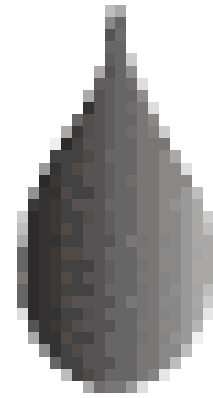


TUSCANY

ENERGY LTD.



**Management Discussion &
Analysis**

**For the Three Months Ended
March 31, 2009**

Summary of Financial and Operating Results

	Three Months Ended	
	2009	March 31, 2008
Financial		(restated see note 11)
Total revenue	\$ 455,284	\$ 840,948
Cash flow from operations	\$ 72,873	\$ 375,331
per share, diluted	\$ -	\$ 0.01
Earnings (loss) for the period	\$ (145,735)	\$ 69,295
per share, diluted	\$ -	\$ -
Capital expenditures	\$ 86,229	\$ 105,216
Net Debt	\$ (3,035,434)	\$ (2,861,346)
Total shares outstanding at period end	34,767,836	35,394,836
Operations		
Production		
Gas (Mcf/d)	226.7	380.0
Oil (Bbl/d)	124.6	97.0
NGL (Bbls/d)	1.6	1.0
BOE/d (6 Mcf = 1 Bbl)	164.1	161.3
Product Prices		
Gas (\$/Mcf)	\$ 4.95	\$ 8.02
Oil (\$/Bbl)	\$ 41.59	\$ 75.34

PRESIDENT'S MESSAGE

To The Shareholders

The Company reported lower revenues and cash flows on similar production levels for the first quarter of 2009 compared with the same period in 2008. An increase in oil and NGL production of 28 Bbls/d was offset by a decrease in gas production of 165 Mcf/d, and the overall production remains virtually unchanged at 164 BOE/d compared with 161 BOE/d in Q1 2008. Production levels from the recently drilled Evesham Dina well were restricted during the evaluation of the well, and oil production from the Evesham wells was reduced as a result of the Company's decision to minimize additional well workovers until oil prices recover.

Financial

Revenue for the first three months of 2009 totaled \$455,000 compared with \$841,000 in 2008. The Company reported cash flow from operations of \$73,000 for the quarter compared with \$375,000 in the three months ended March 31, 2008. Tuscany reported a loss of \$146,000 for the quarter versus earnings of \$69,000 for the same period in 2008.

Capital expenditures for the three months ended March 31, 2009 were \$86,000 compared with \$105,000 during the same period in 2008. General Administrative costs were also reduced to \$78,000 for the quarter.

At March 31, 2009 Tuscany had a net debt of \$3.0 million.

Business Outlook

Energy commodity prices rebounded significantly in the last few weeks, but are below prices received in mid 2008, and remain volatile. The Company plans to maintain its production base and carefully manage cash during what could be an extended period of lower prices. This plan will put the company in a position to benefit from the inevitable upturn in pricing.

The Company is relatively small and the Board of Directors continues to examine strategic alternatives to add shareholder value, such as an acquisition or a corporate transaction. To date no such opportunities have been approved by the Board of the Company.

The Company, with a solid production base, excellent relatively low risk exploration and development projects and a smaller, compact management team is ideally suited to weather the current financial crisis.

Operations

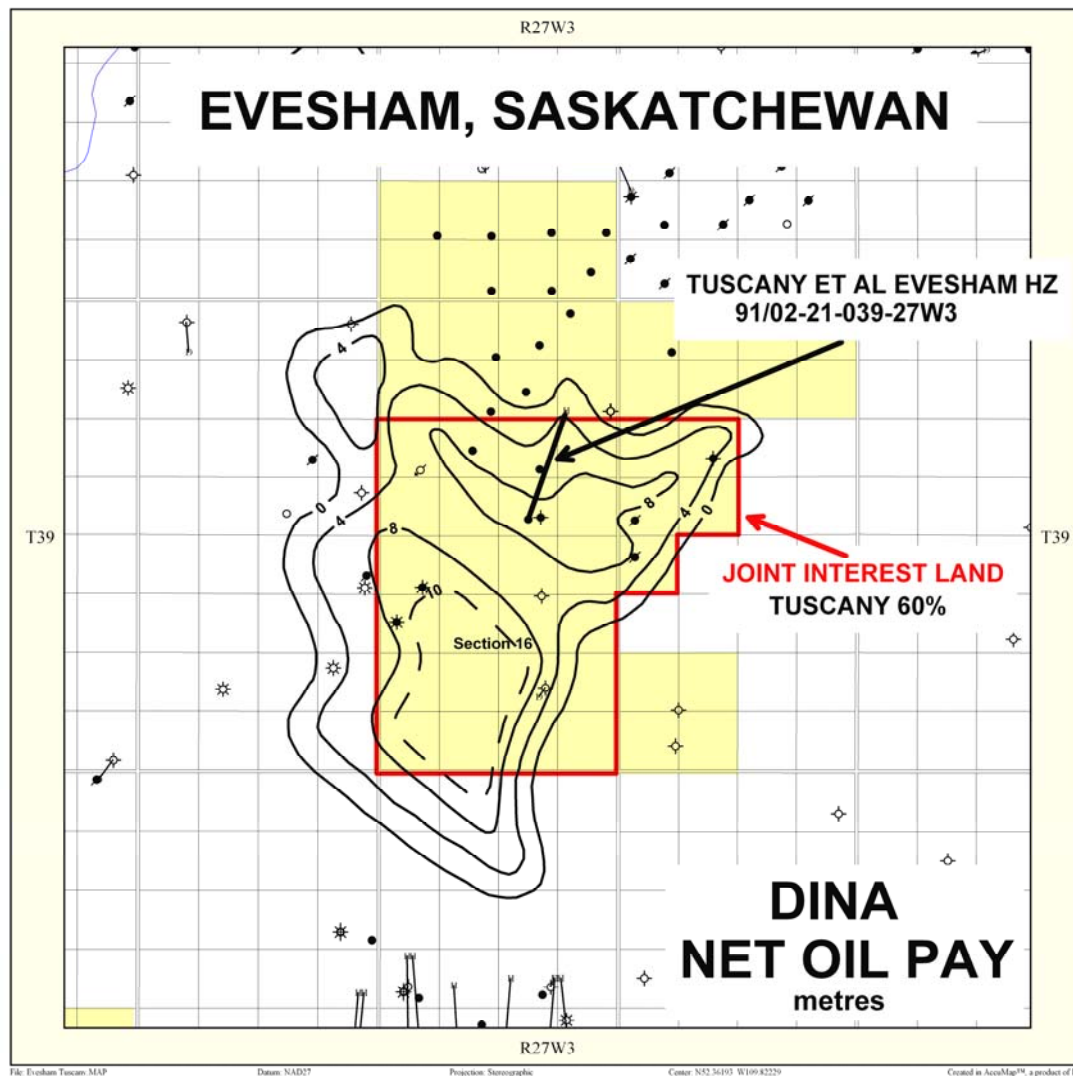
Tuscany's Wildwood 10-10 well commenced production in January of 2008. The well has been a flowing oil well since January of 2008 and in the operator plans to install pumping equipment to improve the oil production rates from the well. The net impact on the company from this well was reduced in the first quarter of 2009 as a result of lower prices and the New Alberta Royalty rates. The oil from the well was royalty free during most of 2008. Tuscany has acquired additional land in the area to expand the play. Additional exploration and development

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prospects in the area are being investigated, but these are unlikely to be drilled until commodity prices improve.

In the Evesham and Macklin areas of Saskatchewan, year over year production was maintained by remedial work conducted during 2008 on the producing heavy oil wells.

The horizontal well drilled for the Dina formation in the Evesham area in the fourth quarter of 2008 commenced production in January.



Tuscany is very optimistic regarding the potential for a substantial development at Evesham involving the drilling of further horizontal wells into the Dina formation. The producing well has been produced at restricted rates to fully evaluate its commerciality and is being pumped at increasing rates, currently averaging 45 Bbls/d, to determine the optimal production rate.

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With improving oil prices, and a higher stabilized oil production rate from the discovery well, Tuscany anticipates that a significant development program, similar to other Dina pools in the immediate area, could be commenced in the late summer or early fall of 2009. With a 60% working interest, this project could be very significant to the company potentially resulting in Tuscany drilling over 30 new wells, which could transform the Company to the next level.

A project of this magnitude would require substantial additional capital.

May 26, 2009



Signed "John G. F. McLeod"
President



Signed "Robert W. Lamond"
Chairman

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 unaudited financial statements and notes thereto for the three months ended March 31, 2009 and the audited financial statements and notes thereto for the year ended December 31, 2008. 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 May 26, 2009. Interim financial reports and quarterly financial statements have not been 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. Cash flow from operations is defined cash flow before changes in non-cash working capital, resulting from operating activities. 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 excess of current liabilities and long term debt over current assets.

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 Tuscany'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 Tuscany'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 Tuscany'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 Tuscany operates, the producibility of Tuscany'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.

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(Data disclosed herein is unaudited)

Selected Quarterly Information

(\$ Thousands, except production and per share amounts)	2009	2008				2007		
	Q1	Q4	Q3 *	Q2 *	Q1 *	Q4 *	Q3 *	Q2 *
Production (Boe/d)	164	197	197	191	161	128	122	135
Price (\$/Boe)	38.74	46.01	85.58	86.67	64.79	45.07	45.77	43.43
Total revenue, net of royalty	455	745	1,336	1,342	841	483	480	518
Cash flow (deficiency)								
from operations	73	143	656	544	325	49	(69)	112
Per share - basic and diluted	0.00	0.02	0.02	0.02	0.01	0.00	(0.00)	0.00
Net earnings (Loss)	(146)	(136)	192	121	69	579	(1,018)	(71)
Per share - basic and diluted	(0.00)	(0.00)	0.00	0.00	0.00	0.00	(0.00)	(0.00)
General and Administrative cost	78	283	168	285	117	135	188	212
Net capital expenditures	86	1,216	102	119	105	790	11	275
Total assets	8,879	9,333	8,676	9,178	9,201	9,369	8,334	8,914
Net debt	(3,035)	(2,805)	(1,571)	(2,125)	(2,550)	(2,819)	(2,678)	(2,998)

* Restated see note 11

Over the past two years Tuscanys production volumes increased from 135 BOE/d in the fourth quarter of 2007 to 197 BOE/d in the fourth quarter of 2008 and in the first quarter of 2009 production volumes declined to 164 BOE/d. The Company placed a new well in the Wildwood area of Alberta on production in the first quarter of 2008. Tuscanys 30% interest in the well increased the Company's average production in 2008 by 68 BOE/d and for Q1 2009 by 48 BOE/d which represents 30% of the overall production for the quarter. In addition the Company completed the Evesham Dina Horizontal well in Q1 2009 and the well averaged 21 BOE/d net to Tuscanys during the quarter. In Q1 2009 production levels were lower by 33 BOE/d and prices declined significantly. Both revenue and cash flow were much lower. This price trend continued to the end of the first quarter of 2009.

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Results of Operations

Production and Prices	Three Months Ended	
	2009	March 31, 2008
Average daily production		
Gas (Mcf/d)	226.7	380.0
Oil (Bbl/d)	124.6	97.0
NGL (Bbl/d)	1.6	1.0
BOEd	164.1	161.3
Average price		
Gas (\$/Mcf)	\$ 4.95	\$ 8.02
Oil (\$/Bbl)	\$ 41.59	\$ 75.34
\$/BOE	\$ 38.74	\$ 64.67

Production

During Q1 2009, Tuscany's oil production increased by 28 Bbls/d over the same period in 2008. In Q1 2009 production from the Evesham Horizontal Dina well averaged 21 Bbls/d net to the Company and the production levels were also higher from wells in the Macklin and Wildwood areas. Gas production declined by 165 Mcf/d as the flush production from a new gas well completed in the Evesham area and the Wildwood well in 2008 declined. As a result the year over year production was virtually unchanged at 164.1 BOE/d compared with 161.3 BOE/d in Q1 2008.

Production By Area	Three Months Ended	
	2009	March 31, 2008
Oil and NGL Bbls/d		
Evesham	55.8	60.9
Evesham Dina	20.9	-
Macklin	18.4	12.8
Wildwood	31.2	24.4
	126.3	98.1
Gas Mcf/d		
Evesham	83.2	170.4
Macklin	32.7	33.6
Wildwood	102.2	155.3
Other	8.7	21
	226.8	380.3
Total BOE/d	164.1	161.48

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Oil production during Q1 2009 averaged 126 Bbls/d down from 148 Bbls per day in Q4 2008. Lower oil production resulted from oil wells requiring workovers in Evesham and a decline in the flowing oil rate at Wildwood. Remedial work at Evesham is being delayed until the summer months when the cost will be lower. The operator of the Wildwood well plans to put pumping equipment on the well in order to restore production to previous levels.

Gas production also declined in the quarter from the two areas. The Evesham Dina wells production has been restricted as we evaluate the well. The Company plans to increase the pumping rate to increase the oil production from the well.

Selling Prices

For the three months ended March 31, 2009 Tuscan received an average of \$38.74 per Boe, a significant decrease from \$64.67/Bbl received during the same period in 2008.

During Q1 2009, oil prices declined and the Company received an average of \$41.59 per Bbl for oil and liquids compared with \$75.34 a year earlier. The price received has improved since the end of the quarter to the \$58.00 level.

The Company received \$4.95 per Mcf for its natural gas sales in Q1 2009 compared to \$8.02 per Mcf in Q1 2008.

Summary of Operations <i>(in thousands of dollars except per BOE information)</i>	Three Months Ended	
	2009	March 31, 2008
Natural Gas	\$ 101	\$ 278
Oil and NGLs	462	674
Oil and natural gas	563	952
Royalties	(117)	(117)
Operating expenses	(284)	(328)
Net operating income	\$ 162	\$ 507
\$/ BOE		
Oil and natural gas	\$ 38.74	\$ 64.67
Royalties	(7.91)	(7.97)
Operating expenses	(19.21)	(22.29)
Net operating income	\$ 11.62	\$ 34.41

Sales Revenue

Total revenue decreased by 59% from \$952,000 for the quarter ended March 31, 2008 to \$563,000 in the three months ended March 31, 2009. This decline is totally attributed to price declines during the period.

Royalty Expense

The Company's average royalty rate for Q1 2009 was 21% or \$7.92 per Boe. By comparison, in 2008 the Company incurred an average royalty rate of 12% or \$7.97 per Boe. In 2008 42% of the Company's sales were generated from the Wildwood well in Alberta. The oil sales from this well

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were Crown royalty free for most of the year. Now that full royalty rates apply, the Company's average royalty rate has increased.

Operating Expense

Tuscany's operating cost for Q1 2009 totaled \$284,000, or \$19.21 per Boe, compared to \$328,000 or \$22.29 per Boe in 2008. The significant decrease was primarily attributable to workovers completed in Saskatchewan during 2008, and a reduction in remedial work in Q1 2009.

As a result, net operating income decreased by 68% to \$162,000 or \$11.62 per BOE in Q1 2009 from \$507,000 or \$34.41 per BOE in Q1 2008.

General and Administrative Expenses <i>(in thousands of dollars except per BOE information)</i>	Three Months Ended	
	2009	March 31, 2008
Gross expenses	\$ 78	\$ 116
Stock based compensation costs	-	1
Net overhead	\$ 78	\$ 117
Per BOE	\$ 5.28	\$ 7.90

General and administrative expenses of \$78,000 (\$5.28 per Boe) decreased substantially from the \$117,000 (\$7.90 per Boe) incurred in 2008. 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 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

Interest Expense <i>(in thousands of dollars)</i>	Three Months Ended	
	2009	March 31, 2008
Average bank debt	\$ 1,970	\$ 2,082
Interest expense	\$ 21	\$ 35
Average interest rate	4.3%	6.7%

Interest expense for Q1 2009 decreased to \$21,000 from \$35,000 incurred in Q1 2008 primarily due to lower interest rates.

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Depletion, Depreciation & Accretion (in thousands dollars except per BOE information)	Three Months Ended	
	2009	March 31, 2008
Depletion and depreciation	\$ 273	\$ 264
ARO accretion	13	14
Total	\$ 286	\$ 278
per BOE	\$ 19.39	\$ 18.77

Depletion and depreciation charges calculated on a unit of production basis are based on total proved reserves. In Q1 2009, depletion and depreciation expense increased to \$286,000 from \$278,000 in Q1 2008. On a per unit basis, depletion, depreciation and accretion expense increased from \$18.77 per Boe recorded in Q1 2008 to \$19.37 per Boe in Q1 2009.

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 current estimates of discounted future 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 \$311,000. 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 (in thousands of dollars)	Three Months Ended	
	2009	March 31, 2008
Land	\$ 42	\$ 46
Geological and geophysical	19	-
Drilling and completions	63	17
Equipment, facilities and pipelines	121	42
ARO	(159)	-
Total	\$ 86	\$ 105

Management restricted the capital expenditure program for most of 2008 and Q1 2009 in order to maintain working capital. Tuscany incurred net \$86,000 in capital expenditures during the three months ended March 31, 2009. Most of the funds were spent on the completion of the Evesham Dina well and on replacing rental equipment with purchased equipment. Tuscany's asset retirement obligation was decreased by \$159,000 as a result of adjustments to prior estimates. Tuscany will continue to review its capital 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:

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- 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.

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The ratio is calculated as follows:

As at	March 31, 2009	December 31 2008
Current assets	\$ 263	\$ 597
Current liabilities	(1,004)	(1,757)
Bank debt	(2,295)	(1,645)
	\$ (3,036)	\$ (2,805)
Annualized cash flow from operations	\$ 291	\$ 1,717
Months estimated to repay debt	125.2	19.6

The debt repayability is unacceptable with debt levels of \$3.0 million and an annualized cash flow \$291,000. However, based on the improved oil prices and production estimates, cash flow and the debt repayability should improve. In addition the company has reduced overhead costs. 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 debt facility is being reviewed and with current low commodity prices the company anticipates a lower borrowing base will result.

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

The Company's Q1 2009 operations and capital expenditures were funded from cash flow and increased debt. Tuscany's operating demand loan provides for a line of credit of \$3.3 million (2007 – \$3.0 million) of which \$1.0 million remained unused at the end of the period. The line is currently under review by the company's bank and Tuscany expects the line to be reduced and the rates to be increased.

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. Gas prices have continued to deteriorate since that date however oil prices have recovered somewhat. This 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 March 31, 2009, was \$1.0 million (2007 – \$1.2 million).

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.

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 enterprises' 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. 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.

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 Tuscan. Tuscan 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 Tuscan and operate jointly with Tuscan, from time to time, in certain areas.

During the period the Company shared certain overhead costs with a related company, with Tuscan's share totaling \$27,000.

Corporate Outlook

Although energy commodity prices have declined significantly, 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

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Auditor

PricewaterhouseCoopers LLP
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Legal Counsel

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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

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