TUSCANY ENERGY LTD.

ANNUAL REPORT 2007

CORPORATE PROFILE

Tuscany Energy Ltd. is an emerging junior oil and gas company that trades on the TSX Venture Exchange under the symbol “TUS”. The company’s head office is located in Calgary, Alberta, Canada.

The company’s objective is to have a balanced investment approach through large scale farmin opportunities, organic growth and accretive-based acquisitions.

CORPORATE SUMMARY

	Years Ended December 31	
	2007	2006
Financial		
Total revenue	**$ 1,896,253**	$ 2,195,359
Cash flow from operations	**(108,338)**	367,398
per share, diluted	**-**	0.01
Loss for the year	**(836,125)**	(663,897)
per share, diluted	**(0.03)**	(0.03)
Capital additions	**1,259,623**	2,514,575
Dispositions	**-**	156,000
Net current debt	**3,125,242**	2,756,780
Total assets	**$ 9,140,995**	$ 8,756,461
Total shares outstanding	**36,550,836**	26,550,836
Operations		
Production		
Natural gas (Mcfd)	**228**	367
Heavy oil and NGLs (Bopd)	**92**	101
BOEd (6 Mcf = 1 Bbl)	**130**	162
Product Prices		
Natual gas ($/Mcf)	**6.23**	6.16
Heavy oil and NGLs ($/Bbl)	**47.53**	45.28
Reserves (proved plus probable, future costs and prices)		
Gas (Mmcf)	**776.9**	825.0
Oil (MBbl)	**474.9**	534.0
BOE (Thousands)	**604.1**	672.0
Present value, before tax ($Millions at 10%)	**$ 7,977.0**	$ 9,955

PRESIDENT'S MESSAGE

To The Shareholders

The Company faced significant challenges during 2007 due to production declines and increased operating expenses. The prevailing economic climate also cast a negative light on the energy industry as a result of the proposed royalty changes announced last fall by the Alberta Government.

In July of 2007, Tuscany announced that as part of a continuing review of business and strategic opportunities available to the Company, the Company's board of directors authorized management to examine corporate restructuring alternatives that may be beneficial to Tuscany shareholders. No alternatives were presented which the board of directors believed were better than continuing ongoing operations at this time.

Therefore in order to improve the financial stabilities of Tuscany, on September 23, 2007, the company announced a $750,000 non-brokered private placement on a flow-through basis. The offering was subsequently over-subscribed and was increased to $1 M and the company closed the financing in mid-October, 2007. The proceeds of the offering will be used for Tuscany's Canadian exploration and development program on expenditures, which satisfy flow-through requirements.

Throughout the year, Tuscany focused on the development of its core area at Evesham, Saskatchewan and Wildwood in west-central Alberta, as a result of its new discovery well that was completed in December, 2006 at Wildwood, Alberta.

Exploration and Development

Saskatchewan

In January 2007, Tuscany completed the equipping and tie-in of one of its heavy oil wells (100%) drilled in December, 2006 at Evesham, Saskatchewan. The 14-21-39-27 W3M well commenced production in February, 2007 and has averaged 17 Bbls per day for the year. Later in the year, Tuscany successfully drilled one (100%) infill well at Evesham, which was placed on production in November, 2007. The 6-21-39-27 W3M well averaged 15 Bbls per day for the remaining portion of the year.

The Company was delayed in bringing on the 12-16-39-27 W3M at Evesham (0.5 net) due to wet field conditions, however, in October, 2007, the well commenced production with average daily production of 127 Mcf per day and is producing on a 1½-inch line restricted basis, limiting the maximum allowable flow rate to 180 Mcf per day.

Alberta

Tuscany's new discovery well (0.3 net) at Wildwood, Alberta was finally completed and tied-in during the fourth quarter of 2007. Regulatory approvals were the major cause for the delays in the construction of the facility and installation of related equipment. On January 2, 2008, the well was placed on production and has performed beyond the Company's expectation. Gross production from the well is currently averaging approximately 1MMcf per day and 140 Bbls per day of oil. As a result of the work completed during the year, Tuscany was able to reclassify a significant portion of its proved reserves to the proved producing category in the 2007 reserves report prepared by McDaniel & Associates Consultants Ltd., the company's independent reserve evaluators.

The Company has also identified additional opportunities in proximity of the new discovery well at Wildwood and is currently evaluating its proprietary 2D seismic that was shot in December of 2007. Additional 2D trade data was also purchased in the first quarter of 2008 to further evaluate the prospects. Earlier in 2007, the Company was successful in acquiring 1920 acres (1280 net acres) of undeveloped land at the Alberta Land Sale. The Company continues to review additional technical data to evaluate the potential of additional interests in the area.

Financial

Revenue for 2007 totaled $1.9 million compared with $2.2 million in 2006. The Company reported negative cash flow from operations of $108, 000 compared with cash flow of $367,000 or $0.01 per share in 2006. Tuscany reported a loss for the year of $836,000 or $(0.03) per share versus a net loss of $664,000 or $0.03 per share in 2006.

Capital expenditures for 2007 totaled $1.25 million compared with $2.5 million in 2006 and were financed by bank borrowings, a $1.0 million flow-through share financing and debt.

Tuscany ended the year with a net debt of $3.1 million compared with $2.7 million at the beginning of the year.

Business Outlook

The Company remains optimistic as a more positive outlook for the energy industry could lead to a significant improvement in market conditions during 2008.

Additional production from Tuscany's Wildwood well in Alberta should offset the production decline in Saskatchewan and by the end of Q1 2008, the Company's production will have increased to over 220 Boed. This production increase, combined with record high oil prices, should bring the Company's balance sheet to a healthier state by mid-year. The Company continues to evaluate alternate business matters to enhance share value and the future of Tuscany.

As the Company continues to focus on optimizing its assets, Tuscany plans to carefully manage its cash and allocate its remaining 2007 flow-through obligations of $800,000 within its core areas that will ultimately create additional cash flow and increase the company's production and reserves.

On behalf of the Board,

Signed "Greg T. Busby"
President
April 25, 2008

Signed "Robert W. Lamond"
Chairman

Oil & Gas Reserves

The December 31, 2007 McDaniel & Associates Consultants Ltd. prepared a reserves report utilizing the methodology and definitions as set out under National Instrument 51-101. The reserve data provided in this annual report represents only a portion of the disclosure required under NI 51-101. Additional disclosure is provided by the Company's electronic filing of NI 51-101 found on SEDAR at www.sedar.com.

During 2007 Tuscany drilled one infill oil well in its Evesham property in Saskatchewan and completed and tied in its oil and gas well at Wildwood in Alberta. As a result of the work completed during 2007, Tuscany was able to reclassify a significant portion of its proved reserves to proved producing and by the end of the first quarter of 2007, had increased its production to over 220 BOE/d.

Reserves – Forecast Prices and Costs

As of December 31, 2007

Reserves Category[1]	Heavy Oil		Light Oil		Natural Gas	
	Gross (MBbl)	Net (MBbl)	Gross (MBbl)	Net (MBbl)	Gross (MMcf)	Net (MMcf)
Proved						
Developed producing	280	271	22	19	589	485
Developed non-producing	56	54	-	-	-	-
Total proved	336	325	22	19	589	485
Probable	110	106	8	6	188	156
Total proved plus probable	446	431	30	25	777	641

(1) As at December 31, 2007 determined by McDaniel, independent reserves evaluation consultants. Gross reserves include on working interest reserves. Net reserves are the Company's share of all reserves including royalty interest reserves after deduction for crown, freehold and other royalties.

Reserves Category[1] ($ thousands)	Undiscounted	Discounted at (5%)	(10%)	(15%)	(20%)
Proved					
Developed producing	7,858	6,897	6,109	5,482	4,980
Developed non-producing	1,668	849	475	292	197
Total proved	9,526	7,746	6,584	5,774	5,176
Probable	3,621	2,117	1,394	999	763
Total proved plus probable	13,147	9,863	7,978	6,773	5,939

(1) As at December 31, 2007 determined by McDaniel, independent reserves evaluation consultants. Discounted data represents the present value of estimated future cash flow before income taxes. As required by NI 51-101, undiscounted well abandonment costs of $1.0 million are included in the net present value calculation.

Forecast Prices

Year	WTI @ Cushing $US/bbl	Edmonton Reference $Cdn/Bbl	Hardisty Bow River $Cdn/Bbl	Henry Hub $US/Mmbtu	Alberta Spot $Cdn/Mmbtu	Saskatchewan Spot $Cdn/Mmbtu
2008	90.00	89.00	64.70	7.75	6.60	6.80
2009	86.70	85.70	62.30	8.40	7.20	7.40
2010	83.20	82.20	59.70	8.40	7.20	7.40
2011	79.60	78.50	57.00	8.40	7.20	7.40
2012	78.50	77.40	56.20	8.55	7.30	7.50
2013	77.30	76.20	55.30	8.75	7.50	7.70
2014	78.80	77.70	56.40	9.05	7.70	7.95
2015	80.40	79.30	57.50	9.30	7.95	8.20
2016	82.00	80.80	58.70	9.55	8.20	8.45
2017	83.70	82.50	59.90	9.80	8.45	8.70
2018	85.30	84.10	61.10	10.05	8.65	8.90
2019	87.00	85.80	62.30	10.35	8.90	9.15
2020	88.80	87.50	63.60	10.65	9.20	9.45
2021	90.60	89.30	64.80	10.95	9.45	9.70
2022	92.40	91.10	66.10	11.15	9.65	9.90

All costs are escalated at 2% per year from 2008. All prices are escalated at 2% per year after 2022. A Cdn/US exchange rate of $1.00 was assumed constant for all years presented in this table.

MANAGEMENT'S DISCUSSION AND ANALYSIS

The following management's discussion and analysis ("MD&A") of financial condition should be read in conjunction with Tuscany Energy Ltd.'s ("Tuscany" or the "Company") audited financial statements and notes thereto for the years ended December 31, 2007 and 2006 and the unaudited financial statements for the three months and year ended December 31, 2007 and 2006. Additional information relating to Tuscany can be found on the SEDAR website at www.sedar.com. All dollar amounts are in Canadian dollars unless otherwise stated. This MD&A has been prepared as at April 21, 2008.

Where amounts are expressed on a barrel of oil equivalent (boe) basis, natural gas volumes have been converted to barrels of oil at six thousand cubic feet (mcf) per barrel (bbl). Boe figures may be misleading, particularly if used in isolation. A boe conversion of six thousand cubic feet per barrel is based on an energy equivalency conversion method primarily applicable at the burner tip and does not represent a value equivalency at the wellhead. References to oil in this discussion include crude oil and natural gas liquids (NGLs). NGLs include condensate, butane and propane.

Forward-Looking Statements

This MD&A contains certain forward-looking statements that are based on assumptions about future events and are subject to risks and uncertainties that may cause actual results to vary materially from these statements. These assumptions are considered to be reasonable by management at the time of preparation and are reflective of management's current beliefs, market research and industry analysis currently available to them. The reader is cautioned that historical results are not necessarily indicative of future performance.

All estimates and statements contained in this MD&A that describe Tuscany's future plans, goals and objectives include, but are not limited to, management's assessment of expected production rates and the decline rates thereof, timing of and delays in the tie-in of wells, the effects of third party infrastructure issues, the timing and expected level of capital expenditures and the method of funding them may constitute forward-looking information under securities laws.

A number of factors could cause actual results to differ materially from the estimates and statements discussed in this MD&A including, but not limited to risks associated with oil and gas exploration, development, exploitation, production, marketing and transportation, loss of markets, volatility of commodity prices including currency fluctuations, imprecision of reserves estimates, environmental risks, competition from other producers, inability to retain industry services, incorrect assessment of the value of acquisitions, failure to realize the anticipated benefits of acquisitions, delays resulting from or inability to obtain required regulatory approvals and the ability to access sufficient capital from internal and external sources. As a consequence Tuscany's actual results, performance or achievements could differ materially from those expressed in, or implied by, these forward-looking statements and, accordingly no assurance can be given that any events anticipated by the forward-looking statements will transpire or occur, or, if any of them do so, what benefits Tuscany will derive from them. The reader is cautioned that the foregoing list of factors is not exhaustive. Furthermore, the forward-looking statements contained in this MD&A are made as at the date of this MD&A and the Company does not undertake any obligation to update publicly or to revise any of the included forward-looking statements, whether as a result of new information, future events or otherwise, except as may be required by applicable securities laws.

Non-GAAP Financial Measurements

This MD&A contains the terms "cash flow from operations" and "field netbacks", which do not have a standardized meaning prescribed by Canadian GAAP and therefore may not be comparable with the calculation of similar measures by other companies. Tuscany uses cash flow from operations and field netbacks as key measures of performance and are not intended to represent operating profits or an alternative to cash flow provided by operating activities, net earnings or other measures of financial performance calculated in accordance with GAAP. The reconciliation between net earnings and cash flow from operations can be found in the statement of cash flows included in the financial statements. Field netbacks are determined by deducting royalties and production expenses from total oil and gas revenue, and dividing by total production. The Company calculates cash flow from operations per share using the same method and shares outstanding that are used in the determination of net earnings/loss per share.

Critical Accounting Estimates

Full Cost Accounting

The Company follows the full cost method of accounting for its oil and gas activities, whereby all costs related to the acquisition of, exploration for and development of oil and gas properties and related reserves are capitalized. Such costs include land acquisition costs, geological and geophysical expenditures, costs of drilling both productive and non-productive wells, production equipment, a portion of general and administrative expenditures related to exploration activities and the estimated net present value of related future asset retirement obligations. Proceeds from the disposal of oil and gas properties and production equipment are applied as a reduction of the cost of the remaining assets, except when such a disposal would change the depletion and depreciation rate by more than 20%, in which case a gain or loss on disposal would be recorded.

Capitalized costs of oil and gas properties and production equipment, excluding the cost of unproved properties, are depleted and depreciated using the unit-of-production method based on estimated proven reserves of oil and gas before royalties as determined by an independent reserve engineer. Costs of acquiring and evaluating unproven properties are excluded from costs subjects to depletion until it is determined whether proven reserves have been established or impairment occurs.

Oil and Gas Reserves

The Company determines its reserves in accordance with National Instrument NI 51-101, the standard of disclosure for oil and gas activities. The oil and gas reserve estimates are also made using all available geological and reservoir data as well as historical production data. Estimates are reviewed and revised as appropriate. Revisions occur as a result of changes in prices, costs, fiscal regimes, reservoir performance or a change in the Company's capital expenditure activities.

Impairment of Property and Equipment

The Company applies a ceiling test to capitalized costs on a quarterly basis to ensure that such costs do not exceed the fair value of the properties. The capitalized costs are assessed to be recoverable when the sum of the non-discounted cash flows expected from the production of proved reserves, undeveloped land and future development projects exceeds the carrying amount of the cost center. When the capitalized costs are not assessed to be recoverable, an impairment loss is recognized to the extent that the carrying amount of the cost center exceeds the sum of the discounted cash flows expected from the production of proved and probable reserves, undeveloped land and future development projects of the cost center. The cash flows are estimated using expected future product prices and costs and are discounted using a risk-free interest rate.

Asset Retirement Obligations

The Company recognizes the fair value of a liability for an asset retirement obligation in the period in which it is incurred and records a corresponding increase in the carrying value of the related long-lived asset. The fair value is determined through a review of industry guidelines and management's estimate on a well by well basis. The liability is subsequently adjusted due to the passage of time and is recognized as an accretion expense in the statement of operations and retained earnings. The liability is further adjusted due to revisions in either the timing or the amount of the original estimated cash flows associated with the liability. The increase in the carrying value of the capital asset is amortized using the unit of production method based on estimated gross proven reserves as determined by independent engineers.

Stock Based Compensation

Under the Company's stock option plan, options to purchase common shares are granted to directors, officers and employees at current market prices. Options issued by the Company since January 1, 2003, have been recorded utilizing the "fair value method" of accounting for stock-based compensation whereby the value of the option is charged to income with an offsetting amount recorded to contributed surplus. The fair value of each option granted is estimated on the date of grant using the Black-Scholes option pricing model.

Changes in Accounting Policies

The interim financial statements of the Company and notes thereto for the three months and year ended December 31, 2007, have been prepared using the same accounting policies and methods as were used for the financial statements for the years ended December 31, 2007 and 2006, except for the following new accounting pronouncements which have been adopted effective January 1, 2007:

Comprehensive Income

Section 1530 introduces the concept of comprehensive income to Canadian GAAP. Comprehensive income is the change in equity (net assets) of the Company during a reporting period from transactions and other events and circumstances from non-owner sources. It includes all changes in equity during a period except those resulting from investments by owners and distribution to owners.

Financial Instruments

Section 3855, Financial Instruments – Recognition and Measurement prescribes when a financial asset, financial liability, or non financial derivative is to be recognized on the balance sheet as well as its measurement amount. This section also specifies how financial instruments gains and losses are to be presented. Tuscany includes all transaction costs that are directly attributable to the acquisition or issue of a financial asset or financial liability with the fair value of the financial asset or financial liability. These adjustments were previously recorded in deferred charges. Transaction costs included with the fair value of the financial asset or financial liability will be amortized using the effective interest method.

In addition the Company also adopted Section 3251, Equity and Section 3861, Financial Instruments – Disclosure and Presentation. The adoption of these new standards has not resulted in any material changes in accounting and presentation for financial instruments and hedging relationships for the Company. The adoption of these standards had no impact on opening retained earnings or opening accumulated other comprehensive income.

Internal Controls over Financial Reporting

Through the design of internal controls, the Chief Executive Officer and Chief Financial Officer have identified two material weaknesses related directly to the small size of the Company: one, due to the limited number of staff at Tuscany, it is not feasible to attain complete segregation on incompatible duties; and two, due to limited funds available for general and administrative expenses, the Company cannot employ a sufficient number of finance personnel with the technical accounting knowledge to address all complex and non-routine accounting transactions that may transpire over the normal course of business.

The weaknesses in Tuscany's internal controls over financial reporting allow for a greater likelihood that a material misstatement would not be prevented or detected. Management and the Board of Directors mitigate the risk of material misstatement in financial reporting by performing a detailed review of monthly operational and financial reports; however, a control system, no matter how well conceived or administrated, can provide only reasonable, not absolute, assurance that the objectives of the control system are met.

Contractual Obligations

At December 31, 2007, the Company had a $800,000 remaining obligation to incur Canadian Exploration Expenditures which was required to be spent by December 31, 2008. Tuscany has a demand revolving credit facility with a Canadian bank. Additional disclosure relating to bank debt is provided in the notes to the financial statements.

At December 31, 2007, the Company had a revolving non-reducing operating demand loan with a maximum amount available of $3,000,000 (2006 - $3,000,000) which revolves by increments of $20,000. Amounts drawn down under the facility bear interest at the bank's prime rate plus 1%, resulting in an effective rate of 7% at December 31, 2007; there is a standby fee of 1/5 of one percent on undrawn amounts. At December 31, 2007, the amount drawn on the operating demand loan is $1,985,000.

The loan is secured by an interest over all property, a general assignment of book debts and a floating charge on all lands. The facility is subject to both an annual review by May 31, 2008 and certain affirmative financial covenants. As at December 31, 2007, the Company was not in compliance with the working capital covenants. The company has received a waver of the breach from the lender.

Outstanding Share Data

The Company had 36,550,836 common shares issued and outstanding as at April 21, 2008.

Off-Balance Sheet Arrangements

The Company does not have any special purpose entities nor is it a party to any arrangement that would be excluded from the balance sheet as of the date of this report.

Financial and Other Instruments

The Company's financial instruments consist of cash, receivables, prepaids, accounts payable, accrued liabilities and bank loans. Unless otherwise stated, it is management's opinion that the Company is not exposed to significant interest, currency or credit risk arising from financial instruments. The fair value of these financial instruments approximates their carrying value due to their short-term maturity or capacity of prompt liquidation.

The Company, in management's opinion, is not exposed to currency risk and does not use any derivative instruments to value its exposure to fluctuations in foreign currency exchange rates.

Tuscany does not have a hedge or other commodity risk control strategy in place. Management will consider employing such strategies once the Company has sufficiently advanced beyond its current production profile.

Selected Quarterly Information

Financial Highlights

	For the Three months ended							
(unaudited)	2007				2006			
($ thousands, except per share amounts)	**Dec 31**	**Sept 30**	**June 30**	**March 31**	**Dec 31**	**Sept 30**	**June 30**	**March 31**
Total revenue, net of royalty	468	469	490	469	527	603	518	547
Cash flow (defiency)								
from operations	34	(80)	84	(146)	(14)	126	59	196
Per share - basic and diluted	(0.00)	(0.00)	0.0	(0.01)	(0.00)	0.01	0.00	0.01
Net earnings (Loss)	568	(1,026)	(92)	(286)	(358)	(111)	(122)	(73)
Per share - basic and diluted	0.02	(0.04)	(0.00)	(0.01)	(0.01)	(0.00)	(0.01)	(0.00)
Net capital expenditures	790	11	275	184	1,079	18	144	1,117
Total assets	9,141	8,117	8,706	8,675	8,756	8,731	8,954	9,089
Net debt	(3,125)	(2,970)	(3,278)	(3,087)	(2,757)	(2,081)	(2,190)	(2,105)

Results of Operations

(three and twelve month data disclosed herein is unaudited)

Sales Volumes

	Three Months Ended December 31		Years Ended December 31	
	2007	2006	**2007**	2006
Natural gas (Mcf/d)	**265**	297	**228**	367
Heavy oil and NGLs (Bbl/d)	**84**	103	**92**	101
Average (Boe/d)	**128**	152	**130**	162

The Company's gas sales in 2007 experienced steeper than anticipated declines as a well at Macklin watered out in the second quarter. As a result, Tuscany's 2007 natural gas sales for the year ended December 31, 2007, were 228 Mcf per day compared to 367 Mcf per day in 2006. Tuscany's total sales declined 20%, averaging 130 Boe per day for the year ended 2007 compared to 162 Boe per day in 2006. Tuscany anticipates production from its well at Wildwood to reverse this production decline in 2008.

Selling Prices

	Three Months Ended December 31		Years Ended December 31	
	2007	2006	**2007**	2006
Natural gas ($/mcf)	**5.91**	6.28	**6.23**	6.16
Heavy oil and NGLs ($/Bbl)	**50.10**	40.92	**47.53**	45.28
Average ($/Boe)	**45.07**	39.86	**44.56**	42.14

During 2007, the Company received an average of $47.53 per Bbl for its crude for the year compared to $45.28 per Bbl received in 2006. The Company received $6.23 per Mcf for its natural gas in 2007 compared to $6.16 per Mcf in 2006.

Sales Revenue

	Three Months Ended December 31		Years Ended December 31	
($ thousands)	**2007**	2006	**2007**	2006
Natural gas	**142**	171	**518**	825
Oil and NGLs	**383**	386	**1,596**	1,662
Total	**525**	557	**2,114**	2,487

Total revenue decreased 12% from the $2,487,000 received in 2006 to $2,114,000 realized in 2007 An improvement in heavy oil prices offset a decrease in heavy oil sales as heavy oil revenues decreased to $1,596,000 from $1,662,000 recorded in the comparative period of 2006. Lower natural gas sales offset an increase in price and natural gas revenue declined 37% to 518,000 during 2007.

Royalty Expense

	Three Months Ended December 31		Years Ended December 31	
($ thousands)	**2007**	2006	**2007**	2006
Royalties	**54**	31	**218**	292
Per Boe	**4.59**	2.00	**4.59**	4.95

The Company's average royalty rate for 2007 was 10% or $4.59 per Boe. By comparison, in 2006 the Company incurred an average royalty rate of 12% or $4.95 per Boe.

On October 25, 2007, the Alberta government announced changes to the Alberta royalty framework that will take effect on January 1, 2009. Based on the Company's review of this new royalty structure, the Company's current production remains unaffected as the majority of Tuscany's production is in Saskatchewan. However, over the longer term, the actual effect will be determined based on the actual legislation enacted, production rates, commodity prices, foreign exchange rates, production mix and service costs as they exist on January 1, 2009.

Operating Expense

($ thousands)	Three Months Ended December 31 2007	2006	Years Ended December 31 2007	2006
Routine maintenance & third party costs	**226**	178	**762**	730
Workovers including pump repairs	**20**	122	**253**	263
Total	**246**	300	**1,015**	993
Per Boe	**20.89**	21.44	**21.39**	16.83

The Company experienced higher than anticipated operating costs in the year ended 2007 as a result of a number of well workovers (sand cleanouts and down-hole pump changes) done on its heavy oil wells at Evesham and Macklin during the year. In addition there was a general increase in operating costs in the industry. Tuscany has initiated a facility optimization plan to increase operational efficiencies and reduce operating costs in the future.

General and Administrative Expense

($ thousands)	Three Months Ended December 31 2007	2006	Years Ended December 31 2007	2006
Gross total	**135**	234	**819**	746
Capitalized overhead	**-**	(55)	**-**	(55)
Net total	**135**	179	**819**	691
Per Boe	**11.46**	12.80	**17.26**	11.72

General and administrative expenses of $819,000 ($17.26 per Boe) increased substantially over the $691,000 ($11.72 per Boe) spent in 2006. Higher staffing costs were incurred as a direct result of hiring additional technical personnel and their related recruiting costs. In addition, the Company incurred increased administrative costs that resulted from fees associated with the Company's compliance responsibilities such as reserve evaluations, auditing and quarterly review costs. During the third quarter of 2007, the operation staff component was significantly reduced and, as a result, General and Administration costs were lower in the fourth quarter.

Financing Charges

($ thousands)	Three Months Ended December 31 2007	2006	Years Ended December 31 2007	2006
Total	**54**	62	**193**	143
Per Boe	**4.59**	4.43	**4.07**	2.43

Tuscany's interest expense for 2007 increased to $193,000 from the $143,000 incurred in 2006. The increased interest expense resulted from the higher average debt levels outstanding during 2007.

Depletion, Depreciation and Accretion

	Three Months Ended December 31		Years Ended December 31	
($ thousands)	**2007**	2006	**2007**	2006
Depletion and depreciation	**226**	229	**828**	1,031
Accretion	**13**	13	**52**	47
Total	**239**	242	**880**	1,078
Per Boe	**20.30**	16.40	**18.55**	18.25

Depletion and depreciation charges calculated on a unit of production method are based on total proved reserves. In 2007, depletion, depreciation and accretion expense decreased to $880,000 from $1,078,000 recorded in 2006 due in most part to the decline in production. On a per unit basis, depletion and depreciation expense increased from $18.25 Boe recorded in 2006 to $18.55 per Boe in 2007. Included in the Company's 2007 depletion and depreciation expense is $52,000 (2006 – $46,000) related to the Company's year-to-date asset retirement cost. Accretion represents the time value of the Company's asset retirement obligation and will continue to increase with time and increases in Tuscany's asset retirement obligations.

Income Taxes

At December 31, 2007, the Company had the following tax deductions available to reduce future taxable income:

($ thousands)	**2007**	2006
Canadian oil and gas property expense	**4,969**	4,955
Foreign exploration and development expense	**1,812**	1,812
Undepreciated capital cost	**1,581**	1,155
Non-capital losses	**1,214**	1,027
Canadian development expense	**195**	173
Canadian exploration expense	**374**	6
ACRI	**146**	146
Share issuance costs	**155**	232
Total	**10,446**	9,506

During the second quarter of 2006, the Alberta, Saskatchewan and Federal Governments each announced changes to its corporate tax regime. These changes included the elimination of the Federal Large Corporation Tax effective January 1, 2006, the elimination of the Federal Surtax effective January 1, 2008, the reduction in the Alberta corporate tax rate from 11.5% to 10% commencing April 1, 2006, a scheduled reduction in the Saskatchewan corporate tax rate from 13.5% to 12% commencing July 1, 2006 through July 1, 2008 and a scheduled reduction in Federal corporate tax rate from 21% to 15% commencing January 1, 2008 through January 1, 2012. These revised tax rates have been used in the calculation of the Company's future income tax provision which will effectively reduce the Company's 2007 statutory tax rate of 33.7% to 25.7% by 2012.

During 2007, Tuscany accumulated additional future tax benefits of $66,000 increasing the future tax asset evaluation to the Company to $775,000.

Net Loss and Cash Flow (Deficiency) from Operations

Tie-in delays related to two gas wells completed in December 2006 combined with higher than expected workovers on the Company's heavy oil properties in Saskatchewan, and increased general and administrative costs contributed to a cash deficiency of $108,000 for 2007 compared to cash flow from operations of $367,000 for the comparative period of 2006. As a result of the Company's higher cash expenses and lower than anticipated revenues and a valuation allowance for future tax expense, the Company recorded a net loss of $836,000 for the year versus a net loss of $664,000 for the same period of 2006.

Capital Expenditures

	Three Months Ended December 31		Years Ended December 31	
($ thousands)	**2007**	2006	**2007**	2006
Land and seismic	**150**	196	**228**	317
Drilling and completions	**368**	961	**511**	1,875
Production equipment	**270**	75	**520**	311
Office	**1**	3	**1**	12
Total capital expenditures	**789**	1,235	**1,260**	2,515
Property dispositions	**-**	(156)	**-**	(156)
Net capital expenditures	**789**	1,079	**1,260**	2,358

In the fourth Quarter, Tuscany drilled an infill oil well at Evesham which commenced production in November 2007and tied in a well at Wildwood which commenced production in January 2008.

Liquidity and Capital Resources

($ thousands)	**2007**	2006
Cash flow (deficiency) from operations	**(108)**	367
Proceeds from common shares issued	**1,000**	418
Increase (decrease) in bank debt	**(65)**	960
Decrease in working capital	**433**	613
Total	**1,260**	2,358

The Company's 2007 operations and capital expenditures were funded entirely from bank borrowings and a $1.0 million flow through share issue. Tuscany's operating demand loan provides for a line of credit of $3.0 million (2006 – $3.0 million) of which $1.0 million (2006 – $1.0 million) remained unused at year-end. Tuscany has $800,000 remaining to spend on exploration costs prior to December 31, 2008. Management anticipates that the additional cash generated from increasing prices and increased production from the Wildwood well coming on-stream, will fund the Company's exploration and production program.

At December 31, 2007, Tuscany had 36.550.836 common shares issued and options to purchase an additional 670,000 common shares outstanding with a weighted average exercise price of $0.28 per share.

Business Risks

The business of exploring for, developing and producing oil and natural gas reserves involves substantial financial, operational and regulatory risk that have the potential to significantly affect Tuscany's results.

Operationally, there is substantial exploration risk related to the human and capital resources allocated to find oil and natural gas reserves in economic quantities. Selling profitable reserves may be delayed for long periods of time due to processing constraints through third party plants or lack of transportation capacity through third party gathering systems. Forecast production from oil and natural gas reservoirs may decline more quickly than anticipated, resulting in lower cash flow and lower reserve recovery. Tuscany competes directly for petroleum and natural gas leases and field services with entities that have greater technical and financial resources.

Financially, the price Tuscany receives for oil, natural gas and natural gas liquids fluctuates continually and, for the most part, is beyond the Company's control. Tuscany's growth is partially dependent upon external sources of financing which may not be available on acceptable terms.

Tuscany's operations are subject to extensive environmental controls and regulations by various levels of government and there is risk that future changes in government policy could adversely impact Tuscany's profitability.

Related Party Transactions

At December 31, 2007, Humboldt Capital Corporation and certain of its officers and directors owned 30% (2006 – 23.7%) of the outstanding shares of Tuscany. Tuscany and Humboldt have certain common officers and directors. Humboldt's business includes the ownership, acquisition and sale of securities in other companies in the oil and gas industry and Humboldt owns significant interests in companies in the oil and gas sector, which compete with Tuscany and operate jointly with Tuscany, from time to time, in certain areas. On October 22, 2007, Tuscany issued 4,000,000 common shares to Humboldt on a flow-through basis at a price of $0.10 per share. The issue to Humboldt was part of a 10,000,000 share private placement issue for Tuscany.

These transactions were in the normal course of business and have been measured at the exchange amount which is the amount established and agreed upon by the related parties.

Application of Critical Accounting Estimates

Tuscany's financial statements have been prepared in accordance with generally accepted accounting principles in Canada. The significant accounting policies used by Tuscany are disclosed in Note 1 to the Financial Statements. Certain accounting policies require that management make appropriate decisions with respect to the formulation of estimates and assumptions that affect the reported amounts of assets, liabilities, revenues and expenses. The following discusses such accounting policies and is included in Management's Discussion and Analysis to aid the reader in assessing the critical accounting policies and practices of the Company and the likelihood of materially different results being reported.

Tuscany's management reviews its estimates regularly. The emergence of new information and changed circumstances may result in actual results or changes to estimated amounts that differ materially from current estimates.

The following assessment of significant accounting policies is not meant to be exhaustive. The Company might realize different results from the application of new accounting standards promulgated, from time to time, by various rule-making bodies.

Proved Oil and Gas Reserves

Proved reserves are those reserves that can be estimated with a high degree of certainty to be recoverable. It is likely that the actual remaining quantities recovered will exceed the estimated proved reserves.

The estimated quantities of proved crude oil, natural gas liquids including condensate and natural gas that geological and engineering data demonstrate with reasonable certainty can be recovered in future years from known reservoirs under existing economic and operating conditions, i.e. prices and costs as of the date the estimate is made.

Reserves are considered proved if they can be produced economically as demonstrated by either actual production or conclusive formation tests.

The oil and gas reserve estimates are made using all available geological and reservoir data as well as historical production data. Estimates are reviewed and revised as appropriate. Revisions occur as a result of changes in prices, costs, fiscal regimes, reservoir performance or a change in the Company's plans. The effect of changes in proved oil and gas reserves on the financial results and position of the Company is described under the heading "Full Cost Accounting for Oil and Gas Activities."

Full Cost Accounting for Oil and Gas Activities

Depletion Expense

The Company uses the full cost method of accounting for exploration and development activities. In accordance with this method of accounting, all costs associated with exploration and development are capitalized whether successful or not. The aggregate of net capitalized costs and estimated future development costs less estimated salvage values is amortized using the unit of production method based on estimated proved oil and gas reserves.

An increase in estimated proved oil and gas reserves would result in a corresponding reduction in depletion expense. A decrease in estimated future development costs would result in a corresponding reduction in depletion expense.

Withheld Costs

Certain costs related to unproved properties and major development projects may be excluded from costs subject to depletion until proved reserves have been determined or their value is impaired. These properties are reviewed quarterly and any impairment is transferred to the costs being depleted.

Impairment of Long-Lived Assets

The Company is required to review the carrying value of all property, plant and equipment, including the carrying value of oil and gas assets, for potential impairment. Impairment is indicated if the carrying value of the long-lived asset or oil and gas cost center is not recoverable by the future undiscounted cash flows. If impairment is indicated, the amount by which the carrying value exceeds the estimated fair value of the long-lived asset is charged to earnings.

Asset Retirement Obligations

The Company is required to provide for future removal and site restoration costs. The Company must estimate these costs in accordance with existing laws, contracts or other policies. These estimated costs are charged to earnings and the appropriate liability account over the expected service life of the asset.

When the future removal and site restoration costs cannot be reasonably determined, a contingent liability may exist. Contingent liabilities are charged to earnings when management is able to determine the amount and the likelihood of the future obligation.

Legal, Environmental Remediation and Other Contingent Matters

The Company is required to both determine whether a loss is probable based on judgment and interpretation of laws and regulations and determine that the loss can reasonably be estimated. When the loss is determined it is charged to earnings.

The Company's management must continually monitor known and potential contingent matters and make appropriate provisions by charges to earnings when warranted by circumstance.

Income Tax Accounting

The determination of the Company's income and other tax liabilities requires interpretation of complex laws and regulations often involving multiple jurisdictions. All tax filings are subject to audit and potential reassessment after the lapse of considerable time. Accordingly, the actual income tax liability may differ significantly from that estimated and recorded by management.

Financial Reporting Update

The Canadian Institute of Chartered Accountants ("CICA") is continuously revising the CICA Handbook with new or amended accounting standards. Tuscany constantly monitors and reviews changes to the CICA Handbook and has determined that no changes were required to its accounting policies during the year ended December 31, 2007. However, several new CICA Handbook sections came into effect January 1, 2007, and were adopted by the Company. Please refer to Note 2, "Changes in Accounting Policies" in the notes to the financial statements for the year ended December 31, 2007.

In December 2006, the CICA issued a new accounting standard: Handbook Section 1535, "Capital Disclosures", requiring disclosure of information about an entity's capital and the objectives, policies, and processes for managing capital. The standard is effective for fiscal years beginning on or after October 1, 2007. The accounting standard will be implemented for Q1 2008 and is disclosure related only. The standard will not impact the financial statements for 2008.

Also in December 2006, the CICA issued two related accounting standards: Handbook Section 3862, "Financial Instruments – Disclosures" and Handbook Section 3863, "Financial Instruments – presentation". These new standards were created to expand upon and replace Handbook Section 3861, "Financial Instrument Disclosures and Presentation" and will be adopted for interim and annual financial statements beginning after January 1, 2008. The standards will not impact the financial statements for 2008.

June 2007 changes to CICA Handbook Section 1400, "General Standards of Financial Statement Presentation" are effective for interim and annual financial statements beginning after January 1, 2008. The changes in the Section align Canadian standards of financial statement presentation with those of the International Financial Reporting Standards ("IFRS"). The section includes new required disclosure if an entity is not preparing statements on a going concern basis. The standard will not impact the financial statements for 2008.

Corporate Outlook

The Company remains optimistic as a more positive outlook for the energy industry could lead to a significant improvement in market conditions during 2008.

Additional production from Tuscany's Wildwood well in Alberta should offset the production decline in Saskatchewan and by the end of Q1 2008, have increased the Company's production to over 220 Boed. This production increase, combined with record high oil prices, should bring the Company's balance sheet to a healthier state by mid-year. The Company continues to evaluate alternate business matters to enhance share value and the future of Tuscany.

As the Company continues to focus on optimizing its assets, Tuscany plans to carefully manage its cash and allocate its remaining 2007 flow-through obligations of $800,000 within its core areas that will ultimately create additional cash flow and increase the company's production and reserves.

MANAGEMENT'S REPORT

To the Shareholders of Tuscany Energy Ltd.

The accompanying financial statements of Tuscany Energy Ltd. have been prepared by management in accordance with generally accepted and consistently applied accounting principles. The Company's accounting procedures and related systems of internal controls are designed to provide reasonable assurance that its assets are safeguarded and its financial records are reliable. In recognizing that the Company is responsible for both the integrity and objectivity of the financial statements, management is satisfied that these financial statements have been prepared accordingly and within reasonable limits of materiality. Further, management is satisfied that the financial information throughout the balance of this annual report is consistent with the information presented in the financial statements.

PricewaterhouseCoopers LLP have been appointed by the shareholders of Tuscany Energy Ltd. and serve as the Company's independent auditors. The Audit Committee has reviewed these statements with management and the auditors, and has reported to the Board of Directors. The Board has approved the financial statements of Tuscany Energy Ltd., which are contained in this annual report.

(Signed) "Greg T. Busby"

Greg T. Busby
President and Chief Executive Officer

(Signed) "Robert W. Lamond"

Robert W. Lamond
Chairman

AUDITOR'S REPORT

April 21, 2008

Auditor's Report

To the Shareholders of Tuscany Energy Ltd.

We have audited the balance sheets of Tuscany Energy Ltd. as at December 31, 2007 and 2006 and the statements of operations, comprehensive loss and deficit and cash flows for the years then ended. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with Canadian generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these financial statements present fairly, in all material respects, the financial position of the Company as at December 31, 2007 and 2006 and the results of its operations and its cash flows for the years then ended in accordance with Canadian generally accepted accounting principles.

(Signed) "PricewaterhouseCoopers LLP"

PricewaterhouseCoopers LLP
Chartered Accounts
Calgary, Alberta

PricewaterhouseCoopers refers to the Canadian firm of PricewaterhouseCoopers LLP and the other member firms of PricewaterhouseCoopers International Limited, each of which is a separate and independent legal entity.

BALANCE SHEETS

As at December 31		2007		2006
Assets				
Current Assets				
Cash	**$**	**598**	$	1,717
Accounts receivable		**181,176**		285,535
Prepaid expense		**11,803**		20,372
		193,577		307,624
Property, plant and equipment (Note 4)		**8,172,393**		7,740,257
Future tax asset (Note 6)		**775,025**		708,580
Total Assets	**$**	**9,140,995**	$	8,756,461
Liabilities				
Current Liabilities				
Accounts payable and accrued liabilities	**$**	**1,333,819**	$	1,014,404
Bank debt (Note 3)		**1,985,000**		2,050,000
		3,318,819		3,064,404
Asset retirement obligation (Note 7)		**662,317**		610,420
		3,981,136		3,674,824
Shareholders' Equity				
Share capital (Note 5)		**6,137,712**		5,246,330
Contributed surplus		**150,651**		127,686
Retained earnings		**(1,128,504)**		(292,379)
		5,159,859		5,081,637
Total Liabilities and Shareholders' Equity	**$**	**9,140,995**	$	8,756,461

Approved on behalf of the Board:

(Signed) *"Greg T. Busby"* Director

(Signed) *"C.A. Teare"* Director

The accompanying notes are an integral part of these financial statements.

STATEMENTS OF OPERATIONS, COMPREHENSIVE LOSS AND DEFICIT

	Years Ended December 31	
	2007	2006
Revenue		
Petroleum and natural gas sales	**$ 2,114,314**	$ 2,487,284
Royalty expense net of ARTC	**(218,061)**	(291,925)
	1,896,253	2,195,359
Expenses		
Operating	**1,015,429**	993,340
General and administrative	**795,702**	691,464
Interest expense	**193,460**	143,157
Depletion, depreciation and accretion	**879,385**	1,078,102
Stock-based compensation (Note 5)	**22,965**	52,435
	2,906,941	2,958,498
Loss before income tax	**(1,010,688)**	(763,139)
Future income tax recovery (Note 6)	**174,563**	99,242
Loss and comprehensive loss for the year	**(836,125)**	(663,897)
Retained earnings (deficit), beginning of year	**(292,379)**	371,518
Retained earnings (deficit), end of year	**(1,128,504)**	(292,379)
Earnings (loss) per share (Note 5)		
Basic	**$ (0.03)**	$ (0.03)
Diluted	**(0.03)**	(0.03)

The accompanying notes are an integral part of these financial statements.

STATEMENTS OF CASH FLOWS

		Years Ended December 31		
		2007		2006
Cash provided by (used for):				
Operating Activities				
Net earnings (loss) for the year	**$**	**(836,125)**	$	(663,897)
Add items not involving cash				
Depreciation and depletion		**827,608**		1,031,578
Accretion		**51,777**		46,524
Stock based compensation		**22,965**		52,435
Future income tax recovery (Note 6)		**(174,563)**		(99,242)
		(108,338)		367,398
Change in non-cash working capital balances (Note11)		**576,305**		325,079
		467,967		692,477
Financing Activities				
Share issuance costs		**(500)**		(2,520)
Issuance of shares		**1,000,000**		420,420
Notes payable to shareholder		**-**		-
Bank loan advances		**(65,000)**		960,000
		934,500		1,377,900
Investing Activities				
Change in non-cash working capital balances (Note 11)		**(143,963)**		288,789
Purchase of property and equipment		**(1,259,623)**		(2,514,575)
Proceeds on disposal of property and equipment		**-**		156,000
		(1,403,586)		(2,069,786)
Increase (decrease) in cash		**(1,119)**		591
Cash, beginning of year		**1,717**		1,126
Cash, end of year	**$**	**598**	$	1,717

The accompanying notes are an integral part of these financial statements.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended December 31, 2007

1. Accounting Policies

The financial statements include the accounts of (the "Company") incorporated under the laws of Alberta and its principal activity is the exploration for and development of oil and gas properties in Western Canada.

Property, Plant and Equipment

The Company follows the full cost method of accounting for petroleum and natural gas operations. Under this method, all costs of exploration for and development of petroleum and natural gas reserves are capitalized by cost centre. Costs include lease acquisition costs, geological and geophysical expense, carrying charges on non-producing properties, costs of drilling both productive and non-productive wells and overhead charges directly related to exploration activities.

Proceeds on disposal of properties are normally applied as a reduction of the capitalized costs without recognition of a gain or loss, except where such a disposal would alter the depletion and depreciation rate by 20% or more.

Depletion and depreciation of capitalized costs are provided by using the unit of production method based on the Company's total estimated gross proven reserves, as determined by independent engineers. Natural gas reserves and production are converted to equivalent barrels of oil based on the relevant energy content. In determining the depletion base, the Company includes future costs to be incurred in developing proven reserves and excludes the costs of unproven land.

Depreciation is provided on furniture and fixtures at annual rates of 20% and for computer equipment at an annual rate of 30%, on a declining balance basis.

An impairment loss is recognized in net earnings when the carrying amount of a cost centre is not recoverable and the carrying amount of the cost centre exceeds its fair value. The carrying amount of the cost centre is not recoverable if the carrying amount exceeds the sum of the undiscounted cash flows from proved reserves. If the sum of the cash flows is less than carrying amount, the impairment loss is limited to the amount by which the carrying amount exceeds the sum of:

- the fair value of proved and probable reserves; and
- the costs of unproved properties that have been subject to a separate impairment test and contain no probable reserves.

In determining the depletion and depreciation provisions for crude oil and natural gas assets, the Company includes any excess of the net book value of those crude oil and natural gas assets over the fair value.

Asset Retirement Obligation

The Company recognizes the fair value of an Asset Retirement Obligation ("ARO") as a liability in the period in which it is incurred if a reasonable estimate of fair value can be made. The present value of the estimated ARO is capitalized as part of the net capitalized asset base and the depletion of the capitalized asset retirement cost is determined on a basis consistent with depletion of the Company's other assets. With time, accretion will increase the carrying amount of the obligation. Accretion is expensed.

Cash and Cash Equivalents

Cash includes cash and cash-like short-term investments that can be liquidated into cash on less than 90-days notice. Short-term investments are comprised of risk-free, interest bearing securities.

Joint Ventures

The Company's activities are conducted jointly with others. These financial statements reflect the Company's proportionate interest in such activities.

Stock Based Compensation Plan

The Company has a stock based compensation plan, which is described in Note 5. The Company has adopted the fair value method for accounting for stock based compensation. Using the fair value method, compensation costs of stock based compensation are estimated and charged to earnings in the period of the option grant, taking into account the vesting period of the options.

Flow-Through Shares

Share capital is reduced by the future tax effect of renouncing income tax cost to the purchaser of flow-through shares when the tax pools are renounced. The tax effect is calculated using the expected rate of tax.

Revenue Recognition

Revenue associated with the sale of crude oil, natural gas and natural gas liquids owned by the Company is recognized when title passes from the Company to its customers.

Use of Accounting Estimates

The amounts recorded for depletion, depreciation and amortization of petroleum and natural gas properties and equipment and the provision for asset retirement obligation are based on estimates. The ceiling test is based on estimates of proved reserves, production rates, oil and gas prices, future costs and other relevant assumptions. By their nature, these estimates are subject to measurement uncertainty and the effect on the financial statements of changes in such estimates in future periods could be significant.

2. Change in Accounting Policies

Comprehensive Income

The Company adopted the Canadian Institute of Chartered Accountants ("CICA") Handbook Section 1530, Comprehensive Income, on January 1, 2007. The new standard introduces comprehensive income, which consists of net income and other comprehensive income. The Company does not currently have any other comprehensive income items.

Financial Instruments

On January 1, 2007, the Company adopted CICA Section 3855, Financial Instruments – Recognition and Measurement. This standard establishes the recognition and measurement criteria for financial assets, liabilities and derivatives. All financial instruments are required to be measured at fair value on initial recognition of the instrument, except for certain related party transactions. Measurement in subsequent periods depends on whether the financial instrument has been classified as “held-for-trading,” “available-for-sale,” “held-to-maturity,” “loans and receivables” or “other financial liabilities” as defined by the standard.

Cash and cash equivalents are designated as “held-for-trading” and are measured at carrying value, which approximates fair value due to the short-term nature of these instruments. Accounts receivable are designated as “loans and receivables” and are carried at cost. Accounts payable are designated as “other financial liabilities” and are carried at cost. Long-term debt is designated as “other financial liabilities” and carried at amortized cost using the effective interest method.

In December 2006, the CICA issued a new accounting standard: Handbook Section 1535, “Capital Disclosures”, requiring disclosure of information about an entity’s capital and the objectives, policies, and processes for managing capital. The standard is effective for fiscal years beginning on or after October 1, 2007. The accounting standard will be implemented for Q1 2008 and is disclosure related only. The standard will not impact the financial statements for 2008.

Also in December 2006, the CICA issued two related accounting standards: Handbook Section 3862, “Financial Instruments – Disclosures” and Handbook Section 3863, “Financial Instruments – presentation”. These new standards were created to expand upon and replace Handbook Section 3861, “Financial Instrument Disclosures and Presentation” and will be adopted for interim and annual financial statements beginning after January 1, 2008. The standards will not impact the financial statements for 2008.

June 2007 changes to CICA Handbook Section 1400, “General Standards of Financial Statement Presentation” are effective for interim and annual financial statements beginning after January 1, 2008. The changes in the Section align Canadian standards of financial statement presentation with those of the International Financial Reporting Standards (“IFRS”). The section includes new required disclosure if an entity is not preparing statements on a going concern basis. The standard will not impact the financial statements for 2008.

3. Bank Debt

The bank loan is a revolving non-reducing operating demand loan with a maximum amount available of $3,000,000 (2006 - $3,000,000) which revolves by increments of $20,000. Amounts drawn down under the facility bear interest at the bank’s prime rate plus 1%, resulting in an effective rate of 7% at December 31, 2007; there is a standby fee of 1/5 of one percent on undrawn amounts. At December 31, 2007, the amount drawn on the operating demand loan is $1,985,000.

The loan is secured by an interest over all property, a general assignment of book debts and a floating charge on all lands. The facility is subject to both an annual review by May 31, 2008 and certain affirmative financial covenants. As at December 31, 2007, the Company was not in compliance with the working capital covenants. The company has received a waver of the breach from the lender.

4. Property, Plant and Equipment

2007	Cost	Accumulated Depletion and Depreciation	Net Book Value
Petroleum and natural gas properties	**$ 10,325,598**	**$ 2,602,518**	**$ 7,723,080**
Furniture and fixtures	**18,111**	**6,475**	**11,636**
Computer equipment	**22,816**	**8,811**	**14,005**
Asset retirement cost	**537,309**	**113,637**	**423,672**
	$ 10,903,834	**$ 2,731,441**	**$ 8,172,393**

2006	Cost	Accumulated Depletion and Depreciation	Net Book Value
Petroleum and natural gas properties	$ 9,066,706	$ 1,829,708	$ 7,236,998
Furniture and fixtures	18,111	3,025	15,086
Computer equipment	22,085	5,065	17,020
Asset retirement cost	537,188	66,035	471,153
	$ 9,644,090	$ 1,903,833	$ 7,740,257

At December 31, 2007, unproven property costs of $163,151 were excluded from the depletable cost base (2006 - $nil). No administrative expenses related to exploration and development activities were capitalized as part of property, plant and equipment (2006 - $55,156).

For the calculation of depletion expense, estimated future costs to develop the proved reserves were added to property, plant and equipment. Future costs were $62,500 (2006 - nil).

As a result of the ceiling test calculation at December 31, 2007, the Company was not required to record an impairment loss. The Company based its estimates on the future price quotes for U.S. gas at Nymex, adjusted for heat content and basis differential and for Canadian gas at the AECO price to the end of 2010 and held constant thereafter. Oil prices used were WTI for U.S. properties and Edmonton Light for Canadian properties, both adjusted for quality differentials. The following table summarizes the future benchmark prices the Company used in the impairment test for the first five years:

	WTI @ Cushing	Edmonton Reference	Henry Hub	Alberta Spot
	$US/Bbl	$Cdn/Bbl	$US/Mmbtu	$Cdn/Mmbtu
2008	85.81	84.80	7.75	7.34
2009	85.11	84.10	8.10	7.23
2010	84.54	84.49	8.84	7.27
2011	84.54	84.49	8.84	7.27
2012	84.54	84.49	8.84	7.27

5. Share Capital

Authorized

An unlimited number of common voting shares;
Unlimited number of first preferred shares; and
Unlimited number of second preferred shares.

The preferred shares may be issued from time to time in one or more series, each series consisting of a number of preferred shares as determined by the Board of Directors of the Company who may also fix the designations, rights, privileges, restrictions and conditions attaching to each series of preferred shares. There are no preferred shares issued.

Issued

	Number of Shares		Amount
Balance at December 31, 2005	25,149,436	$	5,705,982
Future tax effect on 2006 issue of flow-through shares			(878,485)
Issued of flow-through shares	1,401,400		418,833
(net of offering expenses of $2,520 and tax effect of $933)			
Balance at December 31, 2006	26,550,836	$	5,246,330
Future tax effect on 2006 issue of flow-through shares			(108,118)
Issue of flow-through shares	10,000,000		1,000,000
Share isssue cost (Net of tax effect)			(500)
Balance at December 31, 2007	36,550,836	$	6,137,712

Earnings per share

The treasury stock method is used to determine the dilutive effect of stock options, warrants and other dilutive instruments. Under the treasury stock method, only "in the money" dilutive instruments impact the dilution calculations. The diluted weighted average shares outstanding for December 31, 2007, does not include the conversion of any of the outstanding options into 670,000 common shares as the conversion would be anti-dilutive.

Basic loss per share is calculated by dividing the weighted average number of the aggregate outstanding shares during the period into net loss attributable to the shareholders.

Diluted loss per share is calculated by dividing the basic weighted average aggregate outstanding shares into the loss for the period as using the diluted weighted average shares.

Shares Outstanding

	Three Months Ended December 31		Years Ended December 31	
	2007	2006	**2007**	2006
Weighted average shares outstanding	34,050,836	25,301,762	28,441,247	25,187,831
Dilutive effect of stock options	-	-	-	37,037
Diluted weighted average shares outstanding	34,050,836	25,301,762	28,441,247	25,224,868

Stock Option Plan

As at December 31, 2007, there are a total of 670,000 options granted and outstanding under the stock option plan with a weighted average exercise price of $0.28 per share. A total of 596,667 options with a weighted average exercise price of $0.27 are exercisable at December 31, 2007.

The following summarizes information about fixed stock options outstanding at December 31, 2007:

Stock Options

	2007			2006		
		Weighted Average			Weighted Average	
	Options	Exercise Price		Options	Exercise Price	
Balance at December 31,	**870,000**	**$**	**0.29**	500,000	$	0.25
Options granted	**600,000**		**0.15**	540,000		0.33
Options expired	**350,000**		**0.17**	-		-
Options cancelled	**450,000**		**0.22**	170,000		0.34
Balance at December 31, - outstanding	**670,000**	**$**	**0.28**	870,000	$	0.29
Balance at December 31, - exercisable	**596,667**	**$**	**0.27**	456,700	$	0.27

Outstanding Stock Options

Number of Stock Options	Date of Expiry		Exercise Price
450,000	April 11, 2010	$	0.25
220,000	April 13, 2011	$	0.34
670,000			

The Company accounts for its stock based compensation plan using the fair value method whereby compensation costs have been recognized in the financial statements for share options granted to employees and directors. The impact on compensation costs of using the fair value method increased compensation costs for 2007 by $22,965 (2006 - $52,435).

The fair value of each option granted is estimated on the date of grant using the Black-Scholes option-pricing model with assumptions as follows:

	Risk Free Interest Rate (%)	Expected Life (Years)	Expected Volatility	Dividends per Share
2006	3.53	4.3	0.67	n/a
2007	4.30	4.3	0.69	n/a

Contributed Surplus

	2007	2006
Contributed surplus		
Balance, beginning of the year	**127,686**	75,251
Additions	**22,965**	52,435
Balance, end of year	**150,651**	127,686

6. Income Taxes

The provision for income taxes in the consolidated statement of operations and retained earnings varies from the amount that would be computed by applying the expected tax rate to earnings before income taxes. The expected tax rates used were those in effect for the periods. The principal reasons for differences between such "expected" income tax expense and the amount actually recorded are as follows:

Future income tax liability is comprised of temporary differences in the book value of the assets of the Company and the future income tax reductions at the expected future tax rates. The resulting temporary differences in future tax liabilities are as follows:

	2007	2006
Loss before income taxes	**(1,010,688)**	(763,139)
Computed expected income tax recovery	**(337,307)**	(282,514)
Tax effect of expenses not deductible for tax purposes:		
Stock-based compensation	**7,664**	19,411
Crown royalties	**-**	35,020
Tax effect of expenses deductible for tax purposes:		
Resource allowance	**-**	(25,908)
Atributed Canadian royalty income	**-**	(7,243)
Non deductable Expenses	**2,152**	-
Adjustment to prior tax pools	**1,206**	36,513
Impact of lower future tax rates and other	**151,721**	125,479
Provision for future income taxes	**(174,564)**	(99,242)

The significant components of the future income tax asset at December 31 are as follows:

	2007	2006
Net book value of properties and equipment	**(2,416,015)**	(2,455,994)
Tax pools	**2,974,059**	2,904,413
Asset retirement obligations	**170,325**	188,445
Share issue costs	**46,656**	71,716
Future tax asset	**775,025**	708,580

At December 31, 2007, the Company had the following tax deductions available to reduce future taxable income:

	2007	2006
Canadian oil and gas property expense	**4,969,240**	4,955,024
Canadian foreign exploration expense	**1,812,261**	1,812,261
Undepreciated capital cost	**1,580,574**	1,154,997
Non-capital loss carry forward	**1,214,009**	1,026,185
Canadian exploration expense	**374,059**	6,140
Canadian development expense	**194,987**	173,040
ACRI	**145,588**	145,588
Other	**155,249**	232,306
Total	**10,445,967**	9,505,541

7. Asset Retirement Obligation

The following table presents the reconciliation of the beginning and ending aggregate carrying amount of the obligation associated with the retirement of oil and gas properties:

		2007		2006
Asset Retirement Obligation, beginning of year	**$**	**610,420**	$	483,675
Liabilities incurred		**17,627**		80,221
Change in Estimates		**(17,497)**		-
Liabilities settled		**-**		-
Accretion expense		**51,777**		46,524
Asset Retirement Obligation, end of year	**$**	**662,327**	$	610,420

The total undiscounted amount of estimated cash flows required to settle the obligation is $1,159,000 which has been discounted using an average credit-adjusted risk free rate of 8.5%. Most of these obligations are expected to be paid between 2008 and 2020.

8. Commitments

The Company issued $1 million of flow-through shares in December 2007 and has $800,000 remaining to spend on exploration costs prior to December 31, 2008.

9. Financial Instruments

The Company's financial instruments that are included in the balance sheet are comprised of cash, accounts receivable and all current liabilities.

Fair values of financial assets and liabilities

The fair values of financial instruments that are included in the balance sheet approximate their carrying amount due to the short-term maturity of those instruments.

Credit risk

A substantial portion of the Company's accounts receivable are with customers in the oil and gas industry and are subject to normal industry credit risks.

Interest rate risk

The Company is exposed to risks from interest rate fluctuation on its bank loan.

10. Related Party Transactions

At December 31, 2007, Humboldt Capital Corporation and certain of its officers and directors owned 30% (2006 – 23.7%) of the outstanding shares of Tuscany. Tuscany and Humboldt have certain common officers and directors. Humboldt's business includes the ownership, acquisition and sale of securities in other companies in the oil and gas industry and Humboldt owns significant interests in companies in the oil and gas sector, which compete with Tuscany and operate jointly with Tuscany, from time to time, in certain areas. On October 22, 2007, Tuscany issued 4,000,000 common shares to Humboldt on a flow-through basis at a price of $0.10 per share. The issue to Humboldt was part of a 10,000,000 share private placement issue for Tuscany.

These transactions were in the normal course of business and have been measured at the exchange amount which is the amount established and agreed upon by the related parties.

11. Supplemental Cash Flow Information

		2007		2006
Interest paid	$	193,460	$	119,217
Income tax paid	$	-	$	-

Changes in non-cash working capital balances		**2007**		2006
Accounts receivable	$	104,359	$	354,860
Net taxes receivable		-		(233)
Prepaid expenses		8,568		197
Accounts/notes payable and accruals		319,415		259,044
	$	432,342	$	613,868
Allocated to:				
Operating activities	$	576,305	$	325,079
Investing activities		(143,963)		288,789
	$	432,342	$	613,868

CORPORATE INFORMATION

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Trading Symbol: TUS