tuscany energy ltd

Annual Report 2009

Annual Meeting

The Annual Meeting of the Shareholders of Tuscany Energy Ltd. will be held at 3:00 pm on Thursday, June 24, 2010 in the Cardium Room of the Calgary Petroleum Club, 319 – 5 Avenue SW, Calgary. Alberta.

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Summary of Financial and Operating Results

Year ended December 31,	2009	2008
Financial		
Total revenue	**$ 1,731,707**	$ 4,263,605
Cash flow from (used in) operations	**(144,397)**	1,717,012
per share, diluted	**(0.00)**	0.05
Earnings (loss) for the period	**(263,218)**	244,246
per share, diluted	**(0.01)**	0.01
Property, plant and equipment - net additions	**1,276,709**	1,621,915
Net Debt	**2,733,251**	1,910,180
Total shares outstanding at period end	**55,299,825**	36,550,836
Operations		
Production		
Gas (Mcf/d)	**180**	398
Oil (Bopd)	**89**	118
NGL (Bopd)	**1**	-
BOEd (6 Mcf = 1 Bbl)	**120**	184
Product Prices		
Gas ($/Mcf)	**$ 4.08**	$ 8.42
Oil ($/Bbl)	**$ 52.98**	$ 83.86
Reserves (proved plus probable, future costs and prices)		
Gas (Mmcf)	**685.2**	816.0
Oil (MBbl)	**626.7**	496.0
BOE (thousands)	**740.9**	632.0
Present value, before tax discounted at 10%	**$ 17,200,000**	$ 10,900,000

President's Message

To The Shareholders

Tuscany is pleased to report that the Company has made significant progress towards its objective of building a rapidly growing junior resource company.

During 2009 Tuscany accomplished the following:

- Drilled and completed the second horizontal Dina oil well at Evesham, Saskatchewan, identifying 363 MBbls of proved and probable resources under less than 25% of the Tuscany's prospective lands.
- Raised $521,000 through the issue of 8.7 million treasury shares by way of a rights offering.
- Completed the acquisition of Goldmark Minerals Ltd. through the issue of 12.1 million shares. This transaction added approximately $1.4 million of working capital to Tuscany.
- Subsequent to the year end, Tuscany completed the construction of a water disposal system which significantly reduced the operating cost in the area.

Tuscany completed 2009 in sound financial condition and with proved and probable reserves of 741 MBOE, 85% of which was oil and NGL. The net present value of its reserves at December 31, 2009 was over $17 million at a 10% discount rate, 64% of which were proved reserves.

At December 31, 2009 Tuscany had total net debt of $2.7 million and anticipates a significant increase in production and cash flow for 2010.

Exploration and Development

During 2010, Tuscany will focus on developing an inventory of oil prospects in Alberta and Saskatchewan. The Company's first goal is to develop a production and cash flow base from its Dina oil property at Evesham. Tuscany plans to commence the development drilling of infill horizontal wells at Evesham, after spring break-up, as conditions permit.

In addition to its development operations, Tuscany has agreed to operate jointly with two related companies, Diaz Resources Ltd. and Sharon Energy Ltd., to identify and develop oil properties along similar trends in Alberta and Saskatchewan.

In order to maximize the amount of investment dollars available for reinvestment in exploration and development, Tuscany has agreed to share overhead expenditures with the two companies, in effect, to manage the company within a joint venture group with common goals.

Financial

During the first nine months of 2009, Tuscany's capital expenditure program was curtailed due to the need to preserve capital. Hence the Company's production levels declined significantly. In the fourth quarter, Tuscany completed a rights offering financing and the merger with Goldmark which together, resulted in approximately $2 million of new working capital for Tuscany. Hence the Company increased the capital expenditure program which resulted in positive production growth in Q1 2010.

Tuscany's revenue for 2009 declined to $1.7 million from $4.2 million in 2008. The Company reported a loss of $263,000 compared with earnings of $244,000 a year earlier and a cash flow deficiency of $144,000 compared with cash flow of $1.7 million in 2008.

New oil production, from Evesham, steadily improved oil prices and reduced overhead costs should reverse these losses in 2010 and provide growth for the Company.

<u>Outlook</u>

Tuscany is very focused on growth through oil exploration and development. With a sound reserve base developed over the past year, Tuscany believes it can achieve significant growth over the next year. Oil prices should remain high as world economies are beginning to show signs of recovery.

Management would like to thank its shareholders for their continued support and we look forward to an exciting year of growth.

April 21, 2010

Signed "John G. F. McLeod"	*Signed "Robert W. Lamond"*
President	Chairman

Operations Review

In the following description of Tuscany's principal oil and natural gas properties reserve and production amounts stated are gross reserves based on forecast costs and prices, as reported by McDaniel & Associates Consultants Ltd. in the evaluation report dated March 31, 2010, outlined in the "Oil and Gas Reserves" section, later in this report (the "McDaniel Report"). The estimates of reserves and future net revenue for the individual properties may not reflect the same confidence level as estimates and reserves in future net revenue for all properties due to the effects of aggregation.

In Canada, during the year ended December 31, 2009, 2 wells were drilled (net 1.0) resulting in one oil well (net 0.6).

Evesham, Saskatchewan – Working Interest 60%

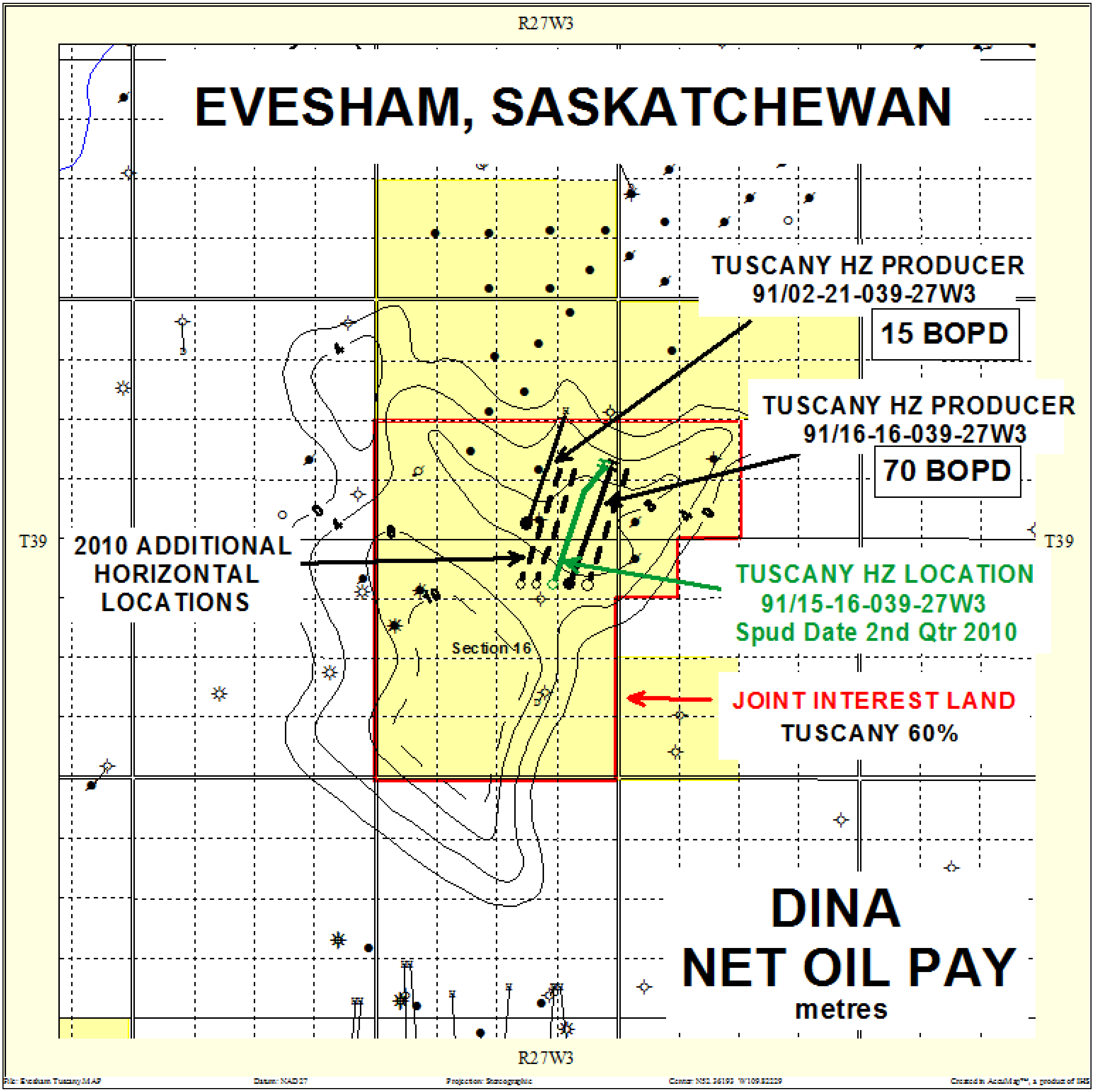
Tuscany has a 60% working interest in 2 producing Dina heavy oil wells and 9 producing Sparky oil wells (10.2 net wells). The Evesham Dina pool is the primary development focus of the Company for 2010. The company plans three additional horizontal wells into the Dina pool in 2010.

Evesham, Saskatchewan Dina	Heavy Oil	
Reserves		
Proved developed producing	29	MBbl
Proved developed non-producing	45	MBbl
Proved undeveloped	102	MBbl
Probable	187	MBbl
Total proved plus probable	363	MBbl
Q4 2009 average production	11	Bopd

The Evesham Dina pool represents 49% of the Company's Reserves at December 31, 2009.

Tuscany believes the Dina heavy oil play may support 30 to 40 additional horizontal wells on the 1,320 acres of land with prospective Dina pay on the prospect. The McDaniel Report has identified 4 proved in-fill locations and 3 probable locations adjacent to the two existing wells. McDaniel forecasts initial production rates of approximately 85 Bopd per well. The McDaniel Report assigns 75 MBbls of proved plus probable reserves (45 MBbls net) to each of the 7 undrilled wells.

On the next page is a gross pay map of the Evesham pool, showing Tuscany's 2 producing wells, three horizontal wells planned for drilling during 2010 and other wells planned for future drilling on the property. Tuscany believes the project has very attractive economics with oil prices in the range of $80 per barrel and the benefit from the drilling royalty credit in Saskatchewan on initial production for horizontal wells.


R27W3
EVESHAM, SASKATCHEWAN
TUSCANY HZ PRODUCER
91/02-21-039-27W3
15 BOPD
TUSCANY HZ PRODUCER
91/16-16-039-27W3
70 BOPD
T39
2010 ADDITIONAL
HORIZONTAL
LOCATIONS
T39
TUSCANY HZ LOCATION
91/15-16-039-27W3
Spud Date 2nd Qtr 2010
Section 16
JOINT INTEREST LAND
TUSCANY 60%
DINA
NET OIL PAY
metres
R27W3

Other Saskatchewan Properties

Tuscany's other production in Saskatchewan is currently from the Sparky sand and is from low productivity oil wells in the Evesham and Macklin areas of south western Saskatchewan. Production from these wells represented 67% of the Company's production in 2009. Tuscany plans to continue to maintain the production from these areas through required workovers and technological improvements in production methods on the basis of prioritized capital expenditures.

Evesham, Saskatchewan Sparky	Oil and NGLs		Natural Gas	
Reserves				
Proved developed producing	150	MBbl	389	MMcf
Proved developed non-producing	-	MBbl	-	MMcf
Proved undeveloped	-	MBbl	-	MMcf
Probable	43	MBbl	102	MMcf
Total proved plus probable	193	MBbl	491	MMcf
Q4 2009 average production	26	Bopd	97	Mcfd

Macklin, Saskatchewan	Oil and NGLs		Natural Gas	
Reserves				
Proved developed producing	48	MBbl	106	MMcf
Proved developed non-producing	-	MBbl	-	MMcf
Proved undeveloped	-	MBbl	-	MMcf
Probable	8	MBbl	19	MMcf
Total proved plus probable	56	MBbl	125	MMcf
Q4 2009 average production	18	Bopd	12	Mcfd

Alberta Property

The most significant Alberta property is the company's Wildwood property which accounts for 3% of the company's total reserves.

Wildwood , Alberta	Oil and NGLs		Natural Gas	
Reserves				
Proved developed producing	12	MBbl	32	MMcf
Proved developed non-producing	-	MBbl	-	MMcf
Proved undeveloped	-	MBbl	-	MMcf
Probable	2	MBbl	6	MMcf
Total proved plus probable	14	MBbl	38	MMcf
Q4 2009 average production	10	Bopd	26	Mcfd

Oil and Gas Reserves

An independent evaluation of the Company's oil and gas reserves, conducted by McDaniel & Associates Consultants Ltd. dated March 31, 2010, (the "McDaniel Report") has assigned proved and probable reserves of 741 MBOE to the Company's properties, having an estimated net present value, before income tax of $17.2 million, at a 10% discount rate. **There is no assurance that this represents the fair value of the assets.**

Summary of Oil and Gas Reserves and Net Present Values of Future Net Revenue

Tuscany's proved reserves were 3% higher than in the prior year while proved plus probable reserves increased by 17%. Proved reserve additions from the Evesham Dina heavy oil pool partially offset negative technical revisions at Wildwood and in the Evesham Sparky sands. The significant increase in probable reserves came from the Dina heavy oil pool. With the addition of higher priced oil reserves which replaced lower priced gas reserves plus a significant reduction in future operating costs, from the new water disposal system, the net present value of the Company's reserves increased by 57%.

	LIGHT AND MEDIUM OIL		HEAVY OIL		NATURAL GAS		NATURAL GAS LIQUIDS		TOTAL	
RESERVES CATEGORY	Gross (MBbl)	Net (MBbl)	Gross (MBbl)	Net (MBbl)	Gross (MMcf)	Net (MMcf)	Gross (MBbl)	Net (MBbl)	Gross (MBOE)	Net (MBOE)
PROVED										
Developed Producing	11.4	8.6	227.4	218.5	551.5	536.0	0.6	0.3	331.4	316.8
Developed Non-producing	-	-	45.0	42.8	-	-	-	-	45.0	42.8
Undeveloped	-	-	102.0	99.8	-	-	-	-	102.0	99.8
TOTAL PROVED	11.4	8.6	374.4	361.1	551.5	536.0	0.6	0.3	478.4	459.4
PROBABLE	2.3	1.6	237.8	224.7	133.7	130.1	0.1	0.1	262.5	248.1
TOTAL PROVED PLUS PROBABLE	13.7	10.2	612.3	585.8	685.2	666.1	0.7	0.4	740.9	707.4

	NET PRESENT VALUES OF FUTURE NET REVENUE									
	BEFORE INCOME TAXES DISCOUNTED AT (% per year)					AFTER INCOME TAXES DISCOUNTED AT (% per year)				
RESERVES CATEGORY	0 (MM$)	5 (MM$)	10 (MM$)	15 (MM$)	20 (MM$)	0 (MM$)	5 (MM$)	10 (MM$)	15 (MM$)	20 (MM$)
PROVED										
Developed Producing	11.6	9.3	7.8	6.7	5.9	11.4	9.3	7.8	6.7	5.9
Developed Non-producing	2.6	2.0	1.6	1.4	1.2	2.1	1.6	1.4	1.2	1.1
Undeveloped	2.9	2.1	1.5	1.1	0.7	2.1	1.5	1.0	0.7	0.4
TOTAL PROVED	17.1	13.4	10.9	9.2	7.8	15.6	12.4	10.1	8.6	7.4
PROBABLE	13.8	8.9	6.3	4.7	3.7	10.2	6.5	4.5	3.4	2.6
TOTAL PROVED PLUS PROBABLE	30.9	22.3	17.2	13.9	11.5	25.8	18.9	14.7	11.9	10.0

More detailed information with respect to the reserves reports, including cost and pricing assumptions and reserve classifications can be found in the Company's Annual Information Form filed on Sedar. **There is no assurance that the above amounts represent the fair value of the assets.**

Management's Discussion and Analysis ("MD&A")

April 21, 2010

The following management's discussion and analysis of financial condition should be read in conjunction with Tuscany's audited financial statements and notes thereto for the years ended December 31, 2009 and December 31, 2008. Additional information relating to Tuscany can be found on the company's website at www.tuscanyenergy.com or on the SEDAR website at www.sedar.com. This MD&A has been prepared as at April 21, 2010. The information provided for the three months ended December 31, 2009 and 2008 has not been audited 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 contain the term cash flow from operations, which should not be considered an alternative to, or more meaningful as an indicator of the Company's performance than, cash flow from operating activities, as determined in accordance with accounting principles generally accepted in Canada. Tuscany's determination of cash flow from operations may not be particularly comparable to that reported by other companies especially those in other industries. The reconciliation between net cash provided from operating activities and cash flow from operations is set forth in the table below. The Company also presents cash flow from operations per share whereby per share amounts are calculated using the weighted average number of shares outstanding consistent with the calculation of earnings per share. In addition, the Company presents "net debt", calculated as the aggregate of current assets and current and long term liabilities.

Non- GAAP measurements

Cash flow from operations	Three Months Ended December 31, 2009	Three Months Ended December 31, 2008	Year Ended December 31, 2009	Year Ended December 31, 2008
Cash provided by (used in)- operating activities	$ (183,629)	$ 901,651	$ 82,910	$ 1,192,869
Change in non-cash working capital - fom operations	105,200	758,892	227,307	(524,143)
Cash flow from operations	$ (288,829)	$ 142,759	$ (144,397)	$ 1,717,012
Cash flow from operations per Share, diluted	$ (0.01)	$ -	$ -	$ 0.05

Net Debt	December 31, 2009	December 31, 2008
Current Assets	$ 805,592	$ 597,359
Current Liabilities	3,538,843	3,401,950
Net Debt	$ (2,733,251)	$ (2,804,591)

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.

Selected Quarterly Information

($ Thousands, except production and per share amounts)	2009				2008			
	Q4	Q3	Q2	Q1	Q4	Q3 *	Q2 *	Q1 *
Production (BOEd)	89	103	127	164	197	197	191	161
Price ($/BOE)	54.35	50.42	44.47	38.74	46.01	85.58	86.67	64.79
Total revenue, net of royalty	390	418	469	455	745	1,336	1,342	841
Cash flow (deficiency)								
from operations	(289)	(13)	85	73	143	656	544	364
Per share - basic and diluted	(0.01)	0.00	0.00	0.00	0.00	0.02	0.02	0.01
Net earnings (Loss)	(81)	72	(108)	(146)	(136)	192	121	69
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	163	110	93	78	283	168	285	117
Net capital expenditures	931	171	89	86	1,216	102	119	105
Total assets	10,476	9,174	8,767	8,879	9,333	8,676	9,178	9,201
Net debt	(2,733)	(3,224)	(3,040)	(3,035)	(2,805)	(1,571)	(2,125)	(2,550)

* Restated

Over the past two years Tuscany's production volumes increased from 161 BOEd in Q1 2008 to a high of 197 BOEd in Q3 2008. The Company placed a new well in the Wildwood area of Alberta on production in the first quarter of 2008. Tuscany's 30% interest in the well increased the Company's average production for 2008 by 68 BOEd which represents 37% of the overall production for the year. In addition, the Company completed a number of workovers on heavy oil property in Saskatchewan which maintained the production levels in this area. Production volumes have decreased from Q4 2008 to a low of 89 BOEd in Q4 2009. In the fourth quarter of 2008, the Company drilled a successful horizontal oil well in the Dina formation on its Evesham property. Production from this well, which commenced in January of 2009, partly offset production declines in the Sparky oil wells and the Company's Wildwood well.

Higher production and commodity prices increased revenues and cash flow for the first three quarters of 2008. However, in the fourth quarter prices declined significantly and both revenue and cash flow were much lower. The lower commodity prices resulted in lower cash flow and the company had to restrict its capital expenditures to preserve cash for most of 2009. As a result production volumes declined through 2009 to a low of 89 BOEd in Q4 2009.

In Q4 2009, Tuscany completed an issue of treasury shares, by way of a rights offering, and a merger with Goldmark Minerals Ltd. As a result of both transactions, the Company increased its working capital by approximately $2.0 million. This enabled the Company to drill a second Dina horizontal well on the Evesham Property and to finance a number of workovers on the Sparky oil wells on the Evesham Property. Tuscany completed the second Evesham Dina Horizontal well in Q1 2010 and the well production averaged 70 Bopd (42 Bopd net to Tuscany) during the month of March 2010. This combined with the results of the workovers of Sparky wells have added significant production volumes in Q1 2010.

Results of Operations

Production

During 2009 Tuscany's oil and NGL production declined to 90 Bopd from 118 Bopd in 2008. The Q4 2009 oil and NGL production declined to 64 Bopd from 142 Bopd in the same period in 2008, and from 78 Bopd in Q3 2009. The Company suffered significant production declines in its Sparky oil production as a result of its decision to delay remedial work in this area until prices had recovered and the Company had raised additional working capital. Production volumes from its well in the Wildwood area were also lower. In Q4 2009, a down hole pump was installed and a workover was conducted on the Wildwood well which resulted in significant down time for the well in Q4 2009.

Gas production for the twelve months ended December 31, 2009 declined by 218 Mcf/d as the flush production from a new gas well completed in the Evesham area and the Wildwood well declined. Year over year production was reduced to 120 BOEd compared with 184 BOEd in 2008.

Production and Prices	Three Months Ended December 31, 2009	2008	Year Ended December 31, 2009	2008
Average daily production				
Gas (Mcf/d)	**150**	332	**180**	398
Oil and NGL (Bbl/d)	**64**	142	**90**	118
BOEd	**89**	197	**120**	184
Average price				
Gas ($/Mcf)	**$ 4.71**	$ 6.81	**$ 4.08**	$ 8.42
Oil and NGL ($/Bbl)	**$ 64.54**	$ 47.99	**$ 52.94**	$ 83.84
$/BOE	**$ 54.35**	$ 46.07	**$ 45.82**	$ 71.99

Production By Area*	Three Months Ended December 31, 2009	2008	Year Ended December 31, 2009	2008
Oil and NGL (Bbls/d)				
Evesham	26	69	39	58
Evesham Dina	11	-	17	-
Macklin	18	18	15	21
Wildwood	10	56	20	39
	64	142	90	118
Gas (Mcf/d)				
Evesham	97	109	95	154
Macklin	12	46	15	41
Wildwood	26	162	55	183
Other	16	16	15	21
	150	332	180	398
Total (BOEd)	89	197	120	184

*columns may not add due to rounding

In Q4 2009, Tuscany completed the drilling of its second horizontal well at Evesham and workovers on a number of Evesham Sparky Oil wells. The horizontal well commenced production in January 2010 and the production increase from the workovers was not realized until after the year end. These activities have increased the Company's production in Q1 2010 by over 50%.

Selling Prices

For the twelve months ended December 31, 2009 Tuscany received an average of $45.82 per BOE, a significant decrease in price from $71.99 per BOE, for the same period in 2008. Most of the decrease resulted from the sharp drop in commodity prices in Q3 2008. Oil prices steadily recovered throughout 2009 and as a result the Company received an average of $64.54 per Bbl for oil and liquids in Q4 2009 compared with $47.99 per Bbl in Q4 2008. Gas prices, have not experienced the same recovery and the Company received $4.71 per Mcf for its natural gas sales in Q4 2009 compared to $6.81 per Mcf in Q4 2008.

Subsequent to the end of the year, oil prices have continued to increase, while gas prices have remained weak. The Company is heavily weighted to oil production with 75% of its production coming from oil.

Summary of operating net back *(in thousands of dollars except per BOE information)*	**Three Months Ended December 31, 2009**	**2008**	**Year Ended December 31, 2009**	**2008**
Natural Gas	**$ 65**	$ 208	**$ 268**	$ 1,227
Oil and NGLs	**380**	627	**1,739**	3,621
Oil and natural gas	**445**	835	**2,007**	4,848
Royalties	**(56)**	(92)	**(275)**	(585)
Operating expenses	**(201)**	(252)	**(902)**	(980)
Operating Workovers	**(289)**	(217)	**(424)**	(735)
Operating net back	**$ (101)**	$ 274	**$ 406**	$ 2,548
$/ BOE				
Oil and natural gas	**$ 54.35**	$ 46.07	**$ 45.82**	$ 71.99
Royalties	**(6.84)**	(5.08)	**(6.28)**	(8.69)
Operating expenses	**(24.55)**	(13.90)	**(20.59)**	(14.55)
Operating Workovers	**(35.30)**	(11.97)	**(9.68)**	(10.91)
Operating net back	**$ (12.34)**	$ 15.12	**$ 9.27**	$ 37.84

Sales Revenue

Total revenue decreased 59% from $4.8 million for the year ended December 31, 2008 to $2.0 million for the year ended December 31, 2009. The decrease resulted from a production decline of 35% and a price decrease of 36%. In Q1 2010, the declining production trend has been reversed and with higher oil prices Tuscany anticipates revenues will be stronger in 2010.

Royalty Expense

The Company's average royalty rate for the twelve months ended December 31, 2009 was 14% or $6.28 per BOE. By comparison, in 2008 the Company incurred an average royalty rate of 12% or $8.69 per BOE. Sales revenue in 2009 was mainly from Saskatchewan heavy oil where low productivity wells have a low royalty rate. In addition, horizontal oil wells receive a royalty holiday for initial production volumes, depending on the length of the horizontal section. Royalty paid in Alberta increased as the royalty holiday on the Wildwood well ended in Q4 2008.

Operating Expense

Tuscany's operating expenses for 2009 totaled $902,000, or $20.59 per BOE, compared to $980,000 or $14.55 per BOE in 2008. Total operating expenses declined because of a reduced volume of production for the year. Operating cost per BOE increased during the year primarily as a result of water disposal expenses at Evesham where the Evesham horizontal well produces substantial volumes of water. Tuscany has taken steps to reduce this cost by completing a water disposal facility in January 2010 and it is anticipated that operating costs will be reduced significantly in 2010. During 2009, the Company incurred $424,000 in workover costs primarily on its Sparky wells. This was significantly down from the $735,000 spent in 2008 as the Company is developing new techniques to complete these wells.

General and Administrative Expense

General and Administrative Expenses *(in thousands of dollars except per BOE information)*		Three Months Ended December 31, **2009**		**2008**		Year Ended December 31, **2009**		**2008**
Gross expenses	**$**	**163**	$	116	**$**	**444**	$	685
Stock based compensation costs		**34**		1		**83**		2
Total overhead	**$**	**197**	$	117	**$**	**527**	$	687
Per BOE	**$**	**24.06**	$	6.46	**$**	**12.03**	$	10.20

General and administrative expenses of $527,000 ($12.03 per BOE) decreased from the $687,000 ($10.20 per BOE) incurred in 2008. Payroll costs were eliminated in 2009 as the Company has entered into an arrangement to share overhead costs with other related companies. Tuscany's overhead will increase as its activity level increases, however, management believes the cost sharing arrangement will result in the most efficient overhead cost structure available under the current circumstance.

Financing Charges

Interest Expense *(in thousands of dollars)*		Three Months Ended December 31, **2009**		**2008**		Year Ended December 31, **2009**		**2008**
Average bank debt	**$**	**2,384**	$	1,560	**$**	**2,312**	$	2,019
Interest expense	**$**	**25**	$	17	**$**	**105**	$	147
Average interest rate		**4.2%**		4.4%		**4.5%**		7.3%

Interest expense for Q4 2009 increased slightly to $25,000 from $17,000 incurred in Q4 2008. For the year ended December 31, 2009 interest expenses declined to $105,000, significantly lower than the $147,000 for the same period in 2008. The increased interest expense in Q4 2009 resulted from drilling activity in the quarter which resulted in increased spending in the period.

Depletion, Depreciation and Accretion

Depletion, Depreciation & Accretion (in thousands of dollars except per BOE information)	Three Months Ended December 31, 2009	2008	Year Ended December 31, 2009	2008
Depletion and depreciation	$ 202	$ 274	$ 902	$ 1,223
ARO accretion	13	14	51	53
Total	$ 215	$ 288	$ 953	$ 1,276
per BOE	$ 26.26	$ 15.89	$ 21.76	$ 18.98

Depletion and depreciation charges calculated on a unit of production basis are based on total proved reserves. In Q4 2009, depletion and depreciation expense decreased to $202,000 from $274,000 in Q4 2008 due to the decrease in production volumes. On a per unit basis, depletion, depreciation and accretion expense increased from $15.89 per BOE recorded in Q4 2008 to $26.26 per BOE in Q4 2009. For the year ended December 31, 2009, depletion, depreciation and accretion rates increased to $21.76 per BOE as a result of higher depletion rates during the first three quarters of the year. The depletion rates were reduced with the additional reserves added by the drilling of the new Dina horizontal oil well in Saskatchewan.

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

Income Taxes

At December 31, 2009, the Company had approximately $11.4 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 $0.8 million. This represents the estimated future value of the excess of the tax deductions over the net book value of the Company's assets. The Tax pools are set forth in the table below:

Deductions	2009	2008
Canadian oil and gas property expense	$ 4,155,679	$ 4,083,085
Canadian foreign exploration expense	1,631,035	1,631,035
Undepreciated capital cost	1,766,002	1,277,071
Non-capital loss carry forward	1,899,112	1,494,098
Canadian exploration expense	739,167	-
Canadian development expense	921,877	143,811
ACRI	159,561	145,588
Other	115,915	77,771
Total	$ 11,388,348	$ 8,852,459

Capital Expenditures

Capital Expenditures *(in thousands of dollars)*	Three Months Ended December 31, 2009	2008	Year Ended December 31, 2009	2008
Land	**$ 2**	$ 100	**$ 105**	$ 300
Geological and geophysical	**$ (44)**	-	**24**	-
Drilling and completions	**$ 593**	1,018	**754**	1,046
Equipment, facilities and pipelines	**$ 320**	97	**493**	196
ARO	**$ 60**	-	**(99)**	-
Total	**$ 931**	$ 1,215	**$ 1,277**	$ 1,542

Management restricted the capital expenditure program for most of 2009 in order to maintain capital. Tuscany incurred $1.28 million on its drilling and completion program during the twelve months ended December 31, 2009; $0.9 million of which was spent in Q4 on the drilling and completion of the second horizontal well at Evesham and the water disposal facilities for the area.

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 provide returns for shareholders and benefits for other stakeholders, and
- To provide an adequate return to shareholders by investing in oil and gas activities commensurate with the level of risk management deems acceptable.

Tuscany targets the level of capital in proportion to its risk of achieving sufficient annualized operating cash flows to maintain its debt repayability ratio to less than twenty-four months cash flow. The Company makes 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 *(thousands except months)*	December 31 **2009**	December 31 2008
Current assets	**$ 806**	$ 597
Current liabilities	**(1,739)**	(1,757)
Bank debt	**(1,800)**	(1,645)
	$ (2,733)	$ (2,805)
Annualized cash flow from operations	**$ (144)**	$ 1,717
Months estimated to repay debt	**N/A**	**19.6**

The Company's debt repayability is unacceptable with debt levels of $2.7 million and a cash flow defiency in 2009. Anticipated production levels for 2010 combined with higher oil prices and reduced operating costs, as a result of the completion of a water disposal system, should result in higher cash flow from operations during 2010. Management's plan for 2010 is to match overall capital spending and commitments with anticipated operating cash flows for the year. The Company's $3.0 million credit facility imposes a capital restriction that the Company's debt to equity ratio cannot exceed 2:1 and the Company's net debt cannot exceed its credit facility.

Liquidity and Capital Resources

The Company's 2009 operations and capital expenditures were funded primarily from cash obtained with the acquisition of Goldmark. Tuscany's operating demand loan provides for a line of credit of $3.0 million (2008 – $3.3 million) of which $1.2 million remained undrawn at the end of the period. At December 31, 2009 Tuscany's Net Debt was $2.77 million. The terms of the companies existing line of credit do not allow the Company to exceed $3.0 Million in Net Debt. The Company plans to finance its exploration budget out of cash flow and the bank credit facility.

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.

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

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

Contractual Obligations and Commitment

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

The Company has asset retirement obligations with respect to the abandonment and reclamation of wells and facilities owned by the Company. Tuscany includes the present value of the estimated liabilities for such costs on its balance sheet. The total estimated undiscounted cost of these liabilities at December 31, 2009, was $1.1 million (2008 – $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 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 it is expected that 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 the appropriate asset account when the liability has been determined and charged to earnings 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. The value of the income tax asset of the Company is dependent upon the Company's ability to generate sufficient future income to use the tax asset set up.

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.

Change in Accounting Policies

Financial Instrument Disclosures

Effective December 31, 2009, the Corporation adopted disclosure requirements that the CICA added to Handbook Section 3862 "Financial Instruments – Disclosures." The additional requirements augmented disclosure requirements with respect to fair values and liquidity risk associated with financial instruments. Fair values are now required to be determined following a three level hierarchy:

Level 1: quoted prices in active markets for identical assets or liabilities;

Level 2: inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly; and

Level 3: inputs for the asset or liability that are not based on observable market data.

This amendment did not impact the Company as the Company does not have any financial instruments in which it uses fair values, other than cash and cash equivalents, which is considered to be level 2.

Business Combinations

In January 2009, the CICA issued Handbook Sections 1582 – Business Combinations, 1601- Consolidated Financial Statements, and 1602 – Non Controlling Interests. Section 1582 replaces Section 1581 – Business Combinations and establishes standards for the accounting for business combinations that is equivalent to the business combination accounting standard under IFRS.

Sections 1601 and 1602 replace 1600 – Consolidated Financial Statements. Section 1601 provides revised guidance on the preparation of consolidated financial statements and Section 1602 addresses accounting for non controlling interests in consolidated financial statements subsequent to a business combination. These standards are effective April 1, 2011. Early adoption of the Section is permitted. The Company has chosen to adopt Section 1582 early, and therefore must simultaneously prospectively adopt Sections 1601 & 1602.

Emerging Issues Committee ("EIC") EIC 173

The Emerging Issues Committee ("EIC") issued EIC 173 – Credit risk and the fair value of financial assets and financial liabilities on January 20, 2009. This abstract provides further guidance on the determination of the fair value of financial assets and financial liabilities under Section 3855. EIC 173 concluded that when determining the fair value of financial assets and financial liabilities, the entity should consider its own credit risk as well as the credit risk of the counterparty. This abstract should be applied retrospectively, without restatement of prior periods, to all financial assets and liabilities measured at fair value in interim and annual financial statements for the periods ending on or after January 20, 2009. Adoption of this abstract did not have a material impact.

Related Party Transactions

At December 31, 2009, 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.

	December 31, 2009	April 20, 2010
Tuscany	43.5%	43.6%
Diaz	41.4%	37.3%
Sharon	26.8%	27.1%
Paris	25.2%	25.2%

For the years ended December 31, 2009 and 2008, Tuscany paid the following amounts related to certain overhead services:

Overhead Charges	2009	2008
Diaz	145,000	58,000
Paris	130,000	-

Balance payable at December 31,	2009	2008
Diaz	13,657	4,820
Paris	-	-

During the period a company owned by the CFO charged the company $15,000 (2008-$43,000) in consulting fees.

On October 7, 2009 Tuscany and Goldmark completed a merger of the companies by way of a Plan of arrangement approved by the Court of Queens Bench of Alberta. Humboldt and certain of its officers and directors owned 35% of the outstanding shares of Goldmark and were directors and, or officers of Goldmark.

Corporate Outlook

Tuscany is very focused on growth through oil exploration and development. With a sound reserve base developed over the past year, Tuscany believes it can achieve significant growth over the next year. Oil prices should remain high as world economies are beginning to show signs of recovery.

Management's Report

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

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

John G.F. McLeod
President
April 21, 2010

Charles A. Teare
Chief Financial Officer

Auditors' Report

To the Shareholders of Tuscany Energy Ltd.

We have audited the consolidated balance sheets of Tuscany Energy Ltd. as at December 31, 2009 and 2008 and the consolidated statements of operations, comprehensive income (loss) and deficit and cash flows for the years then ended. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

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

In our opinion, these financial statements present fairly, in all material respects, the financial position of the Company as at December 31, 2009 and 2008 and the results of its operations and its cash flows for the years then ended in accordance with Canadian generally accepted accounting principles.

PricewaterhouseCoopers LLP

PricewaterhouseCoopers LLP
Chartered Accountants
Calgary, Alberta
April 21, 2010

Consolidated Balance Sheet

As at December 31,		2009		2008
ASSETS				
Current Assets				
Cash	$	**109,475**	$	5,124
Accounts Receivable		**694,031**		555,743
Prepaid Expenses and deposits		**2,086**		36,492
		805,592		597,359
Property, plant and equipment (Note 5)		**8,866,565**		8,491,556
Future tax asset (Note 8)		**803,688**		243,927
Total Assets	$	**10,475,845**	$	9,332,842
LIABILITIES				
Current Liabilities				
Accounts payable and accrued liabilities	$	**1,738,843**	$	1,756,950
Bank debt (Note 3)		**1,800,000**		1,645,000
		3,538,843		3,401,950
Other Liabilities				
Asset retirement obligation (Note 7)		**586,737**		635,165
Total Other Liabilities		**586,737**		635,165
		4,125,580		4,037,115
SHAREHOLDERS' EQUITY				
Share capital (Note 6)		**6,877,686**		5,686,428
Contributed surplus (Note 6)		**392,368**		265,870
Deficit		**(919,789)**		(656,571)
		6,350,265		5,295,727
Total Liabilities and Shareholders' Equity	$	**10,475,845**	$	9,332,842

John G.F. McLeod, Director

Charles A. Teare, Director

Consolidated Statements of Operations, Comprehensive Income (Loss) and Deficit

Year ended December 31,	2009	2008
Revenue		
Petroleum and natural gas sales	**$ 2,006,708**	$ 4,848,168
Royalties	**(275,222)**	$ (584,563)
Interest and Other Income	**221**	-
	1,731,707	4,263,605
Expenses		
Operating and transportation	**1,326,169**	1,714,827
General and administrative	**443,994**	685,184
Interest	**104,700**	146,582
Cost incurred in Acquisition of Goldmark Minerals Ltd. (Note 4)	**172,242**	-
Foreign Exchange loss (gain)	**1,239**	-
Depletion, depreciation and accretion	**952,518**	1,275,600
Stock based compensation	**82,594**	2,072
	3,083,456	3,824,265
Gain on Purchase of Goldmark (Note 4)	**543,181**	-
Earnings (loss) before income tax	**(808,568)**	439,340
Income tax		
Future tax expense (recovery)	**(545,350)**	195,094
Total income tax	**(545,350)**	195,094
Net Earnings (loss) and Comprehensive Income (Loss) for the year	**(263,218)**	244,246
Deficit, beginning of period	**(656,571)**	(900,817)
Deficit, end of period	**$ (919,789)**	$ (656,571)
Earnings (loss) per share, basic and diluted	**$ (0.01)**	$ 0.01

Consolidated Statement of Cash Flows

Year ended December 31,	2009	2008
Cash provided by (used for):		
Operating Activities		
Earnings (loss) and comprehensive earnings for the period	**$ (263,218)**	$ 244,246
Non-cash items:		
Gain On Purchase of Goldmark	**(543,181)**	-
Less: Acquisition Costs	**172,242**	-
Depletion and depreciation	**901,703**	1,222,615
Accretion	**50,813**	52,985
Stock based compensation	**82,594**	2,072
Future tax expense (recovery)	**(545,350)**	195,094
	(144,397)	1,717,012
Change in non-cash working capital	**227,307**	(524,143)
Cash provided by (used for) operating activities	**82,910**	1,192,869
Investing Activities		
Property, plant & equipment - additions	**(1,375,950)**	(1,621,915)
Property, plant & equipment - dispositions	**90,357**	-
Change in non-cash working capital	**(420,590)**	854,545
	(1,706,183)	(767,370)
Financing Activities		
Bank loan advance / (Repayment)	**155,000**	(340,000)
Common share issues:		
Rights Offering	**521,138**	-
Less: Costs of Rights Offering	**(55,752)**	-
Goldmark Acquisition	**1,376,777**	-
Less: Costs of Acquisition	**(172,242)**	-
Repurchased for cancellation	**(97,297)**	(80,974)
	1,727,624	(420,974)
Increase (decrease) in cash	**104,351**	4,525
Cash, beginning of period	**5,124**	599
Cash, end of period	**$ 109,475**	$ 5,124
Supplementary information regarding cash payments:		
Interest paid	**$ 104,700**	$ 146,582

Notes To The Consolidated Financial Statements

For the years ended December 31, 2009 and 2008

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.

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 30%, and computer equipment at an annual rate of 20%, 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.

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 and cash-like short term investments that can be liquidated into cash on less than 90-days notice.

Joint Ventures

A significant portion of 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 6. 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 year 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.

Income Tax

Income taxes are recorded using the liability method of accounting. Future income tax assets and liabilities are recognized for temporary differences between the income tax and accounting basis of assets and liabilities and measured using the substantively enacted tax rates expected to be in effect when the timing differences are estimated to reverse. Changes in income tax rates that are substantively enacted are reflected in the accumulated future income tax balances in the period the change occurs.

Measurement Uncertainty

The preparation of financial statements in accordance with Canadian GAAP requires management to make estimates and assumptions about the reported amounts of assets and liabilities at the date of the financial statements and revenues and expenses for the period then ended. 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. The Black-Scholes option pricing model is used to estimate stock option values based on estimates of the current risk free interest rate, expected life of the options and expected volatility of the underlying common share price. 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. Amounts recorded for future income taxes are based on estimates of the timing of the reversal of temporary differences in future periods. By their nature, these estimates are subject to measurement uncertainty and the effects of changes in such estimates in future years on financial statements could be significant. 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.

Earnings per share

The treasury stock method is used to determine the dilutive effect of stock options. Under the treasury stock method, only "in the money" dilutive instruments impact the dilution calculations.

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

Diluted earnings per share are calculated by dividing the diluted weighted average number of aggregate outstanding shares during the period in the net earnings for the period. Diluted loss per share is calculated by dividing the basic weighted average aggregate number of outstanding shares into the loss for the period as using the diluted weighted average shares would be anti-dilutive.

2. Change in Accounting Policies

Foreign Currency Translation

During the fourth quarter of 2009, the Company completed an acquisition of Goldmark Minerals Ltd. ("Goldmark"), and its wholly controlled subsidiary Goldmark Alaska Inc. ("Goldmark Alaska"). The U.S. subsidiary is considered an integrated foreign operation. Foreign currency balances, including those of integrated foreign subsidiaries, are expressed in Canadian dollars on the following basis:

- Monetary assets and liabilities – at the year 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.

Financial Instrument Disclosures

Effective December 31, 2009, the Corporation adopted disclosure requirements that the CICA added to Handbook Section 3862 "Financial Instruments – Disclosures." The additional requirements augmented disclosure requirements with respect to fair values and liquidity risk associated with financial instruments. Fair values are now required to be determined following a three level hierarchy:

Level 1: quoted prices in active markets for identical assets or liabilities;

Level 2: inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly; and

Level 3: inputs for the asset or liability that are not based on observable market data.

This amendment did not impact the Company as the Company does not have any financial instruments in which it uses fair values, other than cash and cash equivalents, which is considered to be level 2.

Business Combinations

In January 2009, the CICA issued Handbook Sections 1582 – Business Combinations, 1601-Consolidated Financial Statements, and 1602 – Non Controlling Interests. Section 1582 replaces Section 1581 – Business Combinations and establishes standards for the accounting for business combinations that is equivalent to the business combination accounting standard under IFRS.

Sections 1601 and 1602 replace 1600 – Consolidated Financial Statements. Section 1601 provides revised guidance on the preparation of consolidated financial statements and Section 1602 addresses accounting for non controlling interests in consolidated financial statements subsequent to a business combination. These standards are effective April 1, 2011. Early adoption of the Section is permitted. The Company has chosen to adopt Section 1582 early, and therefore must simultaneously prospectively adopt Sections 1601 & 1602.

Emerging Issues Committee ("EIC") EIC 173

The Emerging Issues Committee ("EIC") issued EIC 173 – Credit risk and the fair value of financial assets and financial liabilities on January 20, 2009. This abstract provides further guidance on the determination of the fair value of financial assets and financial liabilities under Section 3855. EIC 173 concluded that when determining the fair value of financial assets and financial liabilities, the entity should consider its own credit risk as well as the credit risk of the counterparty. This abstract should be applied retrospectively, without restatement of prior periods, to all financial assets and liabilities measured at fair value in interim and annual financial statements for the periods ending on or after January 20, 2009. Adoption of this abstract did not have a material impact.

3. Bank Debt

The bank loan is a revolving non-reducing operating demand loan with a maximum amount available of $3,000,000 (2008 - $3,300,000). Amounts drawn down under the facility bear interest at the bank's prime rate plus 2%, resulting in an effective rate of 4.25% at December 31, 2009; there is a standby fee of 0.2% on undrawn amounts. At December 31, 2009, the amount drawn on the operating demand loan is $1,800,000.

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 December 31, 2009 the Company was in compliance with the covenants.

4. Acquisition of Goldmark Minerals Ltd.

On October 7, 2009 Tuscany and Goldmark Minerals Ltd. ("Goldmark") closed an arrangement agreement pursuant to which Tuscany acquired all of the issued and outstanding shares of Goldmark ("Goldmark Shares") through the issue of 12,180,854 common shares of Tuscany to shareholders of Goldmark. Goldmark assets consisted of $1.4 million of working capital and assets held for resale. The net assets acquired exceeded the consideration provided, resulting in the "gain from bargain purchase". In order to facilitate the transition to IFRS in fiscal 2011, the company has chosen to early-adopt CICA Handbook section 1582 – "Business Combinations". As a result of early application of this section, the company has also adopted CICA Handbook sections 1601 – "Consolidated Financial Statements" and 1602 – "Non-Controlling Interests".

Prior to the acquisition Goldmark and The Company had certain common directors and officers and officers and directors of Tuscany owned or controlled 35% of the outstanding shares of Goldmark. The Majority of the Goldmark board of directors were independent of Tuscany and pursuant to the court approved transaction the transaction had to be approved by the majority of the shareholders who were not insiders of the Company. The companies were not considered to be under common control for the purpose of CICA Handbook section 1582. The assets of Goldmark were valued at fair value, for the purpose of the acquisition and the Shares issued for the acquisition were valued at fair value being of $0.07 per share, being the closing price of Tuscany shares on the TSX-Venture exchange on October 7, 2009, the date of the acquisition.

The transaction has been recorded using the acquisition method as follows:

Identifiable net assets acquired at fair value:

in thousands of Canadian Dollars

Current Assets	**$**	**1,384**
Current Liabilities		**(78)**
Alaskan Mineral Property (held for sale)		**90**
Identifiable Net Assets Acquired	**$**	**1,396**
Gain from bargain purchase		**543**
Net assets acquired	**$**	**853**

Consideration Provided:

in thousands of Canadian Dollars

12,180,854 Common Shares	**$**	**853**

5. Property, Plant and Equipment

As at		December 31 2009		December 31 2008
Petroleum and natural gas properties	$	13,681,394	$	12,404,684
Accumulated depletion and impairment		(4,829,608)		(3,932,240)
		8,851,786		8,472,444
Furniture, fixtures and other assets		40,927		40,927
Accumulated depreciation		(26,148)		(21,815)
		14,779		19,112
	$	8,866,565	$	8,491,556

At December 31, 2009, unproven property costs of $122,232 were excluded from the depletable cost base (2008 - $204,348). Unproved property costs are tested for impairment separately from those costs subject to depletion whereby the carrying value of the property must be less than or equal to the current fair value. 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 $3,211,700 (2008 - $210,000).

At December 31, 2009 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 year ended December 31, 2009, no impairment of the properties was indicated.

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

		AECO Gas ($Cdn/Mcf)		Edmonton Light Oil ($Cdn/Bbl)		WTI Oil ($US/Bbl)
2010	$	6.05	$	83.20	$	80.00
2011	$	6.75	$	87.00	$	83.60
2012	$	7.15	$	91.00	$	87.40
2013	$	7.45	$	95.00	$	91.30
2014	$	7.80	$	99.20	$	95.30

6. 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.

Common Shares - Issued	Number of Shares		Amount
Balance, December 31, 2007	36,550,836	$	6,137,712
Tax effect of flow-through shares	-		(257,165)
Repurchased for cancellation	(1,156,000)		(194,119)
Balance, December 31, 2008	35,394,836	$	5,686,428
Rights offering	8,685,635		521,138
Share issue costs (net of tax of $14,412)	-		(41,341)
Acquisition of Goldmark	12,180,854		852,660
Repurchased for cancellation	(961,500)		(141,199)
Balance at December 31, 2009	55,299,825	$	6,877,686

On October 1, 2009 the Company issued 8,685,635 common shares at a price of $0.06 per share by way of a rights offering made to its shareholders of record on September 2, 2009.

On October 7, 2009 the company acquired all of the outstanding shares of Goldmark in exchange for 12,180,854 common shares on a basis if 0.6 common shares for each Goldmark share outstanding. (see Note 4 -Acquisition of Goldmark Minerals Ltd)

Contributed Surplus (thousands)		**Year Ended December 31 2009**		Year ended December 31 2008
Balance, Beginning of year	**$**	**265,870**	$	150,651
Option compensation for the period		**82,594**		2,072
Excess of paid up capital over cost on share repurchases		**43,904**		113,147
Balance at end of year	**$**	**392,368**	$	265,870

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 shares outstanding for December 31, 2009, 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 (loss) per share are calculated by dividing the basic weighted average aggregate outstanding shares into the earnings (loss) for the period using the diluted weighted average number of shares.

Shares Outstanding	2009	Year Ended December 31, 2008
Weighted average shares outstanding	39,794,546	36,408,679
Dilutive effect of stock options	-	-
Diluted weighted average shares outstanding	39,794,546	36,550,836

In 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. In the year the Company acquired 961,500 shares (2008-1,156,000 shares) for cancellation at an average cost of $0.10 per share.

Issuer Bid		Year Ended December 31 2009		Year ended December 31 2008
Common Shares				
Shares repurchased		**961,500**		1,156,000
Weighted average price, per share	**$**	**0.10**	$	0.07

Stock Option Plan

As at December 31, 2009, there are a total of 2,220,000 options granted and outstanding under the stock option plan with a weighted average exercise price of $0.12 per share, 886,667 of which are exercisable.

The following summarizes information about fixed stock options outstanding:

Fixed Options	2009			2008		
	Shares		Weighted Average Exercise Price	Shares		Weighted Average Exercise Price
Outstanding, beginning of period	**220,000**	**$**	**0.260**	670,000	$	0.280
Granted	**2,000,000**		**0.100**	-		-
Exercised	**-**		**-**	450,000		0.290
Expired / cancelled	**-**		**-**	-		-
Outstanding, end of period	**2,220,000**	**$**	**0.116**	220,000	$	0.260
Options exercisable, end of period	**886,667**	**$**	**0.140**	220,000	$	0.260

Exercise price	Outstanding December 31, 2009	Weighted Average Remaning Life Years	Exercisable December 31, 2009
$0.10	2,000,000	4.6	666,667
$0.25	200,000	0.3	200,000
$0.34	20,000	1.3	20,000
Total	2,220,000		886,667

Options vest as to one third on issue and one third on the first and second anniversary of the issue date. Options expire five years form the date of issue. 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 twelve months ended December 31, 2009 by $82,595 (2008 - $2,072).

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

	Risk Free Interest Rate (%)	Expected Life (Years)	Expected Volatility	Weighted Average Future Value Per Option
2006	3.53	4.3	0.67	0.2170
2007	4.30	4.3	0.69	0.0830
2009	2.23	5.0	1.54	0.0910

7. Asset Retirement Obligation

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

As at	December 31 **2009**	December 31 2008
Asset Retirement Obligation, beginning of period	**$ 635,165**	$ 662,317
Liabilities incurred	**11,442**	12,330
Changes in estimates	**(110,683)**	(92,467)
Accretion expense	**50,813**	52,985
Asset Retirement Obligation, end of period	**$ 586,737**	$ 635,165

The total undiscounted amount of estimated cash flows required to settle the obligation using an inflation adjustment rate of 2% per year 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 2013 and 2022.

8. Income Tax

The provision for income taxes in the statement of operations and deficit varies from the amount that would be computed by applying the expected tax rate to loss before income taxes. The expected tax rate used was 29.85% (2008 – 31.0%).The principal reasons for differences between such "expected" income tax expense and the amount actually recorded are as follows:

Income tax reconciliation		2009		2008
Expected rate		29.85%		31.0%
Earnings (Loss) before income taxes		**(808,568)**		439,340
Computed expected income tax Expense (recovery)	$	**(241,327)**	$	134,253
Non taxable gain on purchase of Goldmark		**(162,119)**		-
Stock-based compensation		**24,651**		633
Non deductable Expenses		-		684
Tax pools expired		**96,026**		-
Adjustment to prior tax pools		**(292,715)**		116,447
Impact of lower future tax rates and other		**30,134**		(56,923)
Provision for future income taxes	$	**(545,350)**	$	195,094

The significant components of the income tax asset are as follows:

Components		2009		2008
Net book value of properties and equipment	$	**(2,557,668)**	$	(2,207,473)
Tax pools		**3,177,636**		2,264,027
Asset retirement obligations		**151,650**		164,166
Share issue costs		**32,070**		23,207
Future tax asset	$	**803,688**	$	243,927

As at December 31, 2009 the Company had the following tax deductions available to reduce future taxable income. The non capital loss carry forward expires between 2010 and 2028 with $373,510 expiring prior to the year of 2012.

Deductions		2009		2008
Canadian oil and gas property expense	$	**4,155,679**	$	4,083,085
Canadian foreign exploration expense		**1,631,035**		1,631,035
Undepreciated capital cost		**1,766,002**		1,277,071
Non-capital loss carry forward		**1,899,112**		1,494,098
Canadian exploration expense		**739,167**		-
Canadian development expense		**921,877**		143,811
ACRI		**159,561**		145,588
Other		**115,915**		77,771
Total	$	**11,388,348**	$	8,852,459

9. Related Party Transactions

At December 31, 2009, 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.

	December 31, 2009	April 20, 2010
Tuscany	43.5%	43.6%
Diaz	41.4%	37.3%
Sharon	26.8%	27.1%
Paris	25.2%	25.2%

For the years ended December 31, 2009 and 2008, Tuscany paid the following amounts related to certain overhead services:

Overhead Charges	2009	2008
Diaz	145,000	58,000
Paris	130,000	-

The year end balances owed to these companies were as follows:

Balance payable at December 31,	2009	2008
Diaz	13,657	4,820
Paris	-	-

During the period a company owned by the CFO charged the company $15,000 (2008-$43,000) in consulting fees.

On October 7, 2009 Tuscany and Goldmark completed a merger of the companies by way of a Plan of arrangement approved by the Court of Queens Bench of Alberta. Humboldt and certain of its officers and directors owned 35% of the outstanding shares of Goldmark and were directors and, or officers of Goldmark.

10. Supplemental Cash Flow Information

Supplemental Cash Flow Information Year ended December 31,		2009		2008
Interest paid	$	**104,700**	$	146,582
Changes in non-cash working capital balances				
Acquired from Goldmark	$	**(71,297)**	$	-
Receivables		**(209,585)**		(68,041)
Prepaid expenses		**34,406**		(24,689)
Accounts payable and accruals		**(18,107)**		423,132
	$	**(264,583)**	$	330,402
Allocated to:				
Acquired from Goldmark	$	**(71,297)**	$	-
Operating activities		**227,304**		(524,143)
Investing activities		**(420,590)**		854,545
	$	**(264,583)**	$	330,402

11. Capital Disclosure

Tuscany uses the term cash flow from operations and net debt in the analysis below. The term cash flow from operations, should not be considered an alternative to, or more meaningful as an indicator of the Company's performance than, cash flow from operating activities, as determined in accordance with accounting principles generally accepted in Canada. Tuscany's determination of cash flow from operations may not be particularly comparable to that reported by other companies especially those in other industries. The reconciliation between net cash provided from operating activities and cash flow from operations is set forth in the table below. In addition net debt is calculated as the aggregate of current assets and current and long term liabilities.

Cash flow from operations		Year Ended December 31, 2009		 2008
Cash provided by (used in)- operating activities	$	82,910	$	1,192,869
Change in non-cash working capital - fom operations		227,307		(524,143)
Cash flow from operations	$	(144,397)	$	1,717,012

Net Debt		December 31, 2009		 2008
Current Assets	$	805,592	$	597,359
Current Liabilities		3,538,843		3,401,950
Net Debt	$	(2,733,251)	$	(2,804,591)

Tuscany's objectives when managing capital are:

- To safeguard the Company's ability to continue as a going concern, so that it can continue to provide returns for shareholders and benefits for other stakeholders, and

- To provide an adequate return to shareholders by investing in oil and gas activities commensurate with the level of risk management deems acceptable.

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

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

As at *(thousands except months)*		December 31 **2009**		December 31 2008
Current assets	**$**	**806**	$	597
Current liabilities		**(1,739)**		(1,757)
Bank debt		**(1,800)**		(1,645)
	$	**(2,733)**	$	(2,805)
Annualized cash flow from operations	**$**	**(144)**	$	1,717
Months estimated to repay debt		**N/A**		**19.6**

The debt repayability in 2009 and 2008 was unacceptable with debt levels of $2.8 million and a cash flow defiency in 2009. Anticipated production levels for 2010 combined with higher oil prices and reduced operating costs as a result of the completion of a water disposal system should result in higher cash flow from operations during 2010. Management's plan for 2010 is to match overall capital spending and commitments with anticipated operating cash flows for the year. The Company's $3.0 million credit facility imposes a capital restriction that the Company's debt to equity ratio cannot exceed 2:1 and the Company's net debt cannot exceed its credit facility.

12. 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 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 receivables 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. The fair value of the bank debt approximates its book value as it is at a market rate of interest.

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 $192,000 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	$ 26	$ (26)

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 a10% 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	$ 27	$ (27)
Conventional Oil Price	$ 39	$ (39)
Heavy Oil Price	$ 102	$ (102)
Horizontal Heavy Oil Price	$ 33	$ (33)
Crude Oil Price	$ 174	$ (174)

Corporate Information

Directors

Robert W. Lamond[1]
Calgary, Alberta

John G. F. McLeod
Okotoks, Alberta

Charles A. Teare
Calgary, Alberta

Donald K. Clark[1]
Calgary, Alberta

Glen Phillips
Calgary, Alberta

Roger W. Hume[1]
Kelowna, BC

Peter Barker
Calgary, Alberta

Jorg Reich
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[1]*Member of the Audit committee*

Officers

John G.F. McLeod
President and CEO

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Banker

ATB Financial
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Registrar and Transfer Agent

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Trading Symbol: TUS

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