subscription Office listed below, before the Expiry Date. See "How to Exercise the Rights".

COMMON SHARES

The Corporation is authorized to issue an unlimited number of Common Shares and an unlimited number of first preferred shares, of which, as at the date of this Circular, 34,767,836 Common Shares and no preferred shares are issued and outstanding as fully paid and non-assessable. In addition, options to acquire 1,250,000 Common Shares have been granted pursuant to the Corporation's incentive stock option plan as of the date of this Circular.

The holders of Common Shares are entitled to dividends if, as and when declared by the directors, to one vote per share at meetings of the holders of Common Shares of the Corporation and, upon liquidation, to receive such assets of the Corporation as are distributable to the holders of the Common Shares. All of the Common Shares to be issued upon exercise of the Rights will be fully paid and non-assessable.

REGISTRATION AND DELIVERY OF COMMON SHARE CERTIFICATES

Certificates for Common Shares issued upon exercise of Rights in accordance with the Offering will be registered in the name of the person to whom the Rights Certificate was issued or to whom the Rights were transferred in accordance with the terms thereof, and mailed to the address of the subscriber for the Common Shares as stated on the Rights Certificate, unless otherwise directed, as soon as practicable after the Expiry Date. Once mailed or delivered in accordance with the instructions of the subscriber, the Corporation assumes no further responsibility for the Common Share certificates.

SUBSCRIPTION AGENT AND TRANSFER AGENT

Subscription Agent

The Subscription Agent, Computershare Investor Services Inc., has been appointed to receive subscriptions and payments from holders of Rights and to perform the services relating to the exercise and transfer of the Rights. The following office of the Subscription Agent has been appointed to perform these services:

By registered mail, hand or courier:

Computershare Investor Services Inc.
9th Floor
100 University Avenue
Toronto, Ontario M5J 2Y1

Attention: Corporate Actions

By mail:

Computershare Investor Services Inc.
P.O. Box 7021
31 Adelaide Street East
Toronto, Ontario M5C 3H2

Attention: Corporate Actions

The Corporation will pay the fees and expenses of the Subscription Agent in respect of such services.

Transfer Agent

Computershare Trust Company of Canada through its offices in Calgary, Alberta, is the transfer agent and registrar for the Common Shares.

HOW TO EXERCISE THE RIGHTS

To Subscriber for Common Shares – Form 1

To subscribe for Common Shares under the Basic Subscription Privilege, complete and sign Form 1 of the Rights Certificate. The maximum number of Rights which may be exercised is shown in the box on the upper right hand corner of the face of the Rights Certificate. If Form 1 is completed so as to exercise some but not all of the Rights evidenced by the Rights Certificate, the holder of the Rights Certificate will be deemed to have waived the unexercised balance of such Rights, unless the Subscription Agent is otherwise specifically advised by such holder at the time the Rights Certificate is surrendered to the Subscription Agent.

To Subscribe for Additional Common Shares – Form 2

Complete and sign Form 2 of the Rights Certificate only if you also wish to participate in the Additional Subscription Privilege. See "*Details of the Offering – Additional Subscription Privilege*".

To Sell or Transfer Rights – Form 3

To transfer the Rights, complete Form 3 (the "**Transfer Form**") on the Rights Certificate; have the signature guaranteed by an "eligible institution" to the satisfaction of the Subscription Agent; and deliver the Rights Certificate to the transferee. For this purpose, an "eligible institution" means a major Canadian Schedule 1 chartered bank, a member of the Securities Transfer Agents Medallion Program (STAMP), a member of the Stock Exchange Medallion Program (SEMP) or a member of the New York Stock Exchange Inc. – Medallion Signature Program (MSP). Members of these programs are usually members of a recognized stock exchange in Canada or members of the Investment Dealers Association of Canada.

It is not necessary for a transferee to obtain a new Rights Certificate to exercise the Rights or the Additional Subscription Privilege, but the signature of the transferee on Forms 1 and 2 must correspond in every particular with the name of the transferee shown on the Transfer Form. If the Transfer Form is properly completed, Tuscany and the Subscription Agent will treat the transferee (or the bearer if no transferee is specified) as the absolute owner of the Rights Certificate for all purposes and will not be affected by notice to the contrary. A Rights Certificate so completed should be delivered to the appropriate person in ample time for the transferee to use it before the expiration of the Rights. See "*Details of the Offering – Sale and Transfer of Rights*".

To Divide, Combine or Exchange the Rights Certificate – Form 4

Rights Certificates may be combined, divided or exchanged by delivering such Rights Certificates, accompanied by appropriate instructions or a completed Form 4 on the Rights Certificate, to the Subscription Office listed under the heading "*Subscription Agent and Transfer Agent*". Rights Certificates must be surrendered for division, combination or exchange by such date as will permit new Rights Certificates to be issued and used by the holder thereof prior to the Expiry Date.

Delivery and Payment

Enclose payment in Canadian funds by certified cheque, bank draft or money order payable to the order of Computershare Investor Services Inc. for the aggregate number of Common Shares subscribed. The amount of payment will be based upon \$0.06 per Common Share. Payment must also be included for any Common Shares subscribed for under the Additional Subscription Privilege.

Deliver or mail the completed Rights Certificate and payment in the enclosed return envelope addressed to the Subscription Agent so that it is received by the Subscription Office listed above before the Expiry Date. The method of delivery of a Rights Certificate is at the option and risk of the person affecting the same. Tuscany recommends that Rights Certificates be delivered by hand or, if mailed, sent by registered mail. Please allow sufficient time to avoid late delivery. The signature of the Rights Certificate holder must correspond in every particular with the name that appears on the face of the Rights Certificate.

Signatures

When the original holder signs any form on the Rights Certificates the signature must correspond in every particular with the name of the holder as it appears on the face of the Rights Certificate. If a Rights Certificate is issued to or transferred to two or more persons who hold the Rights evidenced thereby jointly, the signatures of all such holders shall be required on the appropriate forms in order to exercise the Basic Subscription Privilege and, if applicable, the Additional Subscription Privilege, or to sell or transfer Rights.

Signatures by a trustee, executor, administrator, guardian, attorney, officer of a corporation or any person acting in a fiduciary or representative capacity should be accompanied by evidence of authority satisfactory to the Subscription Agent.

Validity of Subscriptions

All questions as to the validity, form, eligibility (including time of receipt) and acceptance of any subscription will be determined by the board of directors of the Corporation in its sole discretion, and any determination by the board of directors will be final and binding on the Corporation and its securityholders. Subscriptions are irrevocable. The board of directors reserves the right to reject any subscription if it is not in proper form or if the acceptance thereof or the issuance of Common Shares pursuant thereto could be unlawful. The board of directors also reserves the right to waive any defect in respect of any particular subscription. None of the board of directors, the Corporation or the Subscription Agent is under any duty to give any notice of any defect or irregularity in any subscription, nor will they be liable for the failure to give any such notice.

MANAGING AND SOLICITING DEALER

The Corporation has not retained, nor does it intend to retain, any party to solicit subscriptions for Common Shares pursuant to the Offering.

INTENTION OF INSIDERS TO EXERCISE RIGHTS

The Corporation has been advised that certain of the directors and senior officers of the Corporation who hold Common Shares, as well as beneficial holders of 10% or more of the outstanding Common Shares of the Corporation (who are known to the Corporation), as at the date of this Circular, intend to subscribe for Common Shares to which they are entitled to subscribe pursuant to the Basic Subscription Privilege as set forth in the table below.

Name of Insider	Number of Common Shares held	Maximum Number of Common Shares Available to be Acquired Pursuant to the Basic Subscription Privilege	Number of Common Shares Intended to be Acquired Pursuant to the Basic Subscription Privilege

Humboldt Capital Corporation ⁽¹⁾	11,741,000	2,935,250	2,935,250 ⁽²⁾
Robert W. Lamond ⁽³⁾	756,000	186,000	186,000
Charles A. Teare ⁽³⁾	70,000	17,500	17,500
John G. F. McLeod ⁽³⁾	100,000	25,000	25,000

Notes:

- (1) Humboldt Capital Corporation ("**Humboldt**") is a corporation controlled by Robert W. Lamond. See "*Ownership of Securities*".
- (2) Humboldt has expressed an intention to subscribe for up to an aggregate of 6,000,000 Common Shares, pursuant to the Basic Subscription Privilege, as set forth above, and the Additional Subscription Privilege, if available.
- (3) These subscribers may also subscribe for additional Common Shares pursuant to the Additional Subscription Privilege.

The foregoing represents the intentions of the persons set forth above as of the date of this Circular. The intentions of these insiders may change in response to prevailing market conditions and a variety of other factors and, therefore, there can be no guarantee that such persons will acquire the number of Common Shares set forth in the table above or that they will acquire any Common Shares pursuant to the Offering.

STAND-BY COMMITMENT

There is no stand-by commitment with respect to the Offering.

OWNERSHIP OF SECURITIES

To the knowledge of management of the Corporation, the only persons who beneficially own, directly or indirectly, or exercise control or direction over, 10% or more of the Common Shares as of the date of this Circular, are as follows:

Name	Number of Common Shares Currently Owned	Percentage of Class Currently Outstanding
Robert W. Lamond	12,497,000 ⁽¹⁾	35.9%

Note:

- (1) Includes 11,741,000 Common Shares held by Humboldt and 300,000 Common Shares held by a private company owned by Mr. Lamond. Mr. Lamond is the Chairman of the Board, President and a director of Humboldt and, as at August 19, 2009, held, directly or indirectly, approximately 69% of the outstanding shares of Humboldt.

Management does not currently know whether any other persons, other than Robert W. Lamond, will beneficially own, directly or indirectly, or exercise control or direction over 10% or more of the Common Shares after completion of the Offering.

See "*Intention of Insiders to Exercise Rights*".

CHANGES OF OWNERSHIP

To the knowledge of the Corporation, there have been no transfers or issuances of securities of the Corporation that have materially affected the control of Tuscany since December 31, 2008.

USE OF PROCEEDS

If all Rights are exercised, the estimated gross proceeds of the Offering will be \$521,518 and net proceeds of the Offering will be \$481,518 after deducting estimated expenses of the Offering of \$40,000. The net proceeds are anticipated to be used to reduce the Corporation's bank debt, which will allow the Corporation to use its cash flow, if any, to finance exploration and future development of petroleum and natural gas prospects in western Canada. If less than the Maximum Number of Common Shares are issued pursuant to the Offering or in the event that the Corporation's available cash flow should decrease, the Corporation will adjust its capital expenditure budget accordingly.

The Corporation intends to spend the available funds as set forth above. However, there may be circumstances where, for sound business reasons, a reallocation of the available funds may be necessary. In any event the available funds will be used by the Corporation in furtherance of its business.

STATEMENT AS TO RESALE RESTRICTIONS

Securities legislation restricts the ability of a holder to trade the Rights and the Common Shares issuable upon the exercise of such Rights (collectively, the "**Securities**"), without certain conditions having been fulfilled or applicable prospectus requirements having been complied with. The following is a general summary of the restrictions covering the first trades in the Securities. Additional restrictions apply to "insiders" of the Corporation and holders of the Securities who are "control persons" or the equivalent or who are deemed to be part of what is commonly referred to as a "control block" in respect of the Corporation for purposes of securities legislation. **Each holder of Rights is urged to consult his or her professional advisors to determine the exact conditions and restrictions applicable to the trades of the Securities.**

Generally, in Canada, the first trade of any of the Securities will be exempt from the prospectus requirements of securities legislation in the Qualifying Jurisdictions if:

- (a) the Corporation is and has been a "reporting issuer" in a jurisdiction of Canada for the four (4) months immediately preceding the trade;
- (b) the trade is not a "controlled distribution" as defined in the applicable securities legislation;
- (c) no unusual effort is made to prepare the market or to create the demand for the Securities;
- (d) no extraordinary commission or other consideration is paid in respect of such trade; and
- (e) if the seller is an insider or officer of the Corporation, the seller has no reasonable grounds to believe that the Corporation is in default of applicable securities legislation.

If such conditions have not been met, then the Securities may not be resold except pursuant to a prospectus or prospectus exemption, which may only be available in limited circumstances.

The Corporation has been a reporting issuer for more than four (4) months in each of the provinces of British Columbia and Alberta.

Neither the Rights nor the Common Shares issuable upon exercise of the Rights have been or will be registered under the *United States Securities Act of 1933*, as amended, or any state securities laws, and they may not be offered or re-offered or sold or re-sold within the United States or to, or for the account

of or benefit of a U.S. person except pursuant to an exemption from the registration requirements of the *United States Securities Act of 1933*, as amended, and applicable state securities laws.

The foregoing is a summary only and is not intended to be exhaustive. Holders of Rights should consult with their advisors concerning restrictions on resale, and should not resell their Securities until they have determined that any such resale is in compliance with the requirements of applicable legislation.

RISK FACTORS

Going Concern

The Corporation's principal business activity is the exploration, development and operation of oil and natural gas properties in Canada. The Corporation's financial statements have been prepared in accordance with Canadian generally accepted accounting principles ("GAAP") on a going concern basis, which contemplates the realization of assets and the payment of liabilities in the ordinary course of business. Should the Corporation be unable to continue as a going concern, it may be unable to realize the carrying value of its assets and to meet its liabilities as they become due.

The Corporation has reported net loss and comprehensive loss in the last two quarters. The Corporation has also had negative working capital for successive years. Management's assessment of the Corporation, based on its current cash flow forecast and financial model, is that there is doubt as to whether it is a going concern because of the following factors:

- (a) Continued weak petroleum prices and natural gas prices will affect the ability of the Corporation to generate cash flows from its operations at satisfactory levels.
- (b) The current recession and resulting equity market decline has hampered the Corporation's ability to raise funds for its drilling programs.
- (c) As at March 31, 2009, the Corporation has a \$3.3 million secured loan facility with a Canadian financial institution that is under review. There is no assurance that the loan will be renewed at the current level or that the financial institution will maintain the current interest rate premium.

Management's plan for addressing the above factors are as follows:

- (a) The Corporation plans to restrict capital projects for the 2009 year to not exceed the cash flow generated from operations, if any;
- (b) As described under "*Recent Developments*", the Corporation is proceeding with the acquisition of Goldmark whose principal asset is cash in the amount of approximately \$1.4 million;
- (c) The Corporation has made significant steps in reducing overhead expenses; and
- (d) The Corporation plans to explore additional equity or other forms of financing during the balance of 2009.

However, there can be no assurance that the steps management is taking will be successful and any adjustments necessary to the financial statements if the Corporation ceases to be a going concern could be material. Additionally, while management believes the assumptions made in respect of the Corporation's

cash flow are appropriate in the circumstances, there can be no assurance that such assumptions will transpire or occur. See also the Risk Factors involving "Additional Funding Requirements" and "Substantial Capital Requirements" below.

Exploration, Development and Production Risks

Oil and natural gas operations involve many risks that even a combination of experience, knowledge and careful evaluation may not be able to overcome. The long-term commercial success of the Corporation depends on its ability to find, acquire, develop and commercially produce oil and natural gas reserves. 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 not only on its ability to explore and develop any properties it may have from time to time, but also on its ability to select and acquire suitable producing properties or prospects. No assurance can be given that the Corporation will be able to continue to locate satisfactory properties for acquisition or participation. Moreover, if such acquisitions or participations are identified, management of the Corporation may determine that current markets, terms of acquisition and participation or pricing conditions make such acquisitions or participations uneconomic. There is no assurance that further commercial quantities of oil and natural gas will be discovered or acquired by the Corporation.

Future oil and natural gas exploration may involve unprofitable efforts, not only from dry wells, but also from wells that are productive but do not produce sufficient petroleum substances 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 diligent 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.

Oil and natural gas exploration, development and production operations are subject to all the risks and hazards typically associated with such operations, including hazards such as fire, explosion, blowouts, cratering, sour gas releases and spills, each of which could result in substantial damage to oil and natural gas wells, production facilities, other property and the environment or personal injury. In particular, the Corporation may explore for and produce sour natural gas in certain areas. An unintentional leak of sour natural gas could result in personal injury, loss of life or damage to property and may necessitate an evacuation of populated areas, all of which could result in liability to the Corporation. In accordance with industry practice, the Corporation is not fully insured against all of these risks, nor are all such risks insurable. Although the Corporation maintains liability insurance in an amount that it considers consistent with industry practice, the nature of these risks is such that liabilities could exceed policy limits, in which event the Corporation could incur significant costs. Oil and natural gas production operations are also subject to all the risks typically associated with such operations, including encountering unexpected formations or pressures, premature decline of reservoirs and the invasion of water into producing formations. Losses resulting from the occurrence of any of these risks may have a material adverse effect on the Corporation's business, financial condition, results of operations and prospects.

Global Financial Crisis

Recent market events and conditions, including disruptions in the international credit markets and other financial systems and the deterioration of global economic conditions, have caused significant volatility to commodity prices. These conditions worsened in 2008 and are continuing in 2009, causing a loss of confidence in the broader U.S. and global credit and financial markets and resulting in the collapse of, and government intervention in, major banks, financial institutions and insurers and creating a climate of greater volatility, less liquidity, widening of credit spreads, a lack of price transparency, increased credit losses and tighter credit conditions. Notwithstanding various actions by governments, concerns about the general condition of the capital markets, financial instruments, banks, investment banks, insurers and other financial institutions caused the broader credit markets to further deteriorate and stock markets to decline substantially. These factors have negatively impacted company valuations and will impact the performance of the global economy going forward.

Petroleum prices are expected to remain volatile for the near future as a result of market uncertainties over the supply and demand of these commodities due to the current state of the world economies, the Organization of Petroleum Exporting Countries ("**OPEC**") actions and the ongoing global credit and liquidity concerns.

Availability under Credit Facility

The Corporation's borrowing base and availability under its credit facility is under review. The level of the borrowing base will be determined by the Corporation's lender and will be based upon the Corporation's latest Canadian reserve information, the lender's internal commodity price deck and other factors. If the borrowing base is reduced, it may reduce the financial flexibility of the Corporation and, if lowered below the amount drawn under the credit facility at that time, the shortfall would be required to be paid pursuant to the terms of the credit facility or as otherwise agreed to by the lender. Funding for this amount would be required to come from alternate sources of debt, equity financing and cash flow from operations or proceeds from asset dispositions, which may or may not be available in sufficient amounts or on acceptable terms. Any reduction in the Corporation's borrowing base could adversely affect the Corporation's financial condition, results of operations and prospects. While management expects to be able to renew the Corporation's credit facility, no assurance can be given that it will be able to do so, or be able to do so on acceptable terms. As a result of the uncertainty of the Corporation's borrowing base and the reduction in the Corporation's cash flow due to lower commodity prices, the financial statements include a going concern note. For further details in respect of the going concern, see Note (1) to the Corporation's comparative financial statements for the three months ended March 31, 2009, which can be found on SEDAR at www.sedar.com.

Prices, Markets and Marketing

The marketability and price of oil and natural gas that may be acquired or discovered by the Corporation is and will continue to be affected by numerous factors beyond its control. The Corporation's ability to market its oil and natural gas may depend upon its ability to acquire space on pipelines that deliver natural gas to commercial markets. The Corporation may also be affected by deliverability uncertainties related to the proximity of its reserves to pipelines and processing and storage facilities and operational problems affecting such pipelines and facilities as well as 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 prices of oil and natural gas prices may be volatile and subject to fluctuation. Any material decline in prices could result in a reduction of the Corporation's net production revenue. The economics of

producing from some wells may change as a result of lower prices, which could result in reduced production of oil or gas and a reduction in the volumes of the Corporation's 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 expected net production revenue and a reduction in its oil and gas acquisition, development and exploration activities. Prices for oil and gas are subject to large fluctuations in response to relatively minor changes in the supply of and demand for oil and gas, market uncertainty and a variety of additional factors beyond the control of the Corporation. These factors include economic conditions, in the United States and Canada, the actions of OPEC, governmental regulation, political stability in the Middle East and elsewhere, the foreign supply of oil and gas, risks of supply disruption, the price of foreign imports and the availability of alternative fuel sources. Any substantial and extended decline in the price of oil and gas would have an adverse effect on the Corporation's carrying value of its reserves, borrowing capacity, revenues, profitability and cash flows from operations and may have a material adverse effect on the Corporation's business, financial condition, results of operations and prospects.

Petroleum prices are expected to remain volatile for the near future as a result of market uncertainties over the supply and the demand of these commodities due to the current state of the world economies, OPEC actions and the ongoing credit and liquidity concerns. Volatile oil and gas prices make it difficult to estimate the value of producing properties for acquisition and often cause disruption in the market for oil and gas producing properties, as buyers and sellers have difficulty agreeing on such value. Price volatility also makes it difficult to budget for and project the return on acquisitions and development and exploitation projects.

In addition, bank borrowings available to the Corporation may, in part, be determined by the Corporation's borrowing base. A sustained material decline in prices from historical average prices could reduce the Corporation's borrowing base, therefore reducing the bank credit available to the Corporation which could require that a portion, or all, of the Corporation's bank debt be repaid.

Failure to Realize Anticipated Benefits of Acquisitions and Dispositions

The Corporation makes acquisitions and dispositions of businesses and assets in the ordinary course of business. Achieving the benefits of acquisitions depends in part on successfully consolidating functions and integrating operations and procedures in a timely and efficient manner as well as the Corporation's ability to realize the anticipated growth opportunities and synergies from combining the acquired businesses and operations with those of the Corporation. The integration of acquired business may require substantial management effort, time and resources and may divert management's focus from other strategic opportunities and operational matters. Management continually assesses the value and contribution of services provided and assets required to provide such services. In this regard, non-core assets are periodically disposed of, so that the Corporation can focus its efforts and resources more efficiently. Depending on the state of the market for such non-core assets, certain non-core assets of the Corporation, if disposed of, could be expected to realize less than their carrying value on the financial statements of the Corporation.

Operational Dependence

Other companies operate some of the assets in which the Corporation has an interest. As a result, the Corporation has limited ability to exercise influence over the operation of those assets or their associated costs, which could adversely affect the Corporation's financial performance. The Corporation's return on assets operated by others therefore depends upon a number of factors that may be outside of the Corporation's control, including the timing and amount of capital expenditures, the operator's expertise

and financial resources, the approval of other participants, the selection of technology and risk management practices.

Project Risks

The Corporation manages a variety of small and large projects in the conduct of its business. Project delays may delay expected revenues from operations. Significant project cost over-runs could make a project uneconomic. The Corporation's ability to execute projects and market oil and natural gas depends upon numerous factors beyond the Corporation's control, including:

- the availability of processing capacity;
- the availability and proximity of pipeline capacity;
- the availability of storage capacity;
- the supply of and demand for oil and natural gas;
- the availability of alternative fuel sources;
- the effects of inclement weather;
- the availability of drilling and related equipment;
- unexpected cost increases;
- accidental events;
- currency fluctuations;
- changes in regulations;
- the availability and productivity of skilled labour; and
- the regulation of the oil and natural gas industry by various levels of government and governmental agencies.

Because of these factors, the Corporation could be unable to execute projects on time, on budget or at all, and may not be able to effectively market the oil and natural gas that it produces.

Competition

The petroleum industry is competitive in all its phases. The Corporation competes with numerous other organizations in the search for, and the acquisition of, oil and natural gas properties and in the marketing of oil and natural gas. The Corporation's competitors include oil and natural gas companies that have substantially greater financial resources, staff and facilities than those of the Corporation. The Corporation's ability to increase its reserves in the future will depend not only on its ability to explore and develop its present properties, but also on its ability to select and acquire other suitable producing properties or prospects for exploratory drilling. Competitive factors in the distribution and marketing of oil and natural gas include price and methods and reliability of delivery and storage. Competition may also be presented by alternate fuel sources.

Regulatory

Oil and natural gas operations (exploration, production, pricing, marketing and transportation) are subject to extensive controls and regulations imposed by various levels of government, which may be amended from time to time. Governments may regulate or intervene with respect to price, taxes, royalties and the exportation of oil and natural gas. Such regulations may be changed from time to time in response to economic or political conditions. The implementation of new regulations or the modification of existing regulations affecting the oil and natural gas industry could reduce demand for natural gas and crude oil and increase the Corporation's costs, any of which may have a material adverse effect on the Corporation's business, financial condition, results of operations and prospects. In order to conduct oil

and gas operations, the Corporation will require licenses from various governmental authorities. There can be no assurance that the Corporation will be able to obtain all of the licenses and permits that may be required to conduct operations that it may wish to undertake.

Kyoto Protocol

Canada is a signatory to the United Nations Framework Convention on Climate Change and has ratified the Kyoto Protocol established thereunder to set legally binding targets to reduce nationwide emissions of carbon dioxide, methane, nitrous oxide and other so-called "greenhouse gases". The Corporation's exploration and production facilities and other operations and activities emit greenhouse gases which will require the Corporation to comply with the new regulatory framework announced on March 10, 2008 by the Federal Government which is intended to force large industries to reduce emissions of greenhouse gases, in addition to the proposed *Clean Air Act* (Canada) of 2006 and Alberta's recently enacted *Climate Change and Emissions Management Act* and *Specified Gas Emitters Regulation*. The direct or indirect costs of these regulations may have a material adverse effect on the Corporation's business, financial condition, results of operations and prospects.

Environmental

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 federal, provincial and local 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 natural 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 of applicable environmental legislation 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 governments and third parties and may require the Corporation to incur costs to remedy such discharge. Although the Corporation believes that it will be in material compliance with current applicable environmental regulations 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 have a material adverse effect on the Corporation's business, financial condition, results of operations and prospects. There has been much public debate with respect to Canada's ability to meet these targets and the Government's strategy or alternative strategies with respect to climate change and the control of greenhouse gases. Implementation of strategies for reducing greenhouse gases whether to meet the limits required by the Kyoto Protocol or as otherwise determined, could have a material impact on the nature of oil and natural gas operations, including those of the Corporation. Given the evolving nature of the debate related to climate change and the control of greenhouse gases and resulting requirements, it is not possible to predict the impact on the Corporation and its operations and financial condition.

Variations in Foreign Exchange Rates and Interest Rates

World oil and gas prices are quoted in United States dollars and the price received by Canadian producers is therefore affected by the Canadian/U.S. dollar exchange rate, which will fluctuate over time. In recent years, the Canadian dollar has increased materially in value against the United States dollar. Material increases in the value of the Canadian dollar negatively impact the Corporation's production revenues. Future Canadian/United States exchange rates could accordingly impact the future value of the Corporation's reserves as determined by independent evaluators.

To the extent that the Corporation engages in risk management activities related to foreign exchange rates, there is a credit risk associated with counterparties with which the Corporation may contract.

An increase in interest rates could result in a significant increase in the amount the Corporation pays to service debt, which could negatively impact the market price of the Common Shares of the Corporation.

Substantial Capital Requirements

The Corporation anticipates making 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, it may not have access to the capital necessary to undertake or complete future drilling programs. In addition, uncertain levels of near term industry activity coupled with the present global credit crisis exposes the Corporation to additional access to capital risk. 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. The inability of the Corporation to access sufficient capital for its operations could have a material adverse effect on the Corporation's business financial condition, results of operations and prospects.

Additional Funding Requirements

The Corporation's cash flow from its reserves may not be sufficient to fund its ongoing activities at all times. From time to time, the Corporation may require additional financing in order to carry out its oil and gas acquisition, exploration and development activities. Failure to obtain such financing on a timely basis could cause the Corporation to forfeit its interest in certain properties, miss certain acquisition opportunities and reduce or terminate its operations. If the Corporation's revenues from its reserves decrease as a result of lower oil and natural gas prices or otherwise, it will affect the Corporation's ability to expend the necessary capital to replace its reserves or to maintain its production. If the Corporation's cash flow from operations is 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, if available, on terms acceptable to the Corporation. Continued uncertainty in domestic and international credit markets could materially affect the Corporation's ability to access sufficient capital for its capital expenditures and acquisitions, and as a result, may have a material adverse effect on the Corporation's ability to execute its business strategy and on its business, financial condition, results of operations and prospects.

Issuance of Debt

From time to time the Corporation may enter into transactions to acquire assets or the shares of other organizations. These transactions may be financed in whole or in part with debt, which may increase the Corporation's debt levels above industry standards for oil and natural gas companies of similar size. Depending on future exploration and development plans, the Corporation may require additional equity and/or debt financing that may not be available or, if available, may not be available on favourable terms. Neither the Corporation's articles nor its by-laws limit the amount of indebtedness that the Corporation may incur. The level of the Corporation's indebtedness from time to time, could impair the Corporation's ability to obtain additional financing on a timely basis to take advantage of business opportunities that may arise.

Hedging

From time to time the Corporation may enter into agreements to receive fixed prices on its oil and natural gas production to offset the risk of revenue losses if commodity prices decline; however, if commodity prices increase beyond the levels set in such agreements, the Corporation will not benefit from such increases and the Corporation may nevertheless be obligated to pay royalties on such higher prices, even though not received by it, after giving effect to such agreements. Similarly, from time to time the Corporation may enter into agreements to fix the exchange rate of Canadian to United States dollars in order to offset the risk of revenue losses if the Canadian dollar increases in value compared to the United States dollar; however, if the Canadian dollar declines in value compared to the United States dollar, the Corporation will not benefit from the fluctuating exchange rate.

Availability of Drilling Equipment and Access

Oil and natural gas exploration and development activities are dependent on the availability of drilling and related equipment (typically leased from third parties) in the particular areas where such activities will be conducted. Demand for such limited equipment or access restrictions may affect the availability of such equipment to the Corporation and may delay exploration and development activities.

Title to Assets

Although title reviews may be conducted prior to the purchase of oil and natural gas producing properties or the commencement of drilling wells, such reviews do not guarantee or certify that an unforeseen defect in the chain of title will not arise to defeat the Corporation's claim which may have a material adverse effect on the Corporation's business, financial condition, results of operations and prospects.

Reserve Estimates

There are numerous uncertainties inherent in estimating quantities of oil, natural gas and natural gas liquids reserves and the future cash flows attributed to such reserves. In general, estimates of economically recoverable oil and natural gas reserves and the future net cash flows therefrom are based upon a number of variable factors and assumptions, such as historical production from the properties, production rates, ultimate reserve recovery, timing and amount of capital expenditures, marketability of oil and gas, royalty rates, the assumed effects of regulation by governmental agencies and future operating costs, all of which may vary materially from actual results. For those reasons, estimates of the economically recoverable oil and natural gas reserves attributable to any particular group of properties, classification of such reserves based on risk of recovery and estimates of future net revenues associated with reserves prepared by different engineers, or by the same engineers at different times, may vary. The Corporation's actual production, revenues, taxes and development and operating expenditures with respect to its reserves will vary from estimates thereof and such variations could be material.

Estimates of proved reserves that may be developed and produced in the future are often based upon volumetric calculations and upon analogy to similar types of reserves rather than actual production history. Recovery factors and drainage areas were estimated by experience and analogy to similar producing pools. Estimates based on these methods are generally less reliable than those based on actual production history. Subsequent evaluation of the same reserves based upon production history and production practices will result in variations in the estimated reserves and such variations could be material.

In accordance with applicable securities laws, the Corporation's independent reserves evaluator has used forecast prices and costs in estimating the reserves and future net cash flows as summarized in the

Corporation's "Statement of Reserves Data" and "Other Oil and Gas Information" for the year ended, December 31, 2008, which can be found on SEDAR at www.sedar.com. Actual future net cash flows will be affected by other factors, such as actual production levels, supply and demand for oil and natural gas, curtailments or increases in consumption by oil and natural gas purchasers, changes in governmental regulation or taxation and the impact of inflation on costs.

Actual production and cash flows derived from the Corporation's oil and gas reserves will vary from the estimates contained in the reserve evaluation, and such variations could be material. The reserve evaluation is based in part on the assumed success of activities the Corporation intends to undertake in future years. The reserves and estimated cash flows to be derived therefrom contained in the reserve evaluation will be reduced to the extent that such activities do not achieve the level of success assumed in the reserve evaluation. The reserve evaluation is effective as of a specific effective date and has not been updated and thus does not reflect changes in the Corporation's reserves since that date.

Insurance

The Corporation's involvement in the exploration for and development of oil and natural gas properties may result in the Corporation becoming subject to liability for pollution, blow outs, leaks of sour natural gas, property damage, personal injury or other hazards. Although the Corporation maintains insurance in accordance with industry standards to address certain of these risks, such insurance has limitations on liability and may not be sufficient to cover the full extent of such liabilities. In addition, such risks are not, in all circumstances, 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 any 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, may have a material adverse effect on the Corporation's business, financial condition, results of operations and prospects.

Geo-Political Risks

The marketability and price of oil and natural gas that may be acquired or discovered by the Corporation is and will continue to be affected by political events throughout the world that cause disruptions in the supply of oil. Conflicts, or conversely peaceful developments, arising in the Middle-East, and other areas of the world, have a significant impact on the price of oil and natural gas. Any particular event could result in a material decline in prices and therefore result in a reduction of the Corporation's net production revenue.

In addition, the Corporation's oil and natural gas properties, wells and facilities could be subject to a terrorist attack. If any of the Corporation's properties, wells or facilities are the subject of terrorist attack it may have a material adverse effect on the Corporation's business, financial condition, results of operations and prospects. The Corporation will not have insurance to protect against the risk from terrorism.

Dilution

The Corporation may make future acquisitions or enter into financings or other transactions involving the issuance of securities of the Corporation which may be dilutive.

Management of Growth

The Corporation may be subject to growth-related risks including capacity constraints and pressure on its internal systems and controls. The ability of the Corporation to manage growth effectively will require it to continue to implement and improve its operational and financial systems and to expand, train and manage its employee base. The inability of the Corporation to deal with this growth may have a material adverse effect on the Corporation's business, financial condition, results of operations and prospects.

Expiration of Licences and Leases

The Corporation's properties are held in the form of licences and leases and working interests in licences and leases. If the Corporation or the holder of the licence or lease fails to meet the specific requirement of a licence or lease, the licence or lease may terminate or expire. There can be no assurance that any of the obligations required to maintain each licence or lease will be met. The termination or expiration of the Corporation's licences or leases or the working interests relating to a licence or lease may have a material adverse effect on the Corporation's business, financial condition, results of operations and prospects.

Dividends

The Corporation has not paid any dividends on its outstanding shares. Payment of dividends in the future will be dependent on, among other things, the cash flow, results of operations and financial condition of the Corporation, the need for funds to finance ongoing operations and other considerations as the board of directors of the Corporation considers relevant.

Aboriginal Claims

Aboriginal peoples have claimed aboriginal title and rights to portions of western Canada. The Corporation is not aware that any claims have been made in respect of its properties and assets; however, if a claim arose and was successful such claim may have a material adverse effect on the Corporation's business, financial condition, results of operations and prospects.

Seasonality

The level of activity in the Canadian oil and gas industry is influenced by seasonal weather patterns. Wet weather and spring thaw may make the ground unstable. Consequently, municipalities and provincial transportation departments enforce road bans that restrict the movement of rigs and other heavy equipment, thereby reducing activity levels. Also, certain oil and gas producing areas are located in areas that are inaccessible other than during the winter months because the ground surrounding the sites in these areas consists of swampy terrain. Seasonal factors and unexpected weather patterns may lead to declines in exploration and production activity and corresponding declines in the demand for the goods and services of the Corporation.

Third Party Credit Risk

The Corporation may be exposed to third party credit risk through its contractual arrangements with its current or future joint venture partners, marketers of its petroleum and natural gas production and other parties. In the event such entities fail to meet their contractual obligations to the Corporation, such failures may have a material adverse effect on the Corporation's business, financial condition, results of operations and prospects. In addition, poor credit conditions in the industry and of joint venture partners may impact a joint venture partner's willingness to participate in the Corporation's ongoing capital

program, potentially delaying the program and the results of such program until the Corporation finds a suitable alternative partner.

Conflicts of Interest

Certain directors of the Corporation are also directors of other oil and gas companies and as such may, in certain circumstances, have a conflict of interest requiring them to abstain from certain decisions. Conflicts, if any, will be subject to the procedures and remedies of the ABCA.

Reliance on Key Personnel

The Corporation's success depends in large measure on certain key personnel. The loss of the services of such key personnel may have a material adverse effect on the Corporation's business, financial condition, results of operations and prospects. The Corporation does not have any key person insurance in effect for the Corporation. The contributions of the existing management team to the immediate and near term operations of the Corporation are likely to be of central importance. In addition, the competition for qualified personnel in the oil and natural gas industry is intense and there can be no assurance that the Corporation will be able to continue to attract and retain all personnel necessary for the development and operation of its business. Investors must rely upon the ability, expertise, judgment, discretion, integrity and good faith of the management of the Corporation.

WEBSITE

Copies of the financial statements and other continuous disclosure documents filed by the Corporation with securities regulatory authorities may be obtained under the Corporation's profile on the following website: www.sedar.com.

INQUIRIES

Inquiries relating to this Offering should be addressed to:

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