



Q1 2010 Interim Report
For the Three Months Ended
March 31, 2010

Summary of Financial and Operating Results

	Three Months Ended	
	2010	2009
Financial		
Revenue net of royalties	\$ 761,774	455,284
Cash flow from operations	230,826	72,873
per share, diluted	-	-
Loss for the period	(131,047)	(145,735)
per share, diluted	-	-
Property, plant and equipment - additions	432,832	245,436
Net Debt	2,971,029	3,035,434
Total shares outstanding at period end	55,091,825	34,767,836
Operations		
Production		
Gas (Mcf/d)	200	227
Oil (Bbl/d)	117	125
NGL (Bbls/d)	1	2
BOE/d (6 Mcf = 1 Bbl)	151	164
Product Prices		
Gas (\$/Mcf)	\$ 4.90	\$ 4.95
Oil (\$/Bbl)	\$ 67.67	\$ 41.59

PRESIDENT'S MESSAGE

To The Shareholders

Tuscany is pleased to report that its Saskatchewan horizontal drilling success is beginning to be reflected in its operational and financial results.

The Company reported significantly improved revenues and cash flows for the first quarter of 2010 compared with the same period in 2009. Tuscany's production increased from 89 BOE/d in Q4 2009 to 151 BOE/d as the second horizontal well at Evesham Saskatchewan was placed on production in the quarter.

As a result of this recent success, Tuscany plans to commence its third development well at Evesham within the next two weeks.

Operations

During the last quarter of 2009, Tuscany drilled and cased its second Dina horizontal oil well 16-16, at Evesham. The well penetrated an excellent porous oil saturated sand section, was successfully completed in January 2010 and commenced producing at approximately 80 Bbls/d. The well is currently producing 65 Bbls/d with a much lower water cut than Tuscany's initial Dina well. A summary of Current and cumulative production from the two wells to May 26, 2010 is:

Evesham Dina Production	Current Production Rate	Estimated Cumulative Production
Evesham 2-21	17 Bbls/d	12,570 Bbls
Evesham 16-16	65 Bbls/d	7,660 Bbls

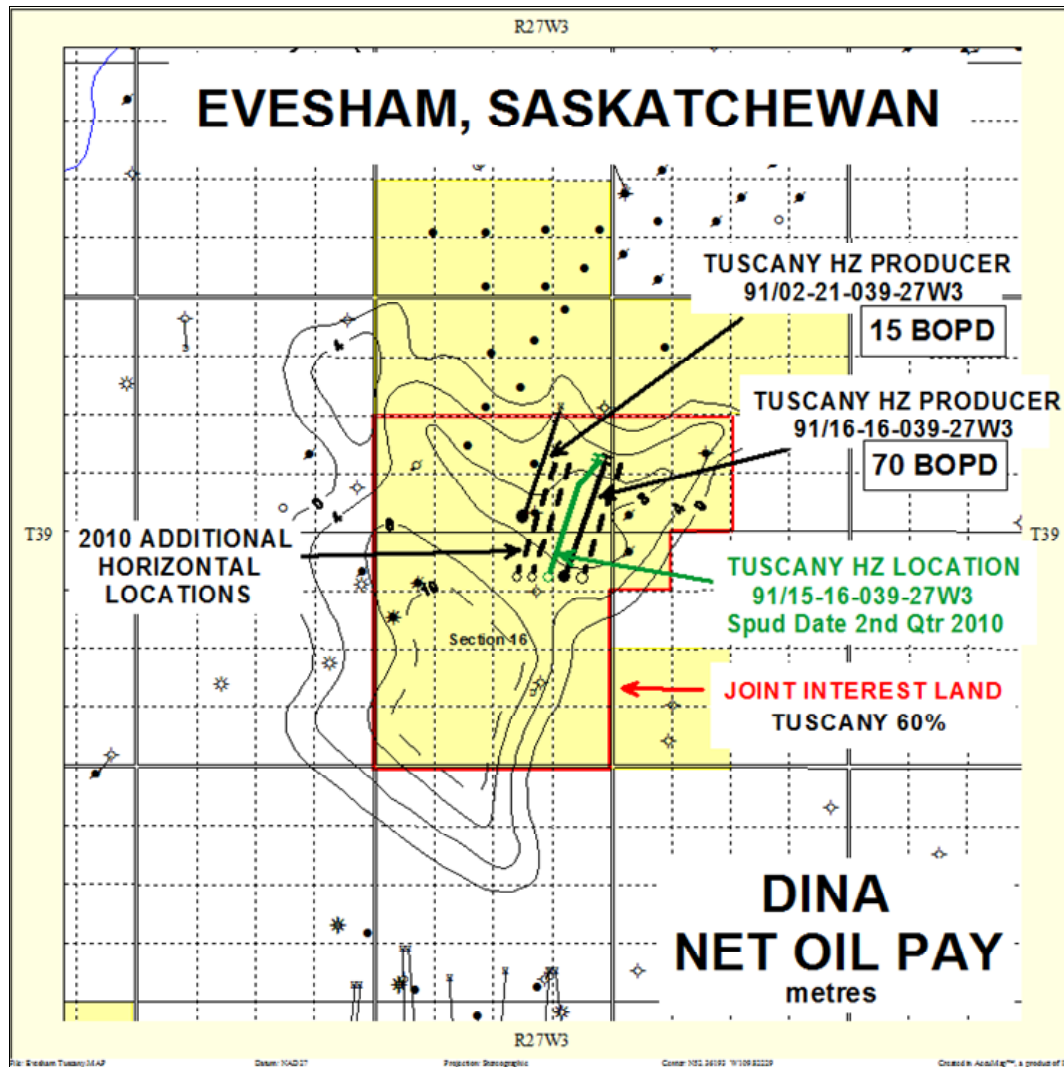
In addition to the second oil well, Tuscany recompleted one of its Sparky wells as a Dina water disposal well. Production facilities and a pipeline from the oil battery were constructed and water disposal commenced in late March 2010. This facility will substantially reduce the Company's operating costs in this area and enhance the profitability of this project.

Financial

Revenue for the first three months of 2010 totaled \$785,000 compared with \$455,000 in the first quarter of 2009. The Company reported cash flow from operations of \$231,000 for the quarter compared with \$73,000 in the three months ended March 31, 2009. Tuscany reported a loss of \$131,000 for the quarter versus a loss of \$146,000 for the same period in 2009.

Capital expenditures for the three months ended March 31, 2010 totaled \$433,000 compared with \$86,000 during the same period in 2009.

At March 31, 2010 Tuscany had a net debt of \$3.0 million.



Business Outlook

Oil prices remained very strong during Q1 2010 compared with the extreme weakness in the first half of 2009. Tuscany is primarily an oil producer and plans to continue the development of its heavy oil property at Evesham Saskatchewan, drilling a further four development wells on the property over the balance of 2010.

In addition, to maximize the company's exposure to new prospects while minimizing the overhead expenditures, the Company has entered into a Joint venture with two related public companies, Diaz Resources Ltd and Sharon Energy Ltd. Tuscany will share overhead costs with these partners and participate for a 30% interest in all new prospects developed by the group.

To retain the continuity of the joint venture Robert Lamond, President and CEO of both Diaz and Sharon, has been appointed President and CEO of Tuscany. John McLeod will assume the responsibilities of Chief Operating Officer of Tuscany.

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 grow in the current economic environment.

May 27, 2010



Signed "Robert W. Lamond"
President and CEO



Signed "John G. F. McLeod"
Vice President and COO

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, 2010 and the audited financial statements and notes thereto for the year ended December 31, 2009. 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 27, 2010. 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.

(Data disclosed herein is unaudited)

Selected Quarterly Information

Financial Highlights

(\$ Thousands, except production and per share amounts)	2010	2009				2008		
	Q1	Q4	Q3	Q2	Q1	Q4	Q3 *	Q2 *
Production (BOEd)	151	89	103	127	164	197	197	191
Price (\$/BOE)	56.05	54.35	50.42	44.47	38.74	46.01	85.58	86.67
Total revenue, net of royalty	762	390	418	469	455	745	1,336	1,342
Cash flow (deficiency)								
from operations	231	(289)	(13)	85	73	143	656	544
Per share - basic and diluted	0.00	(0.01)	0.00	0.00	0.00	0.00	0.02	0.02
Net earnings (Loss)	(131)	(81)	72	(108)	(146)	(136)	192	121
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	98	163	110	93	78	283	168	285
Net capital expenditures	433	931	171	89	86	1,216	102	119
Total assets	10,619	10,476	9,174	8,767	8,879	9,333	8,676	9,178
Net debt	(2,971)	(2,733)	(3,224)	(3,040)	(3,035)	(2,805)	(1,571)	(2,125)

Over the past two years Tuscany's production volumes declined from a high of 197 BOE/d in Q3 2008 to a low of 89 BOE/d in Q4 2009 before rebounding to 151 BOE/d in the first quarter of 2010. The company spent the greater part of 2009 conserving cash flow in the face of weak commodity prices and a global economic crisis. In late 2009, Tuscany raised \$521,000 through a rights offering. The Company then merged with Goldmark Minerals Ltd, which provided the Company with a further \$1.4 million. With this additional working Capital the Company was able to drill its second horizontal well into the Evesham Dina formation. Tuscany's 60% interest in the well increased the Company's average production in Q1 2010 by 31 BOE/d. In addition the Company conducted a number of workover operations in the fourth quarter of 2009 which improved production levels in the existing Evesham and Macklin fields during the first quarter of 2010. In Q1 2010 production levels were higher by 62 BOE/d compared to the previous quarter, and commodity prices held relatively steady. Both revenue and cash flow were higher when compared to the previous quarter.

Results of Operations

Production and Prices	Three Months Ended	
	2010	March 31 2009
Average daily production		
Gas (Mcf/d)	200	227
Oil (Bbl/d)	117	125
NGL (Bbl/d)	1	1
BOEd	151	164
Average price		
Gas (\$/Mcf)	\$ 4.90	\$ 4.95
Oil (\$/Bbl)	\$ 67.67	\$ 41.59
\$/BOE	\$ 59.70	\$ 38.74

Production

During Q1 2010, Tuscany's oil production decreased slightly by 8 Bbls/d over the same period in 2009. In Q1 2010 production from the Evesham Horizontal wells averaged 41 Bbls/d net to the Company. The second Dina well did not commence production until the last half of January and the increased production from the first well was delayed until the Waterdisposal well was completed. During the quarter production levels were lower from wells in the Macklin and Wildwood areas. Gas production declined by 27 Mcf/d, a natural decline as the company focused its exploration and development on oil production. As a result the year over year production decreased to 151 BOE/d compared with 164 BOE/d in Q1 2009.

Production By Area	Three Months Ended	
	2010	March 31 2009
Oil and NGL Bbls/d		
Evesham	58	56
Evesham Dina	41	21
Macklin	10	18
Wildwood	10	31
	118	126
Gas Mcf/d		
Evesham	126	83
Macklin	28	33
Wildwood	24	102
Other	22	9
	200	227
Total BOE/d	151	164

Selling Prices

For the three months ended March 31, 2010 Tuscany received an average of \$59.70 per BOE, a marked increase from \$38.74/BOE received during the same period in 2009.

During Q1 2010, oil prices increased and the Company received an average of \$67.67 per Bbl for oil and liquids compared with \$41.59 a year earlier. Gas prices were approximately the same as for Q1 2009. The Company is not significantly affected by low gas prices as over 85% of its production comes from oil and NGLs.

Summary of operating net back <i>(in thousands of dollars except per BOE information)</i>	Three Months Ended	
	2010	March 31 2009
Natural Gas	\$ 89	\$ 101
Oil and NGLs	723	462
Oil and natural gas	812	563
Processing revenue	16	-
Total Revenue	828	563
Royalties	(66)	(117)
Operating expenses	(402)	(284)
Operating net back	\$ 360	\$ 162
\$/ BOE		
Oil and natural gas	\$ 59.75	\$ 38.74
Processing revenue	\$ 1.18	\$ -
Royalties	\$ (4.86)	(7.91)
Operating expenses	\$ (29.58)	(19.21)
Operating net back	\$ 26.49	\$ 11.62

Revenue

Total revenue increased by 47% from \$563,000 for the quarter ended March 31, 2009 to \$828,000 in the three months ended March 31, 2010. This increase is attributed to a 63% increase in oil price, and the construction of a new water disposal facility resulting in \$16,000 of processing revenues during the period.

Royalty Expense

The Company's average royalty rate for Q1 2010 was 8% or \$4.86 per BOE. By comparison, in Q1 2009 the Company incurred an average royalty rate of 21% or \$7.91 per BOE. This decrease is mostly attributable to low royalty rates on oil production from new horizontal wells drilled in Saskatchewan.

Operating Expense

Tuscany's operating cost for Q1 2010 totaled \$402,000 or \$29.58 per BOE, compared to \$284,000 or \$19.21 per BOE in Q1 2009. The increase was primarily attributable to the \$71,000 of workovers which were completed in Saskatchewan during Q1 2010, and is partially offset by additional processing revenue and lower operating expenses from a new water disposal facility, which resulted in \$16,000 of processing revenues and reduced operating cost by \$23,000 during the period.

As a result, net operating income more than doubled to \$360,000 or \$26.49 per BOE in Q1 2010 from \$162,000 or \$11.62 per BOE in Q1 2009.

General and Administrative Expenses <i>(in thousands of dollars except per BOE information)</i>	Three Months Ended	
	March 31	
	2010	2009
Gross expenses	\$ 98	\$ 78
Stock based compensation costs	11	-
Total overhead	\$ 109	\$ 78
Per BOE	\$ 7.99	\$ 5.28

General and administrative expenses of \$109,000 (\$8.02 per BOE) increased from \$78,000 (\$5.28 per BOE) incurred in 2009. 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 continue to share overhead costs with other related companies.

Financing Charges

Interest Expense <i>(in thousands of dollars)</i>	Three Months Ended	
	March 31	
	2010	2009
Average bank debt	\$ 2,369	\$ 1,970
Interest expense	\$ 27	\$ 21

Interest expense for Q1 2010 increased to \$27,000 from \$21,000 incurred in Q1 2009 primarily due to increased capital spending in the quarter which required the company to draw on its bank line.

Depletion, Depreciation & Accretion <i>(in thousands dollars except per BOE information)</i>	Three Months Ended	
	March 31	
	2010	2009
Depletion and depreciation	\$ 334	\$ 273
ARO accretion	12	13
Total	\$ 346	\$ 286

Depletion and depreciation charges calculated on a unit of production basis are based on total proved reserves and include the additional cost to develop the reserves. In Q1 2010, depletion and depreciation expense increased to \$334,000 from \$273,000 in Q1 2009. On a per unit basis, depletion, depreciation and accretion expense increased from \$19.39 per BOE recorded in Q1

2009 to \$25.46 per BOE in Q1 2010 this increase is the partly the result of a large capital investment required to bring proven Dina reserves to production.

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 March 31, 2010, the Company had approximately \$11.6 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 \$799,000. This represents the estimated future value of the excess of the tax deductions over the net book value of the assets.

Capital Expenditures (in thousands of dollars)	Three Months Ended	
	2010	March 31 2009
Land	\$ 9	\$ 42
Geological and geophysical	-	19
Drilling and completions	21	63
Equipment, facilities and pipelines	403	121
ARO	-	(159)
Total	\$ 433	\$ 86

The Company completed its second horizontal oil well in the Evesham Dina formation in January 2010. The company also installed surface infrastructure in the Evesham area during Q1 2010. Tuscany incurred net \$433,000 in capital expenditures during the three months ended March 31, 2010.

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 deemed acceptable, by management.

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:

As at (\$000)	March 31 2010	December 31 2009
Current assets	\$ 854	\$ 806
Current liabilities	(940)	(1,739)
Bank debt	(2,886)	(1,800)
	\$ (2,972)	\$ (2,733)
Annualized cash flow from operations	\$ 923	\$ (144)
Months estimated to repay debt	38.6	N/A

As predicted, cash flow has improved considerably from the first quarter of the previous year. The Company has brought its debt repayability closer to its target level of 24 months with debt levels of \$3.0 million and an annualized cash flow of \$923,000. Management's plan for the current year is to match overall capital spending and commitments with anticipated operating cash flows for the year. Higher Cash flows are anticipated in the future with increased production and reduced water handling cost, which will bring this ratio further into line with Tuscany's target.

The Company's 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 2010 operations and capital expenditures were funded from a combination of cash flow, a rights offering that closed in October 2009, and the recent business combination between Tuscany and Goldmark Minerals Ltd. Tuscany's operating demand loan provides for a line of credit of \$3 million (2009 – \$3.3 million) of which \$140,000 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 maintained at current levels or increased. The Company's credit facility is currently being reviewed by the Company's Banker and the company anticipates an increased line because its reserve value has been increased over the past year.

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 2010.

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, 2010, was \$1.1 million (2009 – \$1.0 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 2009, 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.

In July 2009, the International Accounting Standards Board issued Additional Exemptions for First-time Adopters (Amendments to IFRS-1) which gives the option to companies using the full cost method of accounting to carry forward the amount determined under Canadian GAAP as the deemed cost under IFRS. This exemption will significantly reduce property, plant and equipment adjustments which would have resulted from the retroactive adoption of IFRS.

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 is currently in phase two as described below.

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.

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 capability is 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 March 31, 2010, Humboldt Capital Corporation ("Humboldt") and certain of its officers and directors owned 43.5% of the outstanding shares of Tuscany. 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 Tuscany and operate jointly with Tuscany, from time to time, in certain areas. These include Diaz Resources Ltd ("Diaz"), Sharon Energy Ltd. ("Sharon"), and Paris Energy Inc. ("Paris") which also have certain common officers and directors. The following table sets forth the respective ownership of Humboldt and insiders in Tuscany and the companies that may be considered related parties.

	March 31, 2010
Tuscany	43.5%
Diaz	41.4%
Sharon	26.8%
Paris	25.2%

During the period the Company shared certain overhead costs with two related companies as follows:

Overhead Charges for the three months ending March 31,	2010	2009
Diaz Resources Ltd.	40,287	-
Paris Energy Inc.	44,667	27,000

Balance payable at March 31,	2010	2009
Diaz Resources Ltd.	26,106	-
Paris Energy Inc.	44,667	-

Corporate Outlook

Oil prices remained very strong during Q1 2010 compared with the extreme weakness in the first half of 2009. Tuscany is primarily an oil producer and plans to continue the development of its heavy oil property at Evesham Saskatchewan, drilling a further four development wells on the property over the balance of 2010.

In addition, to maximize the company's exposure to new prospects while minimizing the overhead expenditures, the Company has entered into a Joint venture with two related public companies, Diaz Resources Ltd and Sharon Energy Ltd. Tuscany will share overhead costs with these partners and participate for a 30% interest in all new prospects developed by the group.

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 grow in the current economic environment.

CONSOLIDATED BALANCE SHEETS

As at (Unaudited)	March 31 2010	December 31 2009
ASSETS		
Current Assets		
Cash	\$ 97,467	\$ 109,475
Accounts Receivable	734,752	694,031
Prepaid Expenses and deposits	22,086	2,086
	854,305	805,592
Property, plant and equipment (Note 4)	8,965,575	8,866,565
Future tax asset	798,838	803,688
Total Assets	\$ 10,618,718	\$ 10,475,845
LIABILITIES		
Current Liabilities		
Accounts payable and accrued liabilities	\$ 939,730	\$ 1,738,843
Bank debt (Note 3)	2,885,604	1,800,000
	3,825,334	3,538,843
Other Liabilities		
Asset retirement obligation (Note 6)	598,472	586,737
Total Other Liabilities	598,472	586,737
	4,423,806	4,125,580
SHAREHOLDERS' EQUITY		
Share capital (Note 5)	6,831,104	6,877,686
Contributed surplus (Note 5)	414,644	392,368
Deficit	(1,050,836)	(919,789)
	6,194,912	6,350,265
Total Liabilities and Shareholders' Equity	\$ 10,618,718	\$ 10,475,845

Approved by the Board:



John G.F. McLeod, Director



Charles A. Teare, Director

**CONSOLIDATED STATEMENTS OF OPERATIONS, COMPREHENSIVE INCOME (LOSS)
AND DEFICIT**

<i>(Unaudited)</i>	Three Months Ended	
	March 31	
	2010	2009
Revenue		
Petroleum and natural gas sales	\$ 811,657	\$ 572,064
Processing income	15,525	-
Royalties	(65,507)	(116,780)
Interest income	99	-
	761,774	455,284
Expenses		
Operating and transportation	402,447	283,572
General and administrative	97,871	78,300
Interest	26,727	20,539
Foreign Exchange loss (gain)	3,903	-
Depletion, depreciation and accretion	345,558	286,348
Stock based compensation	11,465	-
	887,971	668,759
Loss before income tax	(126,197)	(213,475)
Income tax		
Current expense (recovery)		
Future tax expense (recovery)	4,850	(67,740)
Total income tax	4,850	(67,740)
Loss for the period	(131,047)	(145,735)
Deficit, beginning of period	(919,789)	(656,571)
Deficit, end of period	\$ (1,050,836)	\$ (802,306)
Loss per share, basic and diluted	\$ 0.00	\$ 0.00

STATEMENTS OF CASH FLOWS

<i>(Unaudited)</i>	Three Months Ended	
	March 31	
	2010	2009
Cash provided by (used for):		
Operating Activities		
Loss and comprehensive earnings for the period	\$ (131,047)	\$ (145,735)
Non-cash items:		
Depletion and depreciation	333,823	273,645
Accretion	11,735	12,703
Stock based compensation	11,465	-
Future tax expense (recovery)	4,850	(67,740)
	230,826	72,873
Change in non-cash working capital	(272,722)	227,989
Cash provided by (used for) operating activities	(41,896)	300,862
Investing Activities		
Property, plant & equipment - additions	(432,832)	(245,436)
Change in non-cash working capital	(587,113)	(652,269)
	(1,019,945)	(897,705)
Financing Activities		
Bank loan advance	1,085,604	650,000
Repurchased for cancellation	(35,771)	(58,281)
	1,049,833	591,719
Increase (decrease) in cash	(12,008)	(5,124)
Cash, beginning of period	109,475	5,124
Cash, end of period	\$ 97,467	\$ -
Supplementary information regarding cash payments:		
Interest received	\$ -	\$ -
Interest paid	\$ 26,678	\$ 20,539

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the three months ended March 31, 2010 (unaudited)

1. Accounting Policies

The consolidated financial statements include the accounts of the Company and its wholly owned subsidiaries, Goldmark Minerals Ltd and Goldmark Minerals Alaska Inc. since the date of acquisition on October 7, 2009.

The Company's principal business activity is the exploration, development and operation of oil and natural gas properties in Canada.

These financial statements have been prepared in accordance with Canadian Generally accepted accounting principles ("GAAP") on a Going concern basis, which contemplates the realization of assets and the payment of liabilities in the ordinary course of business.

Certain information and disclosures normally required to be included in the notes to the annual financial statements have been condensed or omitted for this interim report. The reader should refer to the annual consolidated financial statements of Tuscany at December 31, 2009

Management made the necessary estimates and assumptions regarding certain types of assets, liabilities, revenues and expenses in the preparation of the financial statements. Accordingly, actual results may differ from estimated amounts but management does not believe such differences will materially affect Tuscany's financial position or results of operations.

Property, Plant and Equipment

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

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

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

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

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

- the fair value of proved and probable reserves; and

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

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

Asset Retirement Obligation

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

Cash and Cash Equivalents

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

Joint Ventures

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

Share Based Compensation Plan

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

Foreign Currency Translation

Foreign currency balances are expressed in Canadian dollars on the following basis:

- Monetary assets and liabilities – at the period end rate of exchange;
- Other assets and liabilities – at historical rates of exchange; and
- Revenues and expenses – at average rates of exchange for the period, except provisions for depreciation and depletion, which are translated on the same basis as the related assets.

Flow-Through Shares

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

Revenue Recognition

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

Use of Accounting Estimates

The amounts recorded for depletion, depreciation and amortization of petroleum and natural gas properties and equipment and the provision for asset retirement obligation are based on

estimates. The ceiling test is based on estimates of proved reserves, production rates, oil and gas prices, future costs and other relevant assumptions. By their nature, these estimates are subject to measurement uncertainty and the effect on the financial statements of changes in such estimates in future periods could be significant.

Financial Instruments

All financial instruments are required to be measured at fair value on initial recognition of the instrument, except for certain related party transactions. Measurement in subsequent periods depends on whether the financial instrument has been classified as "held-for-trading," "available-for-sale," "held-to-maturity," "loans and receivables" or "other financial liabilities" as defined by the standard.

2. Future Accounting Standards

International Financial Reporting Standards (IFRS)

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. 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 change over 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.

3. Bank Debt

The bank loan is a revolving non-reducing operating demand loan with a maximum amount available of \$3,000,000 (2009 - \$3,000,000). Amounts drawn under the facility bear interest at the bank's prime rate plus 1%, resulting in an effective rate of 4.5% at March 31, 2010; there is a standby fee of 0.2 percent on undrawn amounts. At March 31, 2010, the amount drawn on the operating demand loan is \$2,886,000.

The loan is secured by an interest over all property, a general assignment of book debts and a floating charge on all lands. The facility is subject to both an annual review by May 31, 2010 and certain affirmative financial covenants. As at March 31, 2010 the Company was in compliance with the covenants.

The line is currently under review by the Company's bank and Tuscany expects the line to be maintained or increased.

4. Property, Plant and Equipment

As at	March 31 2010	December 31 2009
Petroleum and natural gas properties	\$ 14,114,229	\$ 13,681,394
Accumulated depletion and impairment	(5,150,407)	(4,829,608)
	8,963,822	8,851,786
Furniture, fixtures and other assets	40,927	40,927
Accumulated depreciation	(39,172)	(26,148)
	1,755	14,779
	\$ 8,965,577	\$ 8,866,565

At March 31, 2010, unproven property costs of \$122,000 were excluded from the depletable cost base (2009 - \$204,348). No administrative expenses related to exploration and development activities were capitalized as part of property, plant and equipment.

For the calculation of depletion expense, estimated future costs to develop the proved reserves were added to property, plant and equipment. Future costs were \$2,639,000 (2009 - \$210,000).

At March 31, 2010 the Company reviewed the carrying value of the oil and gas properties for potential impairment. Impairment is indicated if the carrying value of the long-lived asset or oil and gas cost centre is not recoverable from 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. For the three months ended March 31, 2010, no impairment of the properties was indicated.

The Company based its estimates on the forecast of an independent reserve engineering firm as follows:

	Price Estimates Used for Ceiling Test		
	Gas (\$Cdn/Mcf)	Oil (\$Cdn/Bbl)	NGL (\$Cdn/Bbl)
2010Q2	\$ 3.80	\$ 85.64	\$ 85.64
2010Q3	\$ 3.82	\$ 86.52	\$ 86.52
2010Q4	\$ 4.48	\$ 87.12	\$ 87.12
2011	\$ 4.57	\$ 88.86	\$ 88.86
2012	\$ 4.66	\$ 90.64	\$ 90.64
2013	\$ 4.75	\$ 92.45	\$ 92.45
2014	\$ 4.85	\$ 94.30	\$ 94.30

5. Share Capital

Authorized

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

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

	Number of Shares	Amount
Common Shares - Issued		
Balance, December 31, 2009	55,299,825	\$ 6,877,686
Repurchased for cancellation	(208,000)	(35,771)
Excess of cost over paid up capital on share repurchases	-	(10,811)
Balance at March 31, 2010	55,091,825	\$ 6,831,104

	Amount (thousands)
Contributed Surplus	
Balance, December 31, 2009	\$ 392,368
Option compensation for the period	11,465
Excess of paid up capital over cost on share repurchases	10,811
Balance at March 31, 2010	\$ 414,644

Earnings (Loss) Per share

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

Basic earnings (loss) per share are calculated by dividing the weighted average number of the aggregate outstanding shares during the period into earnings (loss) attributable to the shareholders.

Diluted earnings per share are calculated by dividing the diluted weighted average aggregate outstanding shares into the earnings for the period.

Shares Outstanding	Three Months Ended March 31	
	2010	2009
Weighted average shares outstanding	55,227,292	35,015,903
Diluted weighted average shares outstanding	55,227,292	35,015,903

In October 2009 the Company filed and received approval to acquire and cancel up to 5% of the outstanding shares of the company over a one-year period pursuant to a normal course issuer bid. The Company acquired and cancelled the following shares under normal course issuer bids.

Issuer Bid	2010	2009
Common Shares		
Shares repurchased	208,000	961,500
Weighted average price, per share	\$ 0.17	\$ 0.10

Stock Option Plan

As at March 31, 2010, there are a total of 2,220,000 options granted and outstanding under the stock option plan with a weighted average exercise price of \$0.116 per share. Of these, 886,667 are exercisable at a weighted average exercise price of \$0.14.

The following summarizes information about stock options outstanding:

Fixed Options	Three Months Ended		2009	
	March 31, 2010		Weighted Average	
	Shares	Exercise Price	Shares	Exercise Price
Outstanding, beginning of period	2,220,000	\$ 0.116	220,000	\$ 0.260
Granted	-	-	2,000,000	0.100
Outstanding, end of period	2,220,000	\$ 0.116	2,220,000	\$ 0.116
Options exercisable, end of period	886,667	\$ 0.140	886,667	\$ 0.140

The Company accounts for its stock based compensation plan using the fair value method whereby compensation costs have been recognized in the financial statements for share options granted to employees and directors. The impact on compensation costs of using the fair value method increased compensation costs for the three months ended March 31, 2010 by \$11,000 (2009 - \$nil).

6. Asset Retirement Obligation

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

As at	June 30 2010	December 31 2009
Asset Retirement Obligation, beginning of period	\$ 586,737	\$ 635,165
Liabilities incurred	-	11,442
Changes in estimates	-	(110,683)
Accretion expense	11,735	50,813
Asset Retirement Obligation, end of period	\$ 598,472	\$ 586,737

The total undiscounted amount of estimated cash flows required to settle the obligation is \$1,055,000, which has been discounted using an average credit-adjusted risk free rate of 8%. The Company expects most of these obligations to be paid between 2012 and 2024.

7. Related Party Transactions

At March 31, 2010, Humboldt Capital Corporation ("Humboldt") and certain of its officers and directors owned 43.5% of the outstanding shares of Tuscany. 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 Tuscany and operate jointly with Tuscany, from time to time, in certain areas. These include Diaz Resources Ltd ("Diaz"), Sharon Energy Ltd. ("Sharon"), and Paris Energy Inc. ("Paris") which also have certain common officers and directors. The following table sets forth the respective ownership of Humboldt and insiders in Tuscany and the companies that may be considered related parties

	March 31, 2010
Tuscany	43.5%
Diaz	41.4%
Sharon	26.8%
Paris	25.2%

During the period the Company shared certain overhead costs with two related companies as follows:

Overhead Charges for the three months ending March 31,	2010	2009
Diaz Resources Ltd.	40,287	-
Paris Energy Inc.	44,667	27,000

Balance payable at March 31,	2010	2009
Diaz Resources Ltd.	26,106	-
Paris Energy Inc.	44,667	-

8. Supplemental Cash Flow Information

Supplemental Cash Flow Information	Three Months Ended	
	2010	March 31 2009
Interest paid	\$ 26,678	\$ 146,582
Changes in non-cash working capital balances		
Receivables	\$ (40,721)	\$ 316,980
Prepaid expenses	(20,000)	11,880
Accounts payable and accruals	(799,115)	(753,141)
	\$ (859,836)	\$ (424,281)
Allocated to:		
Operating activities	\$ (272,723)	\$ 227,986
Investing activities	(587,113)	(652,267)
	\$ (859,836)	\$ (424,281)

9. Capital Disclosure

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 deemed acceptable by management.

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:

As at (\$000)	March 31 2010	December 31 2009
Current assets	\$ 854	\$ 806
Current liabilities	(940)	(1,739)
Bank debt	(2,886)	(1,800)
	\$ (2,972)	\$ (2,733)
Annualized cash flow from operations	\$ 923	\$ (144)
Months estimated to repay debt	38.6	N/A

As predicted, cash flow has improved considerably from the first quarter of the previous year. The Company has brought its debt repayability closer to its target level of 24 months with debt levels of \$3.0 million and an annualized cash flow of \$923,000 Million. Management's plan for the current year is to match overall capital spending and commitments with anticipated operating cash flows for the year. Higher Cash flows are anticipated in the future with increased production and reduced water handling cost, which will bring this ratio further into line with Tuscany's target.

The Company's 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.

11. Financial Instruments

Fair values of financial assets and liabilities

All Financial instruments are required to be measured at fair value on initial recognition of the instrument, except for certain related party transactions. Measurement in subsequent periods depends on whether the financial instrument has been classified as “held-for-trading,” “available-for-sale,” “held-to-maturity,” “loans and receivables” or “other financial liabilities” as defined by the standard.

Cash and cash equivalents and restricted cash are designated as “held-for-trading” and are measured at carrying value, which approximates fair value due to the short-term nature of these instruments. Accounts receivable and deposits are designated as “loans and receivables” and are carried at amortized cost. Accounts payable and accrued liabilities are designated as “other financial liabilities” and are carried at amortized cost. The current value of financial instruments approximates fair value due to the short term nature of the instruments.

Credit risk

Credit risk is the risk that the counterparty to a financial asset will default, resulting in the Company incurring a financial loss. The Company is exposed to credit risk on its accounts receivable and GST receivable, to a maximum of the carrying value of the aforementioned items at the end of the period. A substantial portion of the Company’s accounts receivable are with customers in the oil and gas industry and are subject to normal industry credit risks. The maximum exposure to credit risk is approximately \$178,000 which represents accounts receivable balances in excess of 90 days. Management has reviewed the items comprising the accounts receivable balance and determined that all accounts are collectible; accordingly there has been no allowance for doubtful accounts recorded.

Interest Rate Risk

The Company is exposed to risks from interest rate fluctuation on its bank loan which is based on Prime rates. Interest rate risk is specific to the interest expense charged to income on the Company’s bank debt. The Company believes 25% volatility is a reasonable measure when assessing the potential impact of a change in interest rate. Variations in interest rates on the Company’s bank debt could have resulted in gains (losses) impacting net earnings as at December 31, 2009, as follows:

(\$ Thousands)	Favourable 25% Change	Unfavourable 25% Change
Interest rate	\$ 7	\$ (7)

Liquidity risk

The Company’s principal source of liquidity is its cash flows which are uncertain and difficult to predict. This risk is mitigated by continuously monitoring forecast and actual cash flows and matching expenditures to the cash flow from operations. The Company currently expects to

fund any future capital expenditures through a combination of operating cash flows, new equity issuance and asset sales. All of the companies liabilities are due within one year.

The Company is exposed to liquidity risk from the possibility that it will encounter difficulty meeting its financial obligations. The Company manages this risk by forecasting cash flows in an effort to match operating cash flow to future expenditures and to arrange financing, if necessary. It may take many years and substantial cash expenditures to pursue exploration and development activities on all of the Company's existing undeveloped properties. Accordingly, the Company may need to raise additional funds from outside sources in order to explore and develop its properties. There is no assurance that adequate funds from debt and equity markets will be available to the Company in a timely manner.

Commodity risk

Inherent to the Company's business of producing petroleum and natural gas is the commodity price risk where fluctuations in the market price of petroleum and natural gas could significantly impact the Company's ability to generate cash flow from operations. Given that certain items, including but not limited to, the amounts of capital expenditures are dependent upon the level of cash flow generated from operations, fluctuations in petroleum and natural gas prices impact the Company's liquidity. The Company continuously monitors forecast and actual commodity prices.

The Company believes that a 10% volatility is a reasonable measure when assessing the potential impact of commodity price changes on natural gas and oil prices. Variations in commodity prices could have resulted in gains (losses) impacting net earnings as at December 31, 2009, as follows:

(\$ Thousands)	Favourable 10% Change	Unfavourable 10% Change
Natural Gas Price	\$ 9	\$ (9)
Conventional Oil Price	\$ 7	(7)
Heavy Oil Price	\$ 42	(42)
Horizontal Heavy Oil Price	\$ 24	(24)
Crude Oil Price	\$ 73	(73)

CORPORATE INFORMATION

Directors

Robert W. Lamond⁽¹⁾
Calgary, Alberta

John G. F. McLeod
Okotoks, Alberta

Charles A. Teare
Calgary, Alberta

Donald K. Clark
Calgary, Alberta

Peter Barker⁽¹⁾
Calgary, Alberta

Glen Phillips
Calgary, Alberta

Roger W. Hume⁽¹⁾
Kelowna, British Columbia

Jorg Reich
Nurtingen, Germany

⁽¹⁾Member of the Audit committee

Officers

Robert W. Lamond
President and CEO

John G.F. McLeod
Vice President and COO

Charles A. Teare
Chief Financial Officer

Donald K. Clark
Vice President, Operations

Jason G. Gallant
Controller

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Legal Counsel

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Registrar and Transfer Agent

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Stock Exchange Listing

TSX Venture Exchange
Trading Symbol: TUS

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