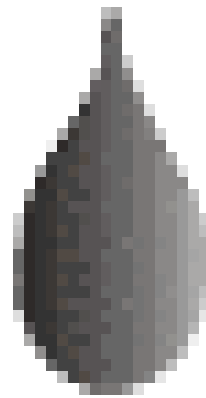


TUSCANY

ENERGY LTD.



Year Ended

December 31, 2008

MANAGEMENT'S DISCUSSION AND ANALYSIS ("MD&A")

The following management's discussion and analysis of financial condition should be read in conjunction with Tuscany's financial statements and notes thereto for the years ended December 31, 2008 and December 31, 2007. Additional information relating to Tuscany can be found on the company's website at www.tuscanyenergy.com or 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 22, 2009. Interim financial reports and quarterly financial statements were not reviewed by the Company's auditors.

Basis of Presentation

The financial data presented herein has been prepared in accordance with accounting principles generally accepted in Canada. All dollar amounts are in Canadian dollars unless otherwise indicated.

Non-GAAP Measurements – The Management's Discussion and Analysis contains the term cash flow from operations, which should not be considered an alternative to, or more meaningful as an indicator of the Company's performance than, cash flow from operating activities, as determined in accordance with accounting principles generally accepted in Canada. Tuscany's determination of cash flow from operations may not be particularly comparable to that reported by other companies especially those in other industries. The reconciliation between net earnings and cash flow from operations can be found in the statements of cash flows in the financial statements. The Company also presents cash flow from operations per share whereby per share amounts are calculated using the weighted average shares outstanding consistent with the calculation of earnings per share. In addition, the Company presents "Net debt", calculated as the aggregate of current assets and current and long term liabilities.

BOE Presentation – The term barrels of oil equivalent (BOE) may be misleading, particularly if used in isolation. A BOE conversion ratio of 6 Mcf: 1 Bbl is based on an energy equivalency conversion method primarily applicable at the burner tip and does not represent a value equivalency at the wellhead. All BOE conversions in this report are derived by converting gas to oil in the ratio of six Mcf of gas to one Bbl of oil.

Forward-looking Statements – Certain of the statements contained herein including, without limitation, financial and business prospects and financial outlook, reserve and production estimates, drilling and re-completion plans, timing of drilling, completion and tie in of wells and capital expenditures and the timing thereof may be forward looking statements. Words such as "may", "will", "should", "could", "anticipate", "believe", "expect", "intend", "plan", "potential", "continue" and similar expressions may be used to identify these forward looking statements. These statements reflect management's beliefs at the date of the report and are based on information available to management at that time. Forward looking statements involve significant risk and uncertainties.

A number of factors could cause actual results to differ materially from the results discussed in the forward looking statements 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, currency fluctuations, imprecision of reserve estimates, environmental risks, competition from other producers, inability to retain drilling rigs and other 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 ability to access sufficient capital from internal and external sources and the risk factors

outlined elsewhere herein. The recovery and reserve estimates of Tuscan's reserves provided herein are estimates only and there is no guarantee that the estimated reserves will be recovered. As a consequence, actual results may differ materially from those anticipated in the forward-looking statements. Readers are cautioned that the foregoing list of factors is not exhaustive. Additional information on these and other factors that could affect Tuscan's operations and financial results are included in reports on file with Canadian securities regulatory authorities and may be accessed through the SEDAR website (www.sedar.com) or at Tuscan's website www.tuscanyenergy.com. Although the forward looking statements contained herein are based upon what management believes to be reasonable assumptions, including but not limited to assumptions as to the price of oil and natural gas, interest rates, exchange rates and the regulatory and legal environment in which Tuscan operates, the producibility of Tuscan's reserves, the capital expenditures program and future operations and other matters, management cannot assure that actual results will be consistent with these forward looking statements. Investors should not place undue reliance on forward looking statements. These forward looking statements are made as of the date hereof and the Company assumes no obligation to update or review them to reflect new events or circumstances except as required by applicable securities laws.

Forward looking statements and other information contained herein concerning the oil and gas industry and the Company's general expectations concerning this industry are based on estimates prepared by management using data from publicly available industry sources as well as from reserve reports, market research and industry analysis and on assumptions based on data and knowledge of this industry which the Company believes to be reasonable. However, this data is inherently imprecise, although generally indicative of relative market conditions, market shares and performance characteristics. While the Company is not aware of any misstatements regarding any industry data presented herein, the industry involves risks and uncertainties and is subject to change based on various factors.

TUSCANY ENERGY LTD.

(Data disclosed herein is unaudited)

Selected Quarterly Information

(\$ thousands, except Production, Price and per share amounts)	2008				2007			
	Dec 31	Sept 30 *	June 30 *	March 31 *	Dec 31 *	Sept 30 *	June 30 *	March 31 *
Production (Boe/d)	197	197	191	161	128	122	135	135
Price (\$/Boe)	\$ 46.01	\$ 85.58	\$ 86.67	\$ 64.79	\$ 45.07	\$ 45.77	\$ 43.43	\$ 44.32
Total revenue, net of royalty	745	1,336	1,342	841	483	480	518	499
Cash flow (deficiency)								
from operations	143	656	544	374	49	(69)	112	(116)
Per share - basic and diluted	0.02	0.02	0.02	0.01	0.00	(0.00)	0.00	(0.00)
Net earnings (Loss)	(136)	192	121	67	579	(1,018)	(71)	(264)
Per share - basic and diluted	0.01	0.00	0.01	0.00	0.02	(0.04)	(0.00)	(0.01)
Net capital expenditures	1,216	102	119	105	790	11	275	184
Total assets	9,333	8,676	9,178	9,201	9,369	8,334	8,914	8,862
Net debt	(2,805)	(1,571)	(2,125)	(2,550)	(2,818)	(2,678)	(2,998)	(2,835)

* Restated see note 11

Over the past two years Tuscany's production volumes increased from 135 Boe/d in the fourth quarter of 2007 to 197 Boe/d in the fourth quarter of 2008. The Company placed a new well in the Wildwood area of Alberta on production in the first quarter of 2008. Tuscany's 30% interest in the well increased the Company's average production for 2008 by 68 Boe/d which represents 37% of the overall production for the year. In addition the Company completed a number of workovers on the heavy oil property in Saskatchewan which maintained the production levels in this area. And finally in the fourth quarter of 2008 the Company drilled a successful horizontal oil well in the Dina formation which has the potential to add significant production in 2009. Higher production and commodity prices increased revenues and cash flow for the first three quarters of 2008. In the fourth quarter production levels remained high however prices declined significantly and both revenue and cash flow were much lower. Higher cash flows throughout 2008 and a \$1,000,000 flow through financing in Q4 2007 resulted in the debt levels remaining at manageable level throughout the two year period.

Results of Operations

Sales Volumes

	Three Months Ended December 31		Years Ended December 31	
	2008	2007	2008	2007
Natural gas (Mcf/d)	332	265	398	228
Oil and NGLs (Bbl/d)	142	84	118	92
Average (Boe/d)	197	128	184	130

Tuscany's Wildwood well commenced production in January 2008 and as a result, Tuscany's production increased to average 184 Boe/d for the year ended December 31, 2008 compared with 130 Boe/d in 2007. Tuscany's production averaged 197 Boe/d for Q4 2008 remaining unchanged from Q3 2008.

Tuscany's heavy oil and associated gas production in Saskatchewan was maintained as a result of workovers completed in the second quarter of 2008.

TUSCANY ENERGY LTD.

Selling Prices

	Three Months Ended December 31		Years Ended December 31	
	2008	2007	2008	2007
Natural gas (\$/mcf)	6.76	5.91	8.42	6.23
Oil and NGLs (\$/Bbl)	48.21	50.10	83.86	47.53
Average (\$/Boe)	46.01	45.07	71.85	44.56

For the twelve months ended December 31, 2008 Tuscany received an average of \$71.85 per Boe, a significant increase in price from the same period in 2007. Most of the increase resulted from a 76% increase in oil prices.

However during Q4 2008, oil prices declined and the Company received an average of \$48.21 per Bbl for oil and liquids.

The Company received \$6.76 per Mcf for its natural gas sales in Q4 2008 compared to \$5.91 per Mcf in Q4 2007.

Subsequent to the end of the year, oil and gas prices have continued to decline and the Company anticipates it will receive lower prices for the balance of 2009.

Sales Revenue

(\$ thousands)	Three Months Ended December 31		Years Ended December 31	
	2008	2007	2008	2007
Natural gas	208	142	1,227	518
Oil and NGLs	627	383	3,621	1,596
Total	835	525	4,848	2,114

Total revenue increased 129% from \$2.1 million for the year ended December 31, 2007 to \$4.8 million ended December 31, 2008. The increase resulted from a production increase of 41% and a price increase of 61%. Production levels have remained high, however prices have declined in Q4 2008 and subsequent to the year end.

Royalty Expense

(\$ thousands)	Three Months Ended December 31		Years Ended December 31	
	2008	2007 *	2008	2007 *
Royalties	92	38	585	134
% of revenue	11%	7%	12%	6%
Per Boe	\$ 5.51	\$ 2.00	\$ 8.75	\$ 2.82

* Restated see note 12

The Company's average royalty rate for the twelve months ended December 31, 2008 was 12% or \$8.75 per Boe. By comparison, in 2007 the Company incurred an average royalty rate of 6% or \$2.82 per Boe. Sales revenue in 2007 was mainly from Saskatchewan heavy oil where low productivity wells have a low royalty rate. In 2008 42% of the Company's sales was generated from the Wildwood well in Alberta. The oil sales from this well were Crown royalty free for the year however Crown royalty on gas and freehold royalty totaled 17% and as a result increased the Company's royalty rate for the year to 12%.

TUSCANY ENERGY LTD.

Commencing January 1, 2009, the Wildwood oil production is subject to the new Alberta royalty rates, which have increased significantly and are dependent on production rates and product prices.

During 2008 the Company determined that the royalty it had been paying on gas sales in Saskatchewan has been over paid in prior years by \$307,000. The Company received a refund for the overpayment in 2008. The Company has restated the prior period royalties to reflect a reduction in 2007 royalties of \$84,000 and prior year's royalties of \$223,000.

Operating Expense

(\$ thousands)	Three Months Ended December 31		Years Ended December 31	
	2008	2007	2008	2007
Well operating expenses	104	226	1,001	762
Workovers including pump repairs	365	20	714	253
Total	469	246	1,715	1,015
Per Boe	\$ 28.07	\$ 20.89	\$ 25.64	\$ 21.39

Tuscany's operating cost for 2008 totaled \$1.7 million, \$25.64 per Boe, compared to \$1.0 million or \$21.39 per Boe in 2007. The significant increase was primarily attributable to the expense of workovers completed in Saskatchewan during 2008. Tuscany anticipates its operating costs will decrease during the next year, as workover costs will be reduced.

General and Administrative Expense

(\$ thousands)	Three Months Ended December 31		Years Ended December 31	
	2008	2007	2008	2007
Net total	283	135	685	819
Per Boe	\$ 16.94	\$ 12.80	\$ 10.24	\$ 11.72

General and administrative expenses of \$685,000 (\$10.24 per Boe) decreased substantially from the \$819,000 (\$11.72 per Boe) incurred in 2007. The staff of the Company has been significantly reduced as the board reviews the Company's future plans. General and administration costs will continue to be restrained until such time as the commodity prices recover and the Company has developed a production and cash flow base capable of sustaining a full complement of technical and administrative staff. In the interim the Company intends to share overhead costs with other related companies in order to remain financially sustainable.

Financing Charges

(\$ thousands)	Three Months Ended December 31		Years Ended December 31	
	2008	2007	2008	2007
Interest	81	54	147	193
Per Boe	\$ 4.85	\$ 4.59	\$ 2.20	\$ 4.07

Interest expense for Q4 2008 increased to \$81,000 from \$54,000 incurred in Q4 2007. For the year ended December 31, 2008 interest expenses declined to \$147,000, significantly lower than the

TUSCANY ENERGY LTD.

\$193,000 for the same period in 2007. The increased interest expense in Q4 2008 resulted from interest expenses accrued on the flow through share commitment.

Depletion, Depreciation and Accretion

(\$ thousands)	Three Months Ended December 31		Years Ended December 31	
	2008	2007	2008	2007
Depletion and depreciation	275	226	1,223	827
Accretion	14	13	53	52
Total	289	239	1,276	879
Per Boe	\$ 17.29	\$ 20.30	\$ 19.08	\$ 18.52

Depletion and depreciation charges calculated on a unit of production basis are based on total proved reserves. In Q4 2008, depletion and depreciation expense increased to \$275,000 from \$226,000 in Q4 2007 due to the combination of an increase in production volumes and a lower depletion rate. On a per unit basis, depletion, depreciation and accretion expense decreased from \$20.30 per Boe recorded in Q4 2007 to \$17.29 per Boe in Q4 2008. For the year ended December 31, 2008 depletion, depreciation and accretion rates increased to \$19.08 per Boe as a result of higher depletion rates during the first three quarters of the year. The depletion rates were reduced with the additional reserves added in the drilling of the new Dina horizontal oil well in Saskatchewan.

Accretion represents the time value of the Company's asset retirement obligation. Until the costs are incurred it will continue to increase with time, which will increase Tuscany's asset retirement obligations.

Income Taxes

At December 31, 2008, the Company had approximately \$8.9 million of tax deductions available to reduce future taxable income. Tuscany's tax pools exceed the carrying value of its assets and therefore Tuscany had a future tax asset of \$233,000. This represents the estimated future value of the excess of the tax deductions over the net book value of the assets.

Capital Expenditures

Capital Expenditures

(\$ thousands)	Three Months Ended December 31		Years Ended December 31	
	2008	2007	2008	2007
Land and seismic	100	150	300	228
Drilling and completions	1,018	368	1,046	511
Production equipment	97	270	196	520
Total capital expenditures	1,215	788	1,542	1,259

Management restricted the capital expenditure program for most of 2008 in order to maintain capital. Tuscany incurred \$1.5 million on its drilling and completion program during the twelve months ended December 31, 2008; \$1.2 million of these expenditures were incurred in Q4 2008 to satisfy a commitment for the 2007 issue of flow through shares. Tuscany will continue to review its

TUSCANY ENERGY LTD.

drilling program in light of the current pricing environment and will base its program on available cash flow.

Capital Disclosures

Tuscany's objectives when managing capital are:

- To safeguard the Company's ability to continue as a going concern, so that it can continue to provide returns for shareholders and benefits for other stakeholders, and
- To provide an adequate return to shareholders by investing in oil and gas activities commensurate with the level of risk management deems acceptable.

Tuscany targets the level of capital in proportion to its risk of achieving sufficient annualized operating cash flows to maintain its debt repayability ratio to less than twenty-four months cash flow. The Company plans to make adjustments to capital and planned expenditures in light of changes in economic conditions and risk characteristics of the underlying assets. In order to maintain or adjust the capital structure Tuscany may issue new shares, sell assets or increase its debt.

The ratio of net current debt to annualized cash flow from operations is the primary ratio of capital that Tuscany uses. Net current debt repayability is a calculation to determine the number of months required to repay net debt from recent historic cash flow from operations. The ratio is calculated as follows:

Debt Repayability

Thousands, Except months

	Three Months Ended December 31		Years Ended December 31	
	2008	2007	2008	2007
Net Debt	\$ 2,805	\$ 2,819	\$ 2,805	\$ 2,819
Annualized cash flow from operations	\$ 572	\$ 196	\$ 1,717	\$ (97)
Months estimated to repay debt	58.8	172.6	19.6	n/a

The debt repayability in 2007 was unacceptable with debt levels of \$2.8 million and a cash flow deficiency. The increase in cash flow in 2008 combined with the \$1,000,000 in new equity raised in the fourth quarter of 2007 resulted in the Company reaching its debt repayability in 2008 based on the full year's cash flow. However based on the lower prices and annualized Q4 2008 cash flow the repayability rate increased in the quarter to an unacceptable 48 months. Anticipated production levels for 2009 combined with lower anticipated commodity prices and the overhead costs should result in a lower cash flow from operations during 2009. Management's plan for the current year is to match overall capital spending and commitments with anticipated operating cash flows for the year. The Company plans to explore opportunities to continue to reduce the Company's debt levels.

The Company's \$3.3 million credit facility imposes a capital restriction that the Company's debt to equity ratio cannot exceed 2:1 and the Company's net debt cannot exceed its credit facility.

Liquidity and Capital Resources

Liquidity and Capital Resources

(\$ thousands)	2008	2007
Cash flow (deficiency) from operations	1,717	(108)
Proceeds from common shares issued	-	1,000
Increase (decrease) in bank debt	(340)	(65)
Decrease in working capital	330	433
Total	1,707	1,260

The Company's 2008 operations and capital expenditures were funded entirely from cash flow. Tuscany's operating demand loan provides for a line of credit of \$3.3 million (2007 – \$3.0 million) of which \$1.7 million remained unused at the end of the period.

Business Risks

The Company is engaged in the exploration, development, production and acquisition of crude oil and natural gas. Tuscany's business is inherently risky and there is no assurance that hydrocarbon reserves will be discovered and economically produced.

Financial risks associated with the petroleum industry include fluctuations in commodity prices, interest rates and currency exchange rates. Operational risks include competition, environmental factors, reservoir performance uncertainties, a complex regulatory environment and safety concerns.

Natural gas and crude oil prices weakened during the current fiscal quarter ended December 31, 2008, to close at spot prices of \$5.71 Mcf at Henry Hub and \$39.03 per barrel for WTI Cushing. Gas prices have continued to deteriorate since that date however oil prices have recovered somewhat. This which will cause the Company to have poor results in 2009.

The Company minimizes its business risks by focusing on a select group of properties. This enables Tuscany to have more control over the timing, direction and costs related to exploration and development opportunities. The geological focus is on areas in which the prospects are well understood by management. Technological tools are regularly used to reduce risk and increase the probability of success. The Company closely follows all government regulations and has an up-to-date emergency response plan that has been communicated to all field operations by management. Tuscany also carries insurance coverage to protect itself against potential losses.

The Company is exposed to commodity price and market risk for its principal products of petroleum and natural gas. Commodity prices are influenced by a wide variety of factors of which most are beyond the control of Tuscany.

Contractual Obligations and Commitment

In the normal course of business, Tuscany may be obligated to make future payments. These obligations represent contracts and other commitments that are known and non-cancelable. Tuscany currently has no such commitments.

The Company has asset retirement obligations with respect to the abandonment and reclamation of wells and facilities owned by the Company. Tuscany includes the present value of the estimated liabilities for such costs on its balance sheet. The total estimated undiscounted cost of these liabilities at December 31, 2008, was \$1.0 million (2007 – \$1.2 million).

The Company issued \$1 million of flow-through shares in 2007 and satisfied its spending requirement on exploration costs prior to December 31, 2008.

Off Balance Sheet Arrangements

Tuscany does not currently utilize any off balance sheet arrangements with unconsolidated entities to enhance liquidity and capital resource positions or for any other purpose.

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 twelve month period ended December 31, 2008. However, four new Handbook Sections were adopted in the first quarter which affect disclosure and presentation:

- 1) Handbook Section 1535, "Capital Disclosures",
- 2) Handbook Section 3862, "Financial Instruments – Disclosures",
- 3) Handbook Section 3863, "Financial Instruments – presentation", and
- 4) Handbook Section 1400, "General Standards of Financial Statement Presentation".

Please refer to Note 2, "Changes in Accounting Policies" in the notes to the financial statements for the year ended December 31, 2008.

International Financial Reporting Standards (IFRS) Conversion

During 2008, the CICA Accounting Standards Board ("ACSB") confirmed the changeover to IFRS from Canadian GAAP will be required for publicly accountable enterprise's interim and annual financial statements effective for fiscal years beginning on or after January 1, 2011. The changeover to IFRS represents a change due to new accounting standards. The transition from current Canadian GAAP to IFRS is a significant undertaking that may materially affect the Company's reported financial position and operations.

The International Accounting Standards Board has issued an exposure draft relating to certain amendments and exemptions to IFRS in order to make it more useful to Canadian entities adopting IFRS for the first time. One such exemption relating to full cost accounting is expected to reduce the administrative burden in the transition from current Canadian Accounting Guideline 16 to IFRS. It is anticipated that this exposure draft will not result in an amended IFRS 1 standard until late 2009. The amendment will potentially permit the Company to apply IFRS prospectively to their full cost pool, rather than the retrospective assessment of capitalized exploration and development expenses, with the requirement that an impairment test, under IFRS standards be carried out at the transition date.

To date, the CFO, the primary sponsor for the project, has prepared a summary level changeover plan for IFRS conversion that has been presented to the Audit Committee of the Board of Directors. Hallmarks of the changeover plan include, initial definition of the tasks required for conversion, a timeline for the completion of the tasks, an estimate of the effort and duration associated with the conversion, prioritization of tasks, and the assignment of key personnel within the organization.

The conversion plan has been divided into three distinct phases and management will begin the phase one planning process on July 1, 2009.

Phase One:

Identification of a project work plan that outlines potential conversion issues unique to our industry. This phase assigns ownership responsibility for each of those issues, estimates the time, duration and costs associated with each major deliverable within the plan, and presents an overall project timeline and in- progress reporting from key deliverable owners and assigned employees.

TUSCANY ENERGY LTD.

Phase Two:

Identification of the significant accounting policies that relate to each of the major conversion items within the firm. This phase identifies the changes to the accounting policies that will be required with IFRS, and adjusts the plan identified in Phase One accordingly.

Phase Three:

Management of dual reporting under Canadian GAAP and IFRS as required. This phase determines the mapping between the different accounts identified in our chart of accounts and applies this mapping to generate the IFRS reporting. Dual reporting will be required as of January 1, 2010, so that the Company can prepare comparative information for IFRS reporting which will begin the first quarter of 2011.

Related Party Transactions

At December 31, 2008, Humboldt Capital Corporation and certain of its officers and directors owned 35.9% (2007 – 23.7%) of the outstanding shares of Tuscaney. Tuscaney and Humboldt have certain common officers and directors. Humboldt's business includes the ownership, acquisition and sale of securities in other companies and Humboldt owns significant interests in companies in the oil and gas sector, which compete with Tuscaney and operate jointly with Tuscaney, from time to time, in certain areas.

During the period a company owned by the CFO charged the company \$43,000 in consulting fees. In addition the Company shared certain overhead costs with a related company, with Tuscaney's share totaling \$58,000.

Corporate Outlook

Although energy commodity prices have declined significantly in 2008, we remain optimistic that the solid production base, coupled with careful cash management, will provide the company the opportunity to continue to improve its financial position. Growth will come from optimization of existing reserves and exploration and development of new opportunities.

The company is relatively small however, and the Board of Directors continues to examine strategic alternatives to add shareholder value, such as acquisitions or a corporate transaction. To date however, no such opportunities have been identified.

CORPORATE INFORMATION

Directors

Robert W. Lamond⁽¹⁾
Calgary, Alberta

John G. F. McLeod⁽¹⁾
Okotoks, Alberta

Charles A. Teare
Calgary, Alberta

Donald K. Clark⁽¹⁾
Calgary, Alberta

⁽¹⁾Member of the Audit committee

Officers

John G.F. McLeod
President and CEO

C. A. Teare
Chief Financial Officer

Head Office

Suite 2000, 633 Sixth Avenue S.W.
Calgary, Alberta T2P 2Y5
Telephone : (403) 264-2398
Fax : (403) 264-2399
Web site : www.tuscanyenergy.com

Auditor

PricewaterhouseCoopers LLP
Calgary, Alberta

Legal Counsel

Burnet, Duckworth & Palmer LLP
Calgary, Alberta

Banker

ATB Financial
Calgary, Alberta

Registrar and Transfer Agent

Computershare Trust Company of Canada
Calgary, Alberta

Stock Exchange Listing

TSX Venture Exchange
Trading Symbol: TUS

This page is intentionally left blank.