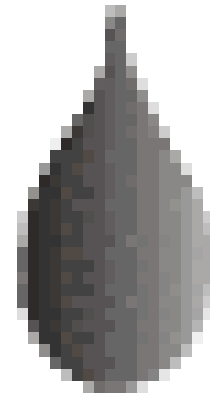


**TUSCANY**

ENERGY LTD.



**THIRD QUARTER  
MANAGEMENT'S  
DISCUSSION & ANALYSIS  
For the Nine Months Ended  
September 30, 2009**

**Summary of Financial and Operating Results**

	Nine Months Ended September 30	
	2009	2008
<b>Financial</b>		(restated)
Total revenue	\$ 1,341,682	\$ 3,519,296
Cash flow from operations	144,432	1,574,253
per share, diluted	-	0.04
Earnings (loss) for the period	(181,972)	396,500
per share, diluted	(0.01)	0.01
Property, plant and equipment - additions	346,251	326,716
Net Debt	3,223,897	1,910,180
Proforma Net Debt	(1) 1,625,000	
Total shares outstanding at period end	34,767,836	36,550,836
Proforma shares outstanding	(1) 55,640,649	
<b>Operations</b>		
Production		
Gas (Mcf/d)	190	421
Oil (Bbl/d)	98	35
NGL (Bbls/d)	1	78
BOE/d (6 Mcf = 1 Bbl)	131	183
Product Prices		
Gas (\$/Mcf)	\$ 3.92	\$ 8.83
Oil (\$/Bbl)	\$ 50.39	\$ 109.80

(1) Proforma the rights offering and acquisition of Goldmark Minerals Ltd.

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

The following management's discussion and analysis of financial condition should be read in conjunction with Tuscan's unaudited financial statements and notes thereto for the nine months ended September 30, 2009 and the audited financial statements and notes thereto for the year ended December 31, 2008. Additional information relating to Tuscan can be found on the Company's website at [www.tuscanyenergy.com](http://www.tuscanyenergy.com) or the SEDAR website at [www.sedar.com](http://www.sedar.com). All dollar amounts are in Canadian dollars unless otherwise stated.

This MD&A has been prepared as at November 24, 2009.

**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. Tuscan'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 as 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.

### Non- GAAP measurements

<b>Cash flow from operations</b> <i>(in thousands dollars except per share information)</i>	<b>Three Months Ended</b>		<b>Nine Months Ended</b>	
	<b>2009</b>	<b>September 30 2008</b>	<b>2009</b>	<b>September 30 2008</b>
Cash provided by (used in)- operating activities	\$ 52,557	\$ (236,316)	\$ 266,539	\$ 291,218
Change in non-cash working capital - from operations	65,725	(892,049)	122,107	(1,283,035)
<b>Cash flow from operations</b>	<b>\$ (13,168)</b>	<b>\$ 655,733</b>	<b>\$ 144,432</b>	<b>\$ 1,574,253</b>
Cash flow from operations per Share, diluted	\$ -	\$ 0.02	\$ -	\$ 0.04

<b>Net Debt</b>	<b>September 30</b>	
	<b>2009</b>	<b>2008</b>
Current Assets	\$ 332,386	\$ 553,222
Current Liabilities	3,556,283	2,463,402
<b>Net Debt</b>	<b>\$ (3,223,897)</b>	<b>\$ (1,910,180)</b>

**BOE Presentation** – The term barrels of oil equivalent (BOE) may be misleading, particularly if used in isolation. A BOE conversion ratio of 6 Mcf to 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

## **TUSCANY ENERGY LTD.**

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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](http://www.sedar.com)) or at Tuscany's website [www.tuscanyenergy.com](http://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
	Q3	Q2	Q1	Q4	Q3 *	Q2 *	Q1 *	Q4 *
Production (Boe/d)	103	127	164	197	197	191	161	128
Price (\$/Boe)	50.42	44.47	38.74	46.01	85.58	86.67	64.79	45.07
Total revenue, net of royalty	418	469	455	745	1,336	1,342	841	483
Cash flow (deficiency)								
from operations	(13)	85	73	143	656	544	364	49
Per share - basic and diluted	0.00	0.00	0.00	0.00	0.00	0.01	0.01	0.00
Net earnings (Loss)	72	(108)	(146)	(136)	192	121	69	579
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	110	93	78	283	168	285	117	135
Net capital expenditures	171	89	86	1,216	102	119	105	790
Total assets	9,174	8,767	8,879	9,333	8,676	9,178	9,201	9,369
Net debt	(3,224)	(3,040)	(3,035)	(2,805)	(1,571)	(2,125)	(2,550)	(2,819)

During the past two years Tuscan's production increased from 128 BOE/d in the fourth quarter of 2008 to a high of 197 BOE/d in the last half of 2008. In 2009 production volumes declined to 103 BOE/d. Production levels continued to decline as workovers on Saskatchewan Sparky wells were delayed until the fall of 2009 and Alberta production at Wildwood was not producing while the operator installed new equipment and conducted a workover.

Tuscany completed the Evesham Dina Horizontal well in Q1 2009 and the well averaged 20 BOE/d net to Tuscan during the first nine months of 2009. Water handling facilities and a larger down hole pump will be installed to increase the total fluid production rates which we anticipate will increase oil production and reduce operating costs.

In addition the Company postponed workovers on a number of oil wells in the Evesham area because of low oil prices early in 2009. A workover program commenced in Q3 2009 and should reverse oil declines in the last quarter of the year.

Commodity prices and the Company's production peaked in mid 2008 and as a result the Company's revenue and cash flow from operations grew to a high in Q3 2008 and has declined since. We anticipate that successful workovers, recompletions, the addition of pumping facilities and new drilling can reverse these production declines and with higher oil prices, revenue and cash flow will also grow.

## Results of Operations

### Production

During the third quarter of 2009, Tuscan's oil and NGL production declined to 78 Bbls/d from 100 Bbls/d in the same period in 2008. In Q3 2009 production from the Evesham Horizontal Dina well averaged 17 Bbls/d net to the Company. Water handling facilities and a larger down-hole pump are being installed to increase the total fluid production rate. We anticipate that this will increase oil production and reduce operating costs.

## TUSCANY ENERGY LTD.

Remedial work at Evesham was delayed until the completion of the financing and the acquisition of Goldmark. Work on the initial well, of a 7 well workover and recompletion program commenced in Q3 2009.

The production volumes from the well in the Wildwood area were also lower and a down hole pump was installed at Wildwood in Q3 2009, in order to restore oil production and workover was also conducted on the well in Q4 2009.

Gas production for the nine months ended September 30, 2009 declined by 231 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 reduced to 131 BOE/d compared with 183 BOE/d in 2008.

Production By Area	Three Months Ended September 30		Nine Months Ended September 30	
	2009	2008	2009	2008
Oil and NGL Bbls/d				
Evesham	32	64	43	55
Evesham Dina	17	-	19	-
Macklin	15	23	15	21
Wildwood	14	38	23	37
	78	125	99	113
Gas Mcf/d				
Evesham	101	173	94	169
Macklin	-	46	16	40
Wildwood	29	194	65	188
Other	17	12	15	24
	147	425	190	421
Total BOE/d	103	197	131	183

### Selling Prices

For the nine months ended September 30, 2009 Tuscany received an average of \$43.73/BOE, a significant decrease from \$80.03/BOE received during the same period in 2008. This decline in commodity price began to reverse in Q2 2009 as oil prices increased and the differential for heavy oil declined. In Q3 2009 Tuscany received \$61.18/Bbl compared with \$52.99/Bbl in Q2 2009. The Year over year decline in price was still significant however, with Tuscany receiving an average of \$50.39/Bbl for the nine months ended September 30, 2009 compared with \$96.70/Bbl for the same period in 2008.

The Company received \$2.99/Mcf for its natural gas sales in Q3 2009 compared to \$7.90/Mcf in Q3 2008. However, since gas sales make up less than 15% of the Company's revenue this had minimal impact on the Company.

## TUSCANY ENERGY LTD.

Production and Prices	Three Months Ended September 30		Nine Months Ended September 30	
	2009	2008	2009	2008
<b>Average daily production</b>				
Gas (Mcf/d)	147	425	190	421
Oil (Bbl/d)	77	125	98	113
NGL (Bbl/d)	1	-	1	
<b>BOEd</b>	<b>103</b>	<b>197</b>	<b>131</b>	<b>183</b>
<b>Average price</b>				
Gas (\$/Mcf)	\$ 2.99	\$ 7.90	\$ 3.92	\$ 8.83
Oil (\$/Bbl)	\$ 61.18	\$ 108.00	\$ 50.39	\$ 96.70
<b>\$/BOE</b>	<b>\$ 50.42</b>	<b>\$ 85.58</b>	<b>\$ 43.73</b>	<b>\$ 80.03</b>

Summary of operating net back <i>(in thousands of dollars except per BOE information)</i>	Three Months Ended September 30		Nine Months Ended September 30	
	2009	2008	2009	2008
Natural Gas	\$ 41	\$ 309	\$ 203	\$ 1,019
Oil and NGLs	437	1,242	1,358	2,994
Oil and natural gas	478	1,551	1,561	4,013
Royalties	(60)	(234)	(220)	(526)
Operating expenses	(284)	(449)	(836)	(1,246)
<b>Operating net back</b>	<b>\$ 134</b>	<b>\$ 868</b>	<b>\$ 505</b>	<b>\$ 2,241</b>
<b>\$/ BOE</b>				
Oil and natural gas	\$ 50.64	\$ 85.58	\$ 43.73	\$ 80.03
Royalties	(6.39)	(12.91)	(6.15)	(10.53)
Operating expenses	(30.10)	(24.77)	(23.41)	(24.94)
<b>Operating net back</b>	<b>\$ 14.15</b>	<b>\$ 47.90</b>	<b>\$ 14.17</b>	<b>\$ 44.56</b>

### Sales Revenue

Total revenue for the nine months ended September 30, 2009 decreased to \$505,000 from \$2,241,000 for the nine months ended September 30, 2008. This decline is attributed to both price and volume declines during the period.

### Royalty Expense

The Company's average royalty rate for Q3 2009 was 12.5% or \$6.39/BOE. By comparison, in 2008 the Company incurred an average royalty rate of 15% or \$12.91/BOE.

### Operating Expense

Tuscany's operating cost for the three months ended September 30, 2009 totaled \$284,000, or \$30.10/BOE, compared to \$449,000 or \$24.77/BOE in 2008. The significant decrease was primarily attributable to lower production rates during 2009. Operating costs will increase in Q4 2009 as a number of workovers are completed, however the construction of water handling facilities at Evesham will reduce operating costs in the future.

## TUSCANY ENERGY LTD.

General and Administrative Expenses (in thousands of dollars except per BOE information)	Three Months Ended		Nine Months Ended	
	September 30		September 30	
	2009	2008	2009	2008
Gross expenses	\$ 110	\$ 168	\$ 281	\$ 570
Stock based compensation costs	40	1	48	1
Total overhead	\$ 150	\$ 169	\$ 329	\$ 571
Per BOE	\$ 15.90	\$ 17.91	\$ 7.87	\$ 12.55

General and administrative expenses of \$329,000 or \$7.87/BOE, for the nine months ended September 30, 2009 decreased substantially from the \$571,000 or \$12.55/BOE incurred in the same period of 2008. The Company significantly reduced its employee level during Q3 2009 and intends to share the cost of overhead and technical staff with other related companies working in similar areas in order to increase efficiency and financial sustainability and, to allow the company to develop its oil and properties more profitably.

### Financing Charges

Interest Expense (in thousands of dollars)	Three Months Ended		Nine Months Ended	
	September 30		September 30	
	2009	2008	2009	2008
Average bank debt	\$ 2,967	\$ 1,610	\$ 2,306	\$ 1,730
Interest expense	\$ 36	\$ 64	\$ 80	\$ 130
Average interest rate	4.9%	15.9%	6.9%	15.0%

Interest expense for the third quarter of 2009 decreased to \$36,000 from \$64,000 incurred in the third quarter of 2008 primarily due to lower interest rates.

Depletion, Depreciation & Accretion (in thousands dollars except per BOE information)	Three Months Ended		Nine Months Ended	
	September 30		September 30	
	2009	2008	2009	2008
Depletion and depreciation	\$ 210	\$ 366	\$ 700	\$ 948
ARO accretion	13	12	38	39
Total	\$ 223	\$ 378	\$ 738	\$ 987
per BOE	\$ 23.64	\$ 18.99	\$ 20.67	\$ 18.98

Depletion and depreciation charges calculated on a unit of production basis are based on total proved reserves. In Q3 2009, depletion and depreciation expense decreased to \$223,000 from \$378,000 in Q3 2008 primarily as a result of lower production volumes. On a per unit basis, depletion, depreciation and accretion expense increased from \$18.99/BOE in Q3 2008 to \$23.64/BOE in Q3 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 September 30, 2009, the Company had approximately \$10.2 million of tax deductions available to reduce future taxable income. Tuscany's tax pools exceed the carrying value of its

## TUSCANY ENERGY LTD.

assets and therefore Tuscany had a future tax asset of \$704,000. This represents the estimated future value of the excess of the tax deductions over the net book value of the assets at the balance sheet date. Tuscany reported an income tax recovery of \$459,700 for the period of which \$304,000 related to an increase in prior period tax pools, as a result of an audit of the Company.

### Capital Expenditures

Capital Expenditures (in thousands of dollars)	Three Months Ended September 30		Nine Months Ended September 30	
	2009	2008	2009	2008
Land	\$ 20	\$ 99	\$ 103	\$ 200
Geological and geophysical	\$ 25		68	-
Drilling and completions	\$ 86	-	161	28
Equipment, facilities and pipelines	\$ 39	3	173	99
ARO	\$ -	-	(159)	-
Total	\$ 170	\$ 102	\$ 346	\$ 327

Management restricted the capital expenditure program for most of 2008 and through the third quarter of 2009 in order to maintain working capital. Tuscany incurred net \$346,000 in capital expenditures during the nine months ended September 30, 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 of the expected abandonment dates for current wells. Tuscany will continue to review its capital program in light of the current pricing environment and will base its program on available cash flow.

### Liquidity and Capital Resources

The Company's Q3 2009 operations and capital expenditures were funded from cash flow and a small increase in debt. Tuscany's operating demand loan provides for a line of credit of \$3.0 million (2008 - \$3.3 million).

In order to address the Company's financial requirements the Company entered into an agreement with Goldmark Minerals Ltd. to acquire Goldmark through the issue of 12.1 million common shares. Goldmark's assets consist mainly of \$1.4 million of working capital. In addition Tuscany issued 8.7 million additional shares to its existing shareholders through a rights offering which \$521,000. These transactions increased working capital by approximately \$1.6 million subsequent to the end of the quarter (see Subsequent Events - Note 13).

### 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,

# **TUSCANY ENERGY LTD.**

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environmental factors, reservoir performance uncertainties, a complex regulatory environment and safety concerns.

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 September 30, 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.

In December 2008, the CICA issued section 1582 "Business Combinations" which establishes principles and requirements of the acquisition method for business combinations and related disclosures. The purchase price is to be based on trading data at the closing date of the acquisition, not the announcement date of the acquisition, and most acquisition costs are to be expensed as incurred. Section 1582 will be effective on January 1, 2011, with prospective application.

In December 2008, the CICA issued sections 1601 "Consolidated Financial Statements", and 1602 "Non-controlling Interests", which replaces existing guidance under Section 1600 "Consolidated Financial Statements". Section 1601 establishes standards for the preparation of consolidated financials statements, and section 1602 provides guidance on accounting for a non-controlling interest in a subsidiary. These standards will be effective on January 1, 2011. The changes to these standards will impact the Company to the extent that future business combinations take place.

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## **Related Party Transactions**

At September 30, 2009, Humboldt Capital Corporation and certain of its officers and directors owned:

- 36% (2008 –33%) of the outstanding shares of Tuscany;
- 37% (2008 –36%) of the outstanding shares of Diaz Resources Ltd. and
- 20% (2008 –20%) of the outstanding shares of Paris Energy Inc;

Tuscany, Humboldt, Diaz and Paris 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 other companies in the oil and gas sector, which may compete with Tuscany and operate jointly with Tuscany, from time to time, in certain areas. Humboldt, Diaz and Paris share certain overhead costs with Tuscany.

During the nine months ended September 30, 2009 the Company paid a share of overhead costs with the related companies, totaling \$185,320(NIL – 2008). Tuscany also paid a company owned by the Company's CFO a consulting fee of \$14,210 (\$36,685 – 2008) during the Period.

## **Outlook**

Energy prices continued to diverge in Q3 2009, with gas prices falling and oil prices recovering. Oil prices rebounded in the last few months and we are particularly pleased with prices received for heavy oil production. Better oil prices are somewhat offset by a virtual collapse in natural gas prices. However, Tuscany is primarily an oil producer with 85% of the Company's revenue in the first nine months of 2009 coming from oil and NGLs.

The Company plans to target its capital expenditures toward the development of new oil production and operating cost reduction projects to provide the maximum financial benefit for our Shareholders.

The Company has also streamlined staff and has arranged to reduce General and Administrative cost by sharing the cost of support staff employed by a related company.

**CORPORATE INFORMATION**

***Directors***

*Robert W. Lamond*<sup>(1)</sup>  
Calgary, Alberta

*John G. F. McLeod*  
Okotoks, Alberta

*Charles A. Teare*  
Calgary, Alberta

*Donald K. Clark*<sup>(1)</sup>  
Calgary, Alberta

*Roger W. Hume*<sup>(1)</sup>  
Calgary, Alberta

*Peter Barker*  
Calgary, Alberta

*Jorg Reich*  
Nurtingen, Germany

*Glen Phillips*  
Calgary, AB

<sup>(1)</sup>Member of the Audit committee

***Officers***

*John G.F. McLeod*  
President and CEO

*C. A. Teare*  
Chief Financial Officer

***Head Office***

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***Subsidiary***

Goldmark Minerals Ltd.  
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***Auditor***

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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