tuscany energy ltd

Q2 2011 INTERIM REPORT

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Corporate Profile

Tuscany Energy Ltd. is an oil and gas exploration, development and production company with reserves, land holdings and production in Canada. The Company's principal focus is the exploitation of oil resources in Alberta and Saskatchewan through horizontal drilling. The majority of the Company's revenue is being generated from oil sales in Saskatchewan.

Corporate Summary

(Thousands, except shares and per share amounts, unaudited)		
Six months ended June 30	2011	2010
Financial		
Revenue	$ 1,850	$ 1,407
Cash flow from operations*	665	283
per share, diluted	0.01	0.01
Loss for the period	(432)	(276)
per share, diluted	(0.01)	0.00
Comprehensive earnings (loss) for the period	2,728	(276)
Net capital additions	1,611	999
Working Capital (Net Debt)	2,613	(3,549)
Total assets	24,673	11,083
Total shares outstanding at period end (millions)	124.9	55.2
Operations		
Production		
Oil (Bopd)	145	112
Gas (Mcfd)	133	160
BOEd (6 Mcf = 1 Bbl)	167	139
Product Prices		
Oil ($/Bbl)	$ 66.72	$63.49
Gas ($/Mcf)	$ 3.82	$4.45

* Non GAAP Measurement

Message to Shareholders

Highlights

Tuscany is pleased to report that at the time of writing, the Company's net share of production sales from its Evesham, Saskatchewan heavy oil field has exceeded 300 barrels per day. The increase in production results from the recent completion of a four well Dina development program, and represents initial rates, before normal declines commence.

On June 2nd, the Company completed a business combination with Sharon Energy Ltd. Tuscany acquired all of the issued and outstanding common shares of Sharon in exchange for 62.1 million Tuscany shares. As a result of the business combination Tuscany's balance sheet at June 30, 2011, showed working capital of $2.6 million, a liquid investment in Magnum Hunter 546,195 shares, and an available bank line of $4.6 million. This financial strength is now being utilized to accelerate the timing of the heavy oil development program at Evesham, Saskatchewan.

Subsequent to June 30, 2011, the Company sold a further 120,000 shares of its investment in Magnum Hunter for proceeds (net of costs) of $883,000. As of August 24th the remaining investment was worth approximately $1.8 million.

The four recently drilled Evesham development wells came on stream in July, with average flush production rates of approximately 90 barrels per day (54 bopd net) for each well. These wells have significantly increased Tuscany's Evesham Dina pool production and will also have a positive impact on the Company's third and fourth quarter financial results.

Financial

For the three months ended June 30, 2011 and 2010, Tuscany's revenue increased by 33% to $861,000 compared with $645,000, cash flow from operations improved to $236,000 compared with $45,000 and net loss increased to $132,000 compared with a net loss of $115,000. For the six months ended June 30, 2011, and 2010, revenues increased 31% to $1.9 million compared with $1.4 million, cash flows from operations increased by 124% to $665,000 compared with $283,000 and net loss increased to $432,000 compared with a net loss of $276,000.

Tuscany incurred $1.6 million of capital expenditures during the six month period compared with $1.1 million for the prior year period. At June 30, 2011, Tuscany had working capital of $2.6 million compared with net debt of $3.5 million at the beginning of the year.

Improved revenues and cash flows from operations were driven by the December 2010 addition of two new Evesham heavy oil wells which produced during the first and second quarters.

Exploration and Development

During the second half of 2011, Tuscany will focus on developing its Dina oil properties at Evesham and Macklin and its newest Lloydminster property. Tuscany has successfully drilled four new wells at Evesham and is currently participating in a Lloydminster farmout well.

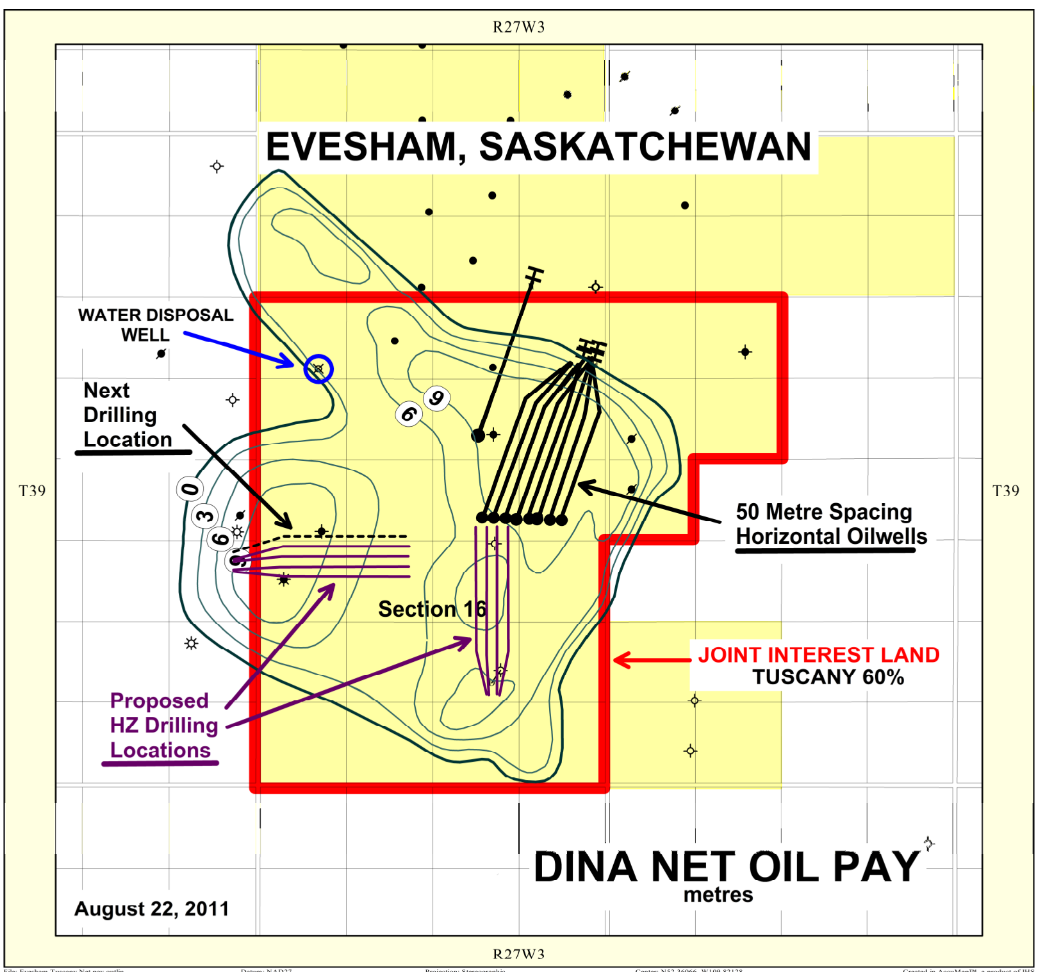
Tuscany is farming into a well in Section 7-48-1 W4, adjacent to a current Lloydminster development. As part of the farm-in, Tuscany will fund 95% of the drilling, completion and equipment costs in the initial test well. Tuscany will retain an 85% interest, until payout, after which the farmor will back-in for a 45% working interest. The test well is being drilled at the time of this report.

After the drilling of the farm-in well is complete, Tuscany plans to drill another Evesham well on the south-western half of the section and a Dina well on its Macklin property.

Heavy oil prices have averaged above $65 per barrel for the last couple of months and appear to have stabilized at that price. If these prices are maintained, the economics of Tuscany's development programs are sufficient to support a higher level of drilling activity at the end of 2011.

The Company has laid the foundation for long term growth by purchasing new heavy oil prospects at Macklin, Lloydminster, Winter and acreage on 10 additional oil prospects in Alberta and Saskatchewan. Some of these prospects may also be drilled during the second half of 2011.

Outlined on the map below are the currently producing wells, in black, the next planned well, black dashed line, and the proposed follow up wells, in purple:



Outlook

Tuscany is focused on growth through oil exploration and development. With its extensive prospect inventory, developed over the past two years, Tuscany believes it can achieve significant growth by continuing to develop its Dina oil properties at Evesham and Macklin, and adjacent Lloydminster heavy oil projects from available working capital and cashflows.

R.W. Lamond, Chairman

August 24, 2011

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

August 24, 2011

This Management's Discussion and Analysis ("MD&A") for Tuscany Energy Ltd. ("Tuscany" or the "Company") should be read with the unaudited Interim Condensed Consolidated Financial Statements for the period ended June 30, 2011, as well as the audited Consolidated Financial Statements and MD&A for the year ended December 31, 2010.

The interim report for the six months ended June 30, 2011, has not been reviewed or audited by the Company's auditor.

IFRS

On January 1, 2011, Tuscany adopted International Financial Reporting Standards ("IFRS") for financial reporting purposes, using a transition date of January 1, 2010. The financial statements for the three months ended June 30, 2011, including required comparative information, have been prepared in accordance with International Financial Reporting Standards 1, First-time Adoption of International Financial Reporting Standards, and with International Accounting Standard ("IAS") 34, Interim Financial Reporting, as issued by the International Accounting Standards Board ("IASB"). Previously, the Company prepared its Interim and Annual Consolidated Financial Statements in accordance with Canadian generally accepted accounting principles ("previous GAAP"). Unless otherwise noted, 2010 comparative information has been prepared in accordance with IFRS.

The adoption of IFRS has not had an impact on the Company's operations, strategic decisions or cash flow from operations. The most significant area of impact was the adoption of the IFRS upstream accounting principles. Further information on the IFRS impacts is provided in the Accounting Policy Changes Section of this MD&A. Reconciliations between previous GAAP and IFRS Balance Sheets, Net Earnings, Operating Earnings and other financial metrics are included in Note 18 in the unaudited consolidated financial statements of the Company for the six months ended June 30, 2011.

The following discussion and analysis is management's assessment of Tuscany's historical, financial and operating results. All dollar amounts are in Canadian dollars unless otherwise indicated.

The reader should be aware that historical results are not necessarily indicative of future performance.

Corporate Summary

The Corporate Summary included on page two of this report is included in the MD&A by reference.

Non-GAAP Measures

Certain measures in this document do not have any standardized meaning as prescribed by IFRS and previous GAAP and, therefore, are considered non-GAAP measures. Non-GAAP measures are commonly used in the oil and gas industry and by Tuscany to provide shareholders and potential investors with additional information regarding the Company's liquidity and its ability to generate funds to finance its operations.

Non-GAAP measures include 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 provided by 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. Management uses "cash flow from operations" as a measure of operating performance as the measure is not exposed to non-cash working capital movements, which for a small company, could be material and misleading. The reconciliation of "cash flow from operating activities" and "cash flow from operations" is as follows:

($ Thousands, unaudited)	**Three Months Ended June 30**		Six Months Ended June 30	
	2011	**2010**	2011	2010
Cash provided by Operating Activities:	**$ 2,109**	$ 465	$ 1,327	$ (163)
Adjusted for:				
Change in non-cash working capital	**(1,873)**	(420)	(662)	446
Cash flow from operations	**$ 236**	$ 45	$ 665	$ 283

The Company also presents "annualized cash flow from operations" which equals four times quarterly "cash flow from operations". "Cash flow" per share is calculated using the weighted average shares outstanding consistent with the calculation of earnings per share. In addition, the Company presents "Net current debt", which is calculated as the aggregate of current assets and current liabilities.

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

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

A number of factors could cause actual results to differ materially from the results discussed in the forward-looking statements including, but not limited to, risks associated with oil and gas exploration, development, exploitation, production, marketing and transportation, loss of markets, volatility of commodity prices, currency fluctuations, imprecision of reserve estimates, environmental risks, competition from other producers, inability to retain drilling rigs and other services, incorrect assessment of the value of acquisitions, failure to realize the anticipated benefits of acquisitions, delays resulting from or inability to obtain required regulatory approvals and ability to access sufficient capital from internal and external sources and the risk factors outlined under "Risk Factors" in the Company's Annual Information Form and 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 recoverability and production characteristics 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 is 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 positions, 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.

Business Combination - Sharon Energy Ltd.

On June 2, 2011, the Company completed a business combination with Sharon Energy Ltd. Tuscany acquired all of the issued and outstanding common shares of Sharon in exchange for 62.1 million shares of Tuscany.

Following completion of the Transaction, Tuscany has approximately 124.9 million common shares outstanding. The combined entity has total proved plus probable reserves of approximately 1,345,000 barrels of oil equivalent ("BOE") based on independent reserve evaluations at December 31, 2010. For additional information see Note 17 in the financial statements for the six months ended June 30, 2011.

Selected Quarterly Information

($ Thousands, except production, price and per share amounts)	Three Months Ended							
	2011		2010				2009*	
	Jun 30	Mar 31	Dec 31	Sep 30	June 30	Mar 31	Dec 31	Sep 30
Production (BOEd)	141	192	148	153	124	151	89	103
Price ($/BOE)	66.64	57.23	55.28	50.19	53.45	56.05	54.35	50.42
Total revenue	861	989	785	699	646	762	390	418
Cash flow from operations**	236	429	110	57	52	231	(289)	(13)
per share (basic and diluted)**	0.00	0.01	0.00	0.00	0.00	0.00	(0.01)	0.00
Earnings (Loss)	(132)	(300)	(197)	(361)	162	(437)	(81)	72
per share (basic and diluted)	0.00	0.00	0.00	(0.01)	0.00	0.00	0.00	0.00
Comprehensive earnings (loss)	3,028	(300)	(197)	(361)	162	(437)	(81)	72
Overhead	286	221	204	193	225	98	163	110
Net capital additions (dispositions)	1,214	397	1,343	693	638	417	931	171
Total assets	24,673	12,063	12,392	11,231	11,083	10,613	10,476	9,174
Working Capital (Net Debt)	2,613	(4,169)	(4,204)	(4,167)	(3,550)	(2,971)	(2,733)	(3,224)

** Prepared under previous GAAP*

*** Non-GAAP measure*

Over the past two years Tuscany's production volumes rebounded from a low of 89 BOEd in Q4 2009 to 192 BOEd in Q1 2011. Production in the second quarter of 2011 declined to 141 BOEd as the Company shut in several of its wells while drilling four new wells late in the quarter.

Overhead expense increased over the last four quarters as Tuscany's joint overhead sharing agreement with Diaz Resources Ltd. charges a portion of group overhead in proportion to Tuscany's increasing percentage of group revenues and capital spending. This trend is likely to continue as Tuscany's revenues and capital spending are forecast to increase relative to the group.

In Q2 2011, the company concluded a business combination with Sharon Energy Ltd, which resulted in a substantial increase in total assets and working capital. The Company exited Q2 2011 with positive working capital of $2.6 million and total assets of $25 Million.

Results of Operations

Oil & Gas Production

Oil and Gas Production by Area	Three Months Ended June 30 2011	2010	Six Months Ended June 30 2011	2010
Oil and Natural Gas Liquids (bbls/d)				
Evesham	33	33	34	46
Evesham Dina	69	42	94	41
Macklin	13	25	14	17
Other	2	5	3	8
	117	105	145	112
Natural Gas (Mcf/d)				
Evesham	93	73	92	99
Macklin	23	22	22	26
Wildwood	1	13	3	18
Other	25	13	16	17
	142	121	133	160
Total boe/d	141	125	167	139

During Q2 2011, Tuscany's oil and NGL sales increased 11% to 117 Bbls/d compared with the same period in 2010. Two wells that were brought on production in Q1 2011 had sufficient sales volumes in Q2 to offset the required shut in of several producing wells due to the close proximity of additional drilling operations in the quarter. The new wells were drilled on 50 metre spacing and from the same drilling pad as several producing wells. This required that the existing wells be temporarily shut in for safety reasons. The shut in wells were brought back on production when drilling operations were completed subsequent to the quarter end. For the six month period, oil sales increased 23% compared with the prior year period to 145 Bbls/d also resulting from the two wells previously mentioned.

Gas sales for the quarter increased by 17% to 142 Mcf/d compared with the prior year period. The increase resulted from the recompletion of several wells plus additional production realized from the acquisition of Sharon Energy Ltd. during the quarter. For the six month period, gas production was down 17% to 133 Mcf/d compared with the prior year period primarily due to the significant drop in production of Tuscany's Wildwood, Alberta well. The well was suspended in June 2011.

Selling Prices

Production and Prices	Three Months Ended June 30, 2011 2011	2010	Six months ended June 30, 2011 2011	2010
Average daily production				
Oil (Bbl/d)	117	105	145	112
Gas (Mcf/d)	142	121	133	160
BOEd	141	125	167	139
Average price				
Oil ($/Bbl)	$ 74.76	$ 59.03	$ 66.72	$ 63.49
Gas ($/Mcf)	$ 3.55	$ 3.63	$ 3.82	$ 4.45
$/BOE	$ 66.64	$ 53.10	$ 60.97	$ 56.28

For the three months ended June 30, 2011, Tuscany received an average of $74.76 per barrel, a substantial 27% increase from the average price of $59.03 per barrel for the same period in 2010. Gas prices remained weak throughout the second quarter as the Company received an average of $3.55 per Mcf for its natural gas sales compared with $3.63 per Mcf in the prior year period. The Company received an average of $3.82/Mcf for the six month period compared with $4.45/Mcf for the prior year period while oil was strong with average prices of $66.72 per barrel compared with $63.49 per barrel for the prior year period.

The Company's production is heavily oil weighted with 87% of its oil & gas sales revenue coming from oil in 2011, compared with 81% in 2010.

Summary of operating net back * *(in thousands of dollars except per BOE information)*	Three Months Ended June 30, 2011 2011	2010	Six months ended June 30, 2011 2011	2010
Oil and Natural Gas Liquids	796	564	1,751	1,287
Natural Gas	59	40	92	129
Oil and natural gas sales	855	604	1,843	1,416
Processing fees	55	43	117	59
Total sales	910	647	1,960	1,475
Royalties	(54)	(2)	(115)	(68)
Operating expenses	(290)	(310)	(581)	(712)
Operating net back	566	335	1,264	695
$/ BOE				
Oil and natural gas sales	$ 66.64	$ 53.10	$ 60.97	$ 56.28
Processing revenue	$ 4.29	$ 3.78	$ 3.87	$ 2.35
Royalties	$ (4.21)	$ (0.18)	$ (3.80)	$ (2.70)
Operating expenses	$ (22.60)	$ (27.25)	$ (19.22)	$ (28.30)
Operating net back	$ 44.12	$ 29.45	$ 41.82	$ 27.63

Oil and Natural Gas Sales

For the quarter, total sales increased 40% to $910,000 compared with $647,000 for the prior year period. The increased revenue resulted from an 11% increase in oil sales volumes and higher oil prices. For the six month period, total sales increased 33% to

$2.0 million compared with $1.5 million for the prior year period, from a 29% increase in oil sales volumes, higher oil prices and a $58,000 increase in processing revenues from third party water disposal

Tuscany anticipates revenues will continue to increase in 2011 as it initiated an aggressive drilling program in June 2011. Subsequent to the end of the quarter, four new wells were brought on production with initial flush production rates of roughly 90 bbls/d (54 bbls/d net) each.

Royalty Expense

The Company's average royalty rate for the six months ended June 30, 2011 was 6% or $3.80 per BOE. By comparison, during the same period in 2010 the Company incurred an average royalty rate of 4.8% or $2.70 per BOE. In the second quarter of 2011, the company paid royalties of 6.3% or $4.21 per BOE. In Q2 2010, the company received a $35,000 credit which mostly offset its royalty obligations for the prior year period. Sales revenue increases in 2011 were mainly from Saskatchewan heavy oil wells which have a 2.5% royalty for the initial 37,500 bbls of sales. In addition, the low productivity Sparky wells have a low royalty rate. Royalties paid in Alberta decreased proportionately with the further decline in production from the Wildwood well.

Operating Expense

Tuscany's operating expenses, including workovers and repairs, for Q2 2011 totalled $290,000 or $22.60 per BOE, a reduction of 8% compared with $310,000 or $27.25 per BOE in Q2 2010. Operating expenses for the first half of 2011 were $581,000, or 19.22 per BOE, a 19% savings when compared to the same period in 2010, when operating costs totalled $712,000 ($28.30 per BOE).

Total operating expenses decreased due to the addition of a salt water disposal facility at Evesham which significantly reduces the cost of operating in the Evesham area. Operating cost per BOE also decreased due to increased production rates and the reduced Evesham costs.

General and Administrative Expense

General and Administrative Expenses *(in thousands of dollars except per BOE information)*	Three Months Ended June 30, 2011		Six months ended June 30, 2011	
	2011	2010	2011	2010
Gross expenses	343	275	621	373
Stock based compensation costs	32	19	54	30
Capitalized	(57)	(50)	(114)	(50)
Total overhead	318	244	561	353
Per BOE	$ 24.78	$ 21.45	$ 18.56	$ 14.03

General and administrative expenses of $318,000 ($24.78 per BOE) increased from $244,000 ($21.45 per BOE) incurred in Q2 2010. Year-to-date total overhead increased by 59% to $561,000 compared with $353,000 in 2010.

Overhead expense related to Tuscany's joint overhead sharing agreement with Diaz Resources Ltd. charges a portion of group overhead in proportion to Tuscany's percentage of group revenues and capital spending which results in an increasing charge when Tuscany revenue and capital spending increase relative to the group.

Also, the acquisition of Sharon Energy Ltd. added to the overhead expense during the month of June 2011.

Tuscany's overhead is anticipated to rise slightly as its activity level increases in 2011, however, management believes the cost sharing arrangement will result in the most efficient overhead cost structure and provides Tuscany exposure to an increasing number of new prospects.

Financing Charges

Interest Expense *(in thousands of dollars)*	Three Months Ended June 30, 2011		Six months ended June 30, 2011	
	2011	2010	2011	2010
Average bank debt	3,247	2,369	3,760	2,369
Interest expense	68	60	118	86
Average interest rate	4.96%	4.50%	6.47%	4.50%

Interest expense for the three months ended June 30, 2011, increased slightly to $68,000 from $60,000 incurred in Q2 2010. Interest expenses for the six months ended June 30, 2011 increased 37% to $118,000 from $86,000 in 2010. The increased costs were due to higher levels of debt carried to finance increased drilling and completions activity in December 2010 and January 2011. The company's credit facility was repaid in full during the quarter, and interest costs for the balance of the year are expected to be minimal.

Depletion, Depreciation and Accretion

Depletion, Depreciation & Accretion *(in thousands dollars except per BOE information)*	Three Months Ended June 30, 2011		Six months ended June 30, 2011	
	2011	2010	2011	2010
Depletion and depreciation	312	315	674	648
Total	312	315	674	648
per BOE	$ 24.32	$ 27.69	$ 22.30	$ 25.76

Depletion and depreciation charges calculated on a unit of production basis are based on total proved reserves. For the six month period, depletion and depreciation expense increased to $674,000 from $648,000 in the prior year period due to increased Evesham production while the per BOE rate charged was reduced because the Evesham reserve base increased compared with the prior year period. On a quarterly basis, depletion expenses did not vary at $312,000 in 2011 compared with $315,000 in Q2 2010. For the quarter, on a per unit basis, depletion and depreciation expense decreased sharply to $24.32 per BOE compared with $27.69 per BOE recorded in Q2 2010. This was due to a significant increase in the Company's proved reserves at the end of 2010 which reduced the depletion charge rate.

Capital Expenditures

During the first six months of 2011, Tuscany incurred $1.6 Million in capital expenditures.

Capital Expenditures *(in thousands of dollars)*	Three Months Ended June 30, 2011 2011	2010	Six months ended June 30, 2011 2011	2010
Exploration & Evaluation				
Land	107	50	176	44
Geological and geophysical	25	14	132	14
Development & Production				
Drilling and completions	794	297	909	465
Equipment, facilities and pipelines	200	227	245	469
Asset Retirement Obligation	30	14	30	14
Capitalized Overhead	60	50	119	50
Total	1,216	652	1,611	1,056

Liquidity and Capital Resources

The Company's second quarter 2011 operations and capital expenditures were funded from cash flow and an increase in bank debt and trade payables. The acquisition of Sharon Energy Ltd. provided over $8.0 million of cash which was used to repay the bank debt. At June 30, 2011, Tuscany's operating demand loan provides for a line of credit of $4.6 million (2010 – $3.0 million) which was undrawn. The Company plans to finance its exploration budget out of available cash, cash flow, the selling of its investment in Magnum Hunter and the bank credit facility.

At August 24, 2011, after the amalgamation with Sharon Energy Ltd., Tuscany had 124,864,018 common shares issued and outstanding and outstanding options to purchase 6,705,200 additional common shares.

Normal Course Issuer Bid ("NCIB")

Tuscany is authorized to repurchase up to 2,742,500 Common Shares through the facilities of the TSX Venture Exchange pursuant to a normal course issuer bid, which expires on October 26, 2011. Shares repurchased pursuant to the bid are cancelled. No shares had been repurchased pursuant to the bid to June 30, 2011.

Business Risk

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 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.

Employing a highly motivated and experienced staff of petroleum and natural gas professionals further minimizes the business risk.

Contractual Obligations and Commitment

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 June 30, 2011, was $1.3 million (2010 – $1.1 million).

The Company issued $1.2 million of flow-through shares in November 2010 and has met all of its flow through spending commitment.

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.

Related Party Transactions

Humboldt Capital Corporation ("Humboldt") and certain of its officers and directors owned 36% 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. As at June 30, 2011, these include Diaz Resources Ltd. ("Diaz"), 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 that may be considered related parties as at August 19, 2011:

- 37% of Tuscany common shares,
- 39% of Paris common shares, and
- 36% of Diaz common shares.

On June 2, 2011, Tuscany and Sharon completed a plan of arrangement whereby Tuscany acquired 100% of the common shares of Sharon.

The Company has a joint venture with Diaz Resources Ltd. whereby it participates in new oil and natural gas projects for a 55% working interest – Diaz 45%. Diaz provides administrative, operating and exploration services for Tuscany in exchange for payment of a portion of the related costs of Diaz. For the six month period ended June 30, 2011, Diaz charged Tuscany Management fees of $297,000 (2010 - $216,000). Management fees of $117,000 (2010 - $50,000) charged by Diaz to Tuscany related to exploration and development activities and were capitalized.

At June 30, 2011, Tuscany owed Diaz $12,000 (2010 – $170,000) and Tuscany owed Paris $1,000 (2010 – $43,000) through the normal course of business.

These transactions were conducted in the normal course of operations and measured at the amount of consideration established and agreed to by the related parties.

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 2 to the Consolidated 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.

Accounting Policy Changes

The following discussion explains the significant differences between Tuscany's previous GAAP accounting policies and those applied by the Company under IFRS. IFRS policies have been retrospectively and consistently applied except where specific IFRS 1 optional and mandatory exemptions permitted an alternative treatment upon transition to IFRS for first-time adopters.

The most significant changes to the Company's accounting policies relate to the accounting for upstream costs. Under previous GAAP, Tuscany followed the Canadian Institute of Chartered Accountants ("CICA") guideline on full cost accounting in which all costs directly associated with the acquisition of, the exploration for, and the development of natural gas and liquids reserves were capitalized on a country-by-country cost centre basis. Costs accumulated within each country cost centre were depleted using the unit-of-production method based on proved reserves determined using estimated future prices and costs. Upon transition to IFRS, the Company was required to adopt new accounting policies for upstream activities, including exploration and evaluation costs and development costs.

Under IFRS, exploration and evaluation costs are those expenditures for an area where technical feasibility and commercial viability has not yet been determined. Development costs include those expenditures for areas where technical feasibility and commercial viability has been determined. Tuscany adopted the IFRS 1 exemption whereby the Company deemed its January 1, 2010 IFRS upstream asset costs to be equal to its previous GAAP historical upstream property, plant and equipment net book value. Accordingly, exploration and evaluation costs were deemed equal to the unproved properties balance and the development costs were deemed equal to the upstream full cost pool balance. Under IFRS, exploration and evaluation costs are presented as exploration and evaluation assets and development costs are presented within property, plant and equipment on the Consolidated Balance Sheet.

The following provides summary reconciliations of Tuscany's 2010 previous GAAP and IFRS results, either explicitly, or by reference to disclosures contained in Tuscany's first quarter interim report, along with a discussion of the significant IFRS accounting policy changes.

Summary Earnings (Loss) Reconciliation

	2010				
($ Thousands, unaudited)	Annual	Q4	Q3	Q2	Q1
Net income (loss) and Comprehensive Income (loss) - Previous GAAP	$ (876)	$ (313)	$ (348)	$ (84)	$ (131)
Addition / (deduction)					
Depletion, depreciation and accretion	90	103	6	(33)	14
Asset retirement obligation	16	27	(17)	(39)	(3)
Deferred Tax (Expense) Recovery	(15)	(4)	11	2	(2)
	91	126	-	(70)	9
Net earnings (loss) and Comprehensive Income (loss) - IFRS	(785)	(186)	(350)	(153)	(122)

Summary Cash Flow From Operations Reconciliation

	2010				
($ Thousands, unaudited)	Annual	Q4	Q3	Q2	Q1
Cash flow from operations - Previous GAAP (1)	$ 450	$ 110	$ 57	$ 52	$ 231
Addition / (deduction)					
Exploration and evaluation	-	-	-	-	-
Depletion, depreciation and accretion	-	-	-	-	-
Deferred Tax Expense (Recovery)	-	-	-	-	-
Asset retirement obligation					
	-	-	-	-	-
Cash flow from operations - IFRS (1)	450	110	57	52	231

(1) A Non-GAAP measure, which is defined under the Non-GAAP Measures section of this MD&A.

Exploration and Evaluation

Exploration and evaluation assets at January 1, 2010 were deemed to be $107,000, representing the unproved properties balance under previous GAAP. This resulted in a reclassification of $107,000 from property, plant and equipment to exploration and evaluation assets on Tuscany's Consolidated Balance Sheet as at January 1, 2010. The Company took an impairment of the exploration and evaluation assets at January 1, 2010, of $15,000. As at December 31, 2010, the Company's exploration and evaluation assets were approximately $390,000.

Under previous GAAP, exploration and evaluation costs were capitalized as property, plant and equipment in accordance with the CICA's full cost accounting guidelines. Under IFRS, Tuscany capitalizes these costs initially as exploration and evaluation assets. Once technical feasibility and commercial viability of the area has been determined, the capitalized costs are transferred from exploration and evaluation assets to property, plant and equipment. Under IFRS, unrecoverable exploration and evaluation costs associated with an area and costs incurred prior to obtaining the legal rights to explore are expensed.

During the twelve months ended December 31, 2010, Tuscany did not expense any exploration and evaluation assets. The application of IFRS for exploration and evaluation costs did not result in any change to Tuscany's previous GAAP Net Earnings for the twelve months ended December 31, 2010.

Depreciation, Depletion and Amortization

Development costs at January 1, 2010 were deemed to be $13.6 million, representing the upstream full cost pool balance under previous GAAP less Exploration and Evaluation assets. Consistent with previous GAAP, these costs are capitalized as property, plant and equipment under IFRS. Under previous GAAP, development costs were depleted using the unit-of-production method calculated for each country cost centre. Under IFRS, development costs are depleted using the unit-of-production method calculated at the Cash Generating Unit (CGU) level. The IFRS 1 exemption permitted the Company to allocate development costs to the CGU level using proved and probable reserve values for each CGU as at January 1, 2010.

Depleting at a CGU level under IFRS resulted in a $90,000 decrease to Tuscany's DD&A expense for the twelve months ended December 31, 2010. Tuscany's Net Loss decreased $90,000, after tax, compared to previous GAAP for the twelve months ended December 31, 2010 as a result of depleting at a CGU level under IFRS.

Impairments

Under previous GAAP, an upstream impairment was recognized if the carrying amount exceeded the discounted cash flows from proved plus probable reserves for a country cost centre. An impairment was measured as the amount by which the carrying value exceeded the sum of the fair value of the proved and probable reserves and the costs of unproved properties. Impairments recognized under previous GAAP were not reversed.

Under IFRS, management is required to examine long-term assets for indicators of impairment. If indicators exist, then an impairment test is conducted. An upstream impairment would be recognized if the carrying value exceeded the recoverable amount for a CGU. Upstream areas are aggregated into CGUs based on their ability to generate largely independent cash flows. If the carrying value of the CGU exceeds the recoverable amount, the CGU is written down with an impairment recognized in net earnings. Impairments recognized under IFRS are reversed when there has been a subsequent increase in the recoverable amount. Impairment reversals are recognized in net earnings and the carrying amount of the CGU is increased to its revised recoverable amount as if no impairment had been recognized for the prior periods.

For the three months ended June 30, 2011, Tuscany did not find any indicators of impairment of its fixed assets. Oil prices – a key quantitative indicator – remained strong throughout the period, and no qualitative factors existed to otherwise indicate an impairment of the fair value of the Company's assets, therefore no impairment test was conducted.

Dispositions

Under previous GAAP, proceeds from dispositions of upstream assets were deducted from the full cost pool without recognition of a gain or loss unless the deduction resulted in a change to the country cost centre depletion rate of 20 percent or greater, in which case a gain or loss was recorded.

Under IFRS, gains or losses are recorded on dispositions and are calculated as the difference between the proceeds and the net book value of the asset disposed.

Asset Retirement Obligation

Under previous GAAP, the asset retirement obligation was measured as the estimated fair value of the retirement and decommissioning expenditures expected to be incurred. Liabilities were not re-measured to reflect period end discount rates.

Under IFRS, the asset retirement obligation is measured as the best estimate of the expenditure to be incurred and requires that the asset retirement obligation be re-measured using period end discount rates.

In conjunction with the IFRS 1 exemption regarding upstream assets discussed above, Tuscany was required to re-measure its asset retirement obligation upon transition to IFRS and recognize the difference in retained earnings. The application of this exemption resulted in a $243,000 increase to the asset retirement obligation on Tuscany's Consolidated Balance Sheet as at January 1, 2010 and a corresponding charge to retained earnings of $243,000. Subsequent IFRS re-measurements of the obligation are recorded through property, plant and equipment with an offsetting adjustment to the asset retirement obligation. As at December 31, 2010, excluding the January 1, 2010 adjustment, Tuscany's asset retirement obligation increased by $93,000 which primarily reflects the re-measurement of the obligation using risk free discount rates for obligations within 5 years, 10 years or longer of 2.45%, 3.16% and 3.54% respectively as at December 31, 2010.

Share-based payments

Under previous GAAP, the Company adopted the fair value method for accounting for stock based compensation whereby the fair value of each tranche of the option granted is estimated on the date of the grant using the Black-Scholes option pricing model. Using the fair value method, compensation costs of stock based compensation are estimated and charged to earnings over the vesting period of the options. IFRS requires the same method so no changes were required in transition.

Income Tax

Deferred income taxes have been adjusted to reflect the tax effect arising from the differences between IFRS and previous GAAP. For the year ended December 31, 2010 the Company's deferred tax asset balance was not affected by the transition to IFRS.

Other Exemptions

Other significant IFRS 1 exemptions taken by Tuscany at January 1, 2010 include the following:

- Business combinations and jointly controlled operations entered into prior to January 1, 2010 were not retrospectively restated under IFRS.

- Leases were not reassessed to determine whether an arrangement contained a lease under International Financial Reporting Interpretations Committee 4, determining whether an Arrangement contains a Lease, for contracts that were already assessed under previous GAAP.

The remaining IFRS 1 exemptions were not applicable or material to the preparation of Tuscany's Consolidated Balance Sheet at the date of transition to IFRS on January 1, 2010.

Upstream Assets and Reserves

Reserves estimates can have a significant impact on earnings, as they are a key input to the Company's DD&A calculations and impairment tests. Costs accumulated within each area are depleted using the unit-of-production method based on proved reserves using estimated future prices and costs. Costs subject to depletion include estimated future costs to be incurred in developing proved reserves. A downward revision in reserves estimates or an increase in estimated future development costs could result in the recognition of a higher DD&A charge to net earnings.

Upstream assets, including exploration and evaluation costs and development costs, are aggregated into cash generating units based on their ability to generate largely independent cash flows. If the carrying value of the cash-generating unit exceeds the recoverable amount, the cash-generating unit is written down with an impairment recognized in net earnings. The recoverable amount of an asset or cash-generating unit is the greater of its fair value less costs to sell and its value in use. Fair value less costs to sell may be determined using discounted future net cash flows of proved and probable reserves using forecast prices and costs. A downward revision in reserves estimates could result in the recognition of impairments charged to net earnings.

Reversals of impairments are recognized when there has been a subsequent increase in the recoverable amount. In this event, the carrying amount of the asset or cash-generating unit is increased to its revised recoverable amount with an impairment reversal recognized in net earnings.

All of Tuscany's oil and gas reserves and resources are evaluated and reported on by independent qualified reserves evaluators. The estimation of reserves is a subjective process. Forecasts are based on engineering data, projected future rates of production, estimated commodity price forecasts and the timing of future expenditures, all of which are subject to numerous uncertainties and various interpretations. Reserves estimates can be revised upward or downward based on the results of future drilling, testing, production levels and economics of recovery based on cash flow forecasts. Contingent resources are not classified as reserves due to the absence of a commercial development plan that includes a firm intent to develop within a reasonable time frame.

Asset Retirement Obligations

Asset retirement obligations include present obligations where the Company will be required to retire tangible long-lived assets such as producing well sites and natural gas processing plants. The asset retirement obligation is measured at the present value of the expenditure expected to be incurred. The associated asset retirement cost is capitalized as part of the cost of the related long-lived asset. Changes in the estimated obligation resulting from revisions to estimated timing, amount of cash flows or changes in discount rate are recognized as a change in the asset retirement obligation and the related asset retirement cost.

Increases in the estimated asset retirement obligation and costs increase the corresponding charges of accretion and DD&A to net earnings. A decrease in discount rates increases the asset retirement obligation, and decreases the associated finance costs charged to net earnings. Actual expenditures incurred are charged against the accumulated asset retirement obligation.

Income Tax Accounting

Tuscany follows the liability method of accounting for income taxes. Under this method, deferred income taxes are recorded for the effect of any temporary difference between the accounting and income tax basis of an asset or liability, using the enacted or substantively enacted income tax rates. Current income taxes for the current and prior periods are measured at the amount expected to be recoverable from or payable to the taxation authorities based on the income tax rates enacted or substantively enacted at the end of the reporting period. The deferred income tax assets and liabilities are adjusted to reflect changes in enacted or substantively enacted income tax rates that are expected to apply, with the corresponding adjustment recognized in net earnings or in shareholders' equity depending on the item to which the adjustment relates.

The determination of the Company's income and other tax liabilities requires interpretation of complex laws and regulations often involving multiple jurisdictions. All tax filings are subject to audit and potential reassessment after the lapse of considerable time. Accordingly, the actual income tax liability may differ significantly from that estimated and recorded by management.

Financial Instruments

All financial instruments are required to be measured at fair value on initial recognition of the instrument. 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 measured at fair value. Accounts receivable are designated as "loans and receivables" and are carried at amortized cost. Accounts payable are designated as "other financial liabilities" and are carried at cost.

The Company's financial instruments that are included in the balance sheet are comprised of cash, accounts receivable, accounts payable, and bank debt.

Fair values of financial assets and liabilities

The fair values of financial instruments that are included in the balance sheet approximate their carrying amount due to the short-term maturity of those 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 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 exposure to credit risk is approximately $43,000 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 that a 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 June 30, 2011, as follows:

($ Thousands)	Favourable 25% Change	Unfavourable 25% Change
Interest expense	$ 17	$ (17)

Liquidity risk

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. The timing of cash outflows relating to financial liabilities are outlined in the table below:

($ Thousands)	< 1 year	years 2 & 3	> 3 years
Accounts payable and accrued liabilities	2,945	-	-

At June 30, 2011 the Company has met all the obligations associated with its financial liabilities. The majority of the Company's accounts payable are current. The bank loan is a demand loan and is classified as a current liability of less than one year. At June 30, 2011, the credit facility of $4.6 million remained undrawn.

Foreign currency exchange risk

The Company currently has no material exposure to foreign currency fluctuations in its cash and cash equivalents, accounts receivables or accounts payables; however, the Company's investment in Magnum Hunter is in USD and is therefore exposed to foreign currency fluctuations.

	Balance Sheet	Canada	USA
($ Thousands)	Total	Cdn $ Equivalent	
Cash and cash equivalents	5,051	5,051	-
Investment	3,566	-	3,566
Accounts receivable	507	507	-
Accounts payable	2,945	2,945	-
Total	12,069	8,503	3,566

The table below indicates the balance sheet exposure to a 10% change in the USD to CND exchange rate.

	Favourable	Unfavourable
($ Thousands)	10% Change	10% Change
Investment in Magnum Hunter	$ 357	$ (357)

Commodity price 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 operating activities. 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 June 30, 2011, as follows:

($ Thousands)	Favourable 10% Change	Unfavourable 10% Change
Natural gas price	$ 6	$ (6)
Crude oil price	$ 80	$ (80)

Disclosure Controls and Procedures (DC&P)

The Chief Executive Officer and Chief Financial Officer of Tuscany (the "Certifying Officers") have designed disclosure controls and procedures or caused them to be designed under our supervision, to provide reasonable assurance that:

(i) material information relating to the issuer is made known to the Certifying Officers by others, particularly during the period in which the annual filings are being prepared; and

(ii) information required to be disclosed by the issuer in its annual filings, interim filings or other reports filed or submitted by it under securities legislation is recorded, processed, summarized and reported within the time periods specified in securities legislation.

The Certifying Officers have evaluated the disclosure controls and procedures and have determined that the DC&P are effective as at June 30, 2011.

Outlook

Tuscany is focused on growth through oil exploration and development. With its extensive prospect inventory, developed over the past two years, Tuscany believes it can achieve significant growth by continuing to develop its Dina oil properties at Evesham and Macklin, and adjacent Lloydminster heavy oil projects from available working capital and cashflows.

Condensed Consolidated Financial Statements

Condensed Consolidated Balance Sheets

As at *($ Thousands, unaudited)*	Note	June 30 2011	December 31 2010
ASSETS			
Cash		$ 5,051	$ 14
Accounts receivable		507	612
Prepaid expense		-	3
Total current assets		5,558	629
Investment in Magnum Hunter Resources	14	3,566	-
Property, plant and equipment, net	6	14,038	10,379
Exploration and evaluation assets	6	815	390
Deferred Tax Asset		696	1,046
Total non-current assets		19,115	11,815
Total assets		$ 24,673	$ 12,444
LIABILITIES			
Accounts payable and accrued liabilities		$ 2,945	$ 2,304
Bank debt	5	-	2,530
Total current liabilities		2,945	4,834
Asset retirement obligation	9	1,319	1,006
Total non-current liabilities		1,319	1,006
Total liabilities		$ 4,264	$ 5,840
EQUITY			
Share capital	7	$ 19,009	$ 7,992
Contributed surplus	7	617	557
Accumulated other comprehensive income		3,160	-
Deficit		(2,377)	(1,945)
Total equity		$ 20,409	$ 6,604
Total liabilities and equity		$ 24,673	$ 12,444

See Note 11, Commitments

Approved by the Board:

(Signed) "*R.W. Lamond*" Director (Signed) "*C.A. Teare*" Director

See accompanying Notes to Condensed Consolidated Financial Statements.

Condensed Consolidated Statement of Operations

($ Thousands, except per share amounts, unaudited)	Note	Three Months Ended June 30 2011	2010	Six Months Ended June 30 2011	2010
Revenue					
Oil and natural gas revenue	3	**$ 801**	$ 602	$ 1,728	$ 1,348
Processing Revenue		**$ 55**	$ 43	$ 117	$ 59
Other income		**5**	-	5	-
		861	645	1,850	1,407
Expenses					
Operating and transportation		**290**	310	581	712
Overhead		**286**	225	507	323
Stock based compensation		**32**	19	54	30
Interest expense		**68**	60	118	86
Foreign exchange loss (gain)		**-**	(1)	-	3
Depletion, depreciation and amortization	3	**312**	315	674	648
		988	928	1,934	1,802
Gain (loss) on revaluation of site restoration liability		**(15)**	(42)	2	(42)
Earnings (loss) before income tax		**(142)**	(283)	(82)	(437)
Income tax					
Deferred tax expense (recovery)		**(10)**	(168)	350	(161)
Total income tax (recovery)		**(10)**	(168)	350	(161)
Net loss		**(132)**	(115)	(432)	(276)
Loss per share, basic and diluted		**$ 0.00**	**$ 0.00**	(0.00)	**$ (0.02)**

Condensed Consolidated Statement of Comprehensive Earnings (Loss)

($ Thousands, except per share amounts, unaudited)	Note	Three Months Ended June 30 2011	2010	Six Months Ended June 30 2011	2010
Net loss		$ (132)	$ (115)	$ (432)	$ (276)
Other Comprehensive Income					
Gain (Loss) on value of investment		(206)		(206)	
Gain on bargain purchase	9	3,366		3,366	-
Comprehensive earnings (loss)		$ 3,028	$ (115)	$ 2,728	$ (276)

See accompanying Notes to Condensed Consolidated Financial Statements.

Condensed Consolidated Statement of Changes in Shareholders' Equity

($ Thousands, unaudited)	2011	2010
Share Capital		
Balance at January 1,	$ 7,992	$ 6,878
Common Shares Issued (net of tax and issue costs)	11,017	-
Repurchased for Cancellation	-	(47)
Balance at June 30,	$ 19,009	$ 6,831
Contributed Surplus		
Balance at January 1,	$ 557	$ 392
Option Compensation	60	165
Balance at June 30,	$ 617	$ 557
Deficit		
Balance at January 1,	$ (1,945)	$ (1,111)
Net loss	(432)	(275)
Balance at June 30,	$ (2,377)	$ (1,386)
Accumulated Other Comprehensive Loss		
Balance at January 1,	$ -	$ -
Gain (Loss) on value of investment	$ (206)	$ -
Gain on bargain purchase	3,366	-
Balance at June 30,	$ 3,160	$ -

See accompanying Notes to Condensed Consolidated Financial Statements.

Condensed Consolidated Statement of Cash Flows

($ Thousands, unaudited)	Note	Three Months Ended June 30 2011	Three Months Ended June 30 2010	Six Months Ended June 30 2011	Six Months Ended June 30 2010
Cash provided by (used for):					
Cash flows from operating activities					
Earnings (Loss) for the period		**$ (132)**	$ (115)	**$ (432)**	$ (276)
Non-cash items:					
Loss on revaluation of asset retirement obligation		**19**	-	**2**	42
Depletion and depreciation		**310**	309	**674**	634
Borrowing Expense		**17**	-	**17**	15
Stock based compensation		**32**	18	**54**	30
Deferred Tax Expense		**(10)**	(167)	**350**	(162)
Cash flow from operations		**$ 236**	$ 45	**$ 665**	$ 283
		-			
Change in non-cash working capital	13	**1,873**	420	**662**	(446)
		$ 2,109	$ 465	**$ 1,327**	$ (163)
Cash flows from investing activities					
Property, Plant & Equipment Expenditures		**$ (1,104)**	$ (566)	**$ (1,324)**	$ (999)
Exploration and Evaluation Expenditures		**(110)**	(58)	**(287)**	(58)
		$ (1,214)	$ (624)	**$ (1,611)**	$ (1,057)
Cash flows from financing activities					
Increase (decrease) in bank debt		**$ (3,709)**	$ 90	**$ (2,530)**	$ 1,175
Acquisition of Sharon Energy Ltd.		**8,006**	-	**8,006**	-
Less: Cost of Acquisition		**(155)**	-	**(155)**	-
Repurchased for Cancellation		**-**	(7)	**-**	(43)
		$ 4,142	$ 83	**$ 5,321**	$ 1,132
Increase (decrease) in cash		**5,037**	(76)	**5,037**	(88)
Cash, beginning of period		**14**	97	**14**	109
Cash, end of period		**$ 5,051**	$ 21	**$ 5,051**	$ 21

See accompanying Notes to Condensed Consolidated Financial Statements.

Notes to the Condensed Consolidated Financial Statements

For the six months ended June 30, 2011 (unaudited)

1. Corporate Information

Tuscany Energy Ltd. and its subsidiaries ("Tuscany" or "the Company") are in the business of the exploration for, the development of, and the production of natural gas, crude oil and natural gas liquids.

Tuscany Energy Ltd. is a publicly traded company, incorporated and domiciled in Canada. The address of its office is 1800, 633 – 6th Avenue, S.W. Calgary, Alberta T2P 2Y5.

Tuscany has one wholly owned subsidiary, Sharon Energy Ltd.

These Interim Condensed Consolidated Financial Statements were approved and authorized for issuance by the Board of Directors ("the Board") on August 24, 2011.

The interim report for the six months ended June 30, 2011, has not been reviewed or audited by the Company's auditor.

2. Basis of Presentation

These Interim Condensed Consolidated Financial Statements present Tuscany's initial financial results of operations and financial position under IFRS as at and for the six months ended June 30, 2011, including 2010 comparative periods, and should be read In conjunction with the Company's annual audited Consolidated Financial Statements to be issued under International Financial Reporting Standards ("IFRS") for the year ended December 31, 2011. They have been prepared in accordance with IFRS 1, "First-time Adoption of International Financial Reporting Standards" and with International Accounting Standard ("IAS") 34, "Interim Financial Reporting", as issued by the International Accounting Standards Board ("IASB") and as applicable to interim financial statements. These Interim Condensed Consolidated Financial Statements do not include all the necessary annual disclosures in accordance with IFRS. Previously, the Company prepared its interim and annual Consolidated Financial Statements in accordance with Canadian generally accepted accounting principles ("previous GAAP").

The preparation of these Interim Condensed Consolidated Financial Statements resulted in selected changes to Tuscany's accounting policies as compared to those disclosed in the Company's annual audited Consolidated Financial Statements for the period ended December 31, 2010 issued under previous GAAP. A summary of the significant changes to Tuscany's accounting policies is disclosed in Note 16 along with reconciliations presenting the impact of the transition to IFRS for the comparative periods as at January 1, 2010, and as at the three months ended June 30, 2010, and for the twelve months ended December 31, 2010, either explicitly, or by reference to the Company's published Q1 2011 interim report.

A summary of Tuscany's significant accounting policies under IFRS is presented in Note 3. These policies have been retrospectively and consistently applied except where specific exemptions permitted an alternative treatment upon transition to IFRS in accordance with IFRS 1 as disclosed in Note 16.

The policies applied in these interim condensed consolidated financial statements are based on IFRS issued and outstanding as of August 24, 2011, the date that the board of directors approved the statements. Any subsequent changes to IFRS that are given effect in the company's annual consolidated financial statements for the year ending December 31, 2011 could result in restatement of these interim consolidated financial statements, including the transition adjustments recognized on change-over to IFRS.

All dollar amounts are in Canadian dollars unless otherwise indicated. These Interim Condensed Consolidated Financial Statements have been prepared on a historical cost basis.

3. Accounting Policies

The Corporation's principal business activity is the exploration, development and operation of oil and natural gas properties in Canada and in the United States. These financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") on a going concern basis, which contemplates the realization of assets and the payment of liabilities in the ordinary course of business.

Management has 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.

Exploration and Evaluation Assets

All costs directly associated with the exploration and evaluation of oil, natural gas and liquids reserves are initially capitalized. Exploration and evaluation costs are those expenditures for an area where technical feasibility and commercial viability has not yet been determined. These costs include unproved property acquisition costs, geological and geophysical costs, asset retirement costs, exploration and evaluation drilling, sampling and appraisals. Costs incurred prior to acquiring the legal rights to explore an area are charged directly to net earnings as exploration and evaluation expense.

When an area is determined to be technically feasible and commercially viable, the accumulated costs are transferred to property, plant and equipment. When an area is determined not to be technically feasible and commercially viable or the Company decides not to continue with its activity, the unrecoverable costs are charged to net earnings as exploration and evaluation expense.

Development and Production Assets

Items of property, plant and equipment, which include crude oil and natural gas development and production assets, are measured at cost less accumulated depletion and depreciation and accumulated impairment losses. The development and production assets are grouped into cash generating units (CGU) for the purpose of impairment testing. The cost of property, plant and equipment as at January 1, 2010, the date of transition, was allocated to the CGUs based on geographical location and the related field processing and transportation infrastructure. Within a CGU, when significant parts of property, plant and equipment have different useful lives, the parts are accounted for as separate items (major components) of property, plant and equipment. All costs directly associated with the development of natural gas and liquids reserves are capitalized on an area-by-area basis. Development costs include expenditures for areas where technical feasibility and commercial viability has been determined. These costs include proved property acquisitions, development drilling, completion, gathering and infrastructure, asset retirement costs and transfers of exploration and evaluation assets.

Costs accumulated within each Cash Generating Unit are depleted using the unit-of-production method based on proved and probable reserves using estimated future prices and costs. Costs subject to depletion include estimated future costs to be incurred in developing proved and probable reserves. Costs of major development projects are excluded from the costs subject to depletion until they are available for use.

For disposals of properties, a gain or loss is recognized in net earnings.

Impairment of Long-Term Assets

The carrying value of long-term assets is reviewed quarterly for indicators that the carrying value of an asset or cash-generating unit may not be recoverable. If indicators of impairment exist, the recoverable amount of the asset or cash-generating unit is estimated. If the carrying value of the asset or cash-generating unit exceeds the recoverable amount, the asset or cash-generating unit is written down with an impairment recognized in net earnings.

Exploration and Evaluation assets are grouped and examined for indicators of impairment on a quarterly basis. Development & Production assets are aggregated into "cash generating units" (CGUs) based on a number of factors including geography, existence of shared infrastructure, and the ability to generate largely independent cash inflows.

The recoverable amount of an asset or cash-generating unit is the greater of its fair value less costs to sell and its value in use. Fair value is determined to be the amount for which the asset could be sold in an arm's length transaction.

For upstream assets, fair value less costs to sell may be determined using discounted future net cash flows of proved and probable reserves using forecast prices and costs. Value in use is determined by estimating the present value of the future net cash flows expected to be derived from the continued use of the asset or cash-generating unit.

Reversals of impairments are recognized when there has been a subsequent increase in the recoverable amount. In this event, the carrying amount of the asset or cash-generating unit is increased to its revised recoverable amount with an impairment reversal recognized in net earnings. The recoverable amount is limited to the original carrying amount less depreciation, depletion and amortization as if no impairment had been recognized for the asset or cash-generating unit for prior periods.

Corporate Asset Depreciation

Costs associated with office furniture, fixtures, leasehold investments, and information technology are depreciated at an annual rate of 20%, on a declining balance basis.

Capitalization of Costs

Expenditures related to renewals or betterments that improve the productive capacity or extend the life of an asset are capitalized. Maintenance and repairs are expensed as incurred. General and Administrative costs that are directly related to productive oil and gas assets are capitalized to the related CGU.

Business Combinations

Business combinations are accounted for using the acquisition method. The acquired identifiable net assets are measured at their fair value at the date of acquisition. Any excess of the purchase price over the fair value of the net assets acquired is recognized as goodwill. Associated transaction costs are expensed when incurred.

Asset Retirement Obligation

Asset retirement obligations include present obligations, legal or constructive, where the Company will be required to retire tangible long-lived assets such as producing well sites and natural gas processing plants. The asset retirement obligation is measured at the present value of the expenditure expected to be incurred. The associated asset retirement cost is capitalized as part of the cost of the related long-lived asset. Changes in the estimated obligation resulting from revisions to estimated timing, amount of cash flows or changes in discount rate are recognized as a change in the asset retirement obligation and the related asset retirement cost.

Amortization of asset retirement costs are included in depreciation, depletion and amortization in the Consolidated Statement of Operations. Increases in asset retirement obligations resulting from the passage of time are recorded as interest expense in the Consolidated Statement of Operations.

Actual expenditures incurred are charged against the accumulated asset retirement obligation. Any difference between actual expenditures and the carrying value of the obligation is recognized as a gain or loss in the period.

Income Tax Accounting

Tuscany follows the liability method of accounting for income taxes. Income tax comprises current and deferred tax. Under this method, deferred income taxes are recorded for the effect of any temporary difference between the accounting and income tax basis of an asset or liability, using the enacted or substantively enacted income tax rates. Current income taxes for the current and prior periods are measured at the amount expected to be recoverable from or payable to the taxation authorities based on the income tax rates enacted or substantively enacted at the end of the reporting period.

The deferred income tax assets and liabilities are adjusted to reflect changes in enacted or substantively enacted income tax rates that are expected to apply, with the corresponding adjustment recognized in net earnings or in shareholders' equity depending on the item to which the adjustment relates.

Tax on income in interim periods is accrued using the tax rate that would be applicable to expected total annual earnings.

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. The Company has cash equivalents in the form of short term GIC's at the balance sheet dates.

Jointly Controlled Operations

Certain of the Company's crude oil and natural gas activities involve jointly controlled operations. The consolidated financial statements reflect the Company's proportionate share of the jointly controlled assets and liabilities and proportionate share of related revenues and costs.

Share Based Compensation Plan

The Company has an equity-settled share-based compensation plan, which is described in Note 7. The Company has adopted the fair value method for accounting for stock based compensation whereby the fair value of the option granted is estimated on the date of the grant using the Black-Scholes option pricing model for each tranche. Using the fair value method, compensation costs of stock based compensation are estimated and charged to earnings over the vesting period of the options.

Foreign Currency Translation

Foreign currency balances of foreign subsidiaries 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 the period end rate of exchange; and
- Revenues and expenses – at average rates of exchange for the period.

Flow-Through Shares

Earnings are reduced by the deferred tax effect of renouncing income tax cost to the purchaser of flow-through shares when the tax pools are renounced and the share capital has been spent on qualifying assets. 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. Processing revenue is recognized when the service has been provided. Revenue is presented net of royalties under IFRS.

Significant Accounting Judgements and Estimation Uncertainties

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 impairment test of CGUs is based on estimates of proved plus probable 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. 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.

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 discount rates used to determine the net present value of Asset Retirement Obligations are pre-tax risk-free rates relevant to the expected time remaining until abandonment on a property by property basis.

Financial Instruments

All financial instruments are required to be measured at fair value on initial recognition of the instrument. Measurement in subsequent periods depends on whether the financial instrument has been classified as "Fair Value through Profit or Loss", "Loans and Receivables", "available-for-sale, and "Financial Liabilities at amortized cost".

Financial Instrument Disclosures

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.

The Company has cash, which is considered to be level 2.

Earnings per share

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 outstanding shares into the loss for the period as using the diluted weighted average shares would be anti-dilutive.

4. Recent IFRS Pronouncements

Adopted

June 30, 2011 is Tuscany's second reporting period under IFRS. Accounting standards effective for periods beginning on or after January 1, 2011 have been adopted as part of the transition to IFRS.

Issued but not in effect

In May 2011, the IASB issued the following standards which have not yet been adopted by the Company: IFRS 10, Consolidated Financial Statements (IFRS 10), IFRS 11, Joint Arrangements (IFRS 11), IFRS 12, Disclosure of Interests in Other Entities (IFRS 12), IAS 27, Separate Financial Statements (IAS 27), IFRS 13, Fair Value Measurement (IFRS 13) and amended IAS 28, Investments in Associates and Joint Ventures (IAS 28). Each of the new standards is effective for annual periods beginning on or after January 1, 2013 with early adoption permitted. The Company has not yet begun the process of assessing the impact that the new and amended standards will have on its financial statements or whether to early adopt any of the new requirements.

IFRS 9 - Financial Instruments

IFRS 9 replaces the current multiple classification and measurement models for financial assets and liabilities with a single model that has only two classification categories: amortized cost and fair value. The adoption of this standard should not have a material impact on Tuscany's Consolidated Financial Statements.

IFRS 10 – Consolidation

IFRS 10 requires an entity to consolidate an investee when it is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. Under existing IFRS, consolidation is required when an entity has the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities. IFRS 10 replaces SIC-12 Consolidation—Special Purpose Entities and parts of IAS 27 Consolidated and Separate Financial Statements.

IFRS 11 - Joint Arrangements

IFRS 11 requires a venturer to classify its interest in a joint arrangement as a joint venture or joint operation. Joint ventures will be accounted for using the equity method of accounting whereas for a joint operation the venturer will recognize its share of the assets, liabilities, revenue and expenses of the joint operation. Under existing IFRS, entities have the choice to proportionately consolidate or equity account for interests in joint ventures. IFRS 11 supersedes IAS 31, Interests in Joint Ventures, and SIC-13, Jointly Controlled Entities—Non-monetary Contributions by Venturers.

IFRS 12 – Disclosure of Interests in Other Entities

IFRS 12 establishes disclosure requirements for interests in other entities, such as joint arrangements, associates, special purpose vehicles and off balance sheet vehicles. The standard carries forward existing disclosures and also introduces significant additional disclosure requirements that address the nature of, and risks associated with, an entity's interests in other entities.

IFRS 13 - Fair Value Measurement

IFRS 13 is a comprehensive standard for fair value measurement and disclosure requirements for use across all IFRS standards. The new standard clarifies that fair value is the price that would be received to sell an asset, or paid to transfer a liability in an orderly transaction between market participants, at the measurement date. It also establishes disclosures about fair value measurement. Under existing IFRS, guidance on measuring and disclosing fair value is dispersed among the specific standards requiring fair value measurements and in many cases does not reflect a clear measurement basis or consistent disclosures.

Amendments to Other Standards

In addition, there have been amendments to existing standards, including IAS 27, Separate Financial Statements (IAS 27), and IAS 28, Investments in Associates and Joint Ventures (IAS 28). IAS 27 addresses accounting for subsidiaries, jointly controlled entities and associates in non-consolidated financial statements. IAS 28 has been amended to include joint ventures in its scope and to address the changes in IFRS 10 – 13.

5. Bank Debt

All credit facilities that are revolving in nature must be disclosed as liabilities. Tuscany utilizes a secured revolving production loan that is payable on demand and is subject to an annual review and, therefore, is considered "current" for disclosure purposes and has been disclosed under current liabilities as bank debt.

At June 30, 2011, the Company had a $4.6 million production loan with a Canadian financial institution. The Company is required to maintain certain covenants with the financial institution and is in compliance of those covenants as at June 30, 2011. At June 30, 2011, the production loan remained undrawn.

6. *Property, Plant and Equipment*

Property, Plant and Equipment

($ Thousands)		Property, Plant and Equipment		Exploration and Evaluation
As at January 1, 2010	$	13,600	$	107
Capital expenditures		2,823		283
As at December 31, 2010	$	16,423	$	390
Capital expenditures		1,608		425
Corporate acquisition		2,725		138
As at June 30, 2011	$	20,756	$	815

Accumulated Depletion, Depreciation and Amortization

($ Thousands)		Property, Plant and Equipment
As at January 1, 2010	$	(4,855)
Depreciation, Depletion and amortization		(1,189)
As at December 31, 2010	$	(6,044)
Depreciation, Depletion and amortization		(674)
As at June 30, 2011	$	(6,718)

Net Book Value (Property, Plant and Equipment)

($ Thousands)		Net Book Value		Exploration and Evaluation
As at January 1, 2010	$	8,745	$	107
As at December 31, 2010	$	10,379	$	390
As at June 30, 2011	$	14,038	$	815

For the six months ended June 30, 2011, administrative expenses and stock based compensation of $117,000 related to exploration and development activities were capitalized as part of property, plant and equipment (2010 - $50,000).

For the calculation of depletion expense, estimated future costs to develop the proved reserves were added to property, plant and equipment. At June 30, 2011, future costs were $3.5 million (2010 - $2.1 million).

The carrying value of long-term assets is reviewed quarterly for indicators that the carrying value of an asset or cash-generating unit may not be recoverable. If indicators of impairment exist, the recoverable amount of the asset or cash-generating unit is estimated. If the carrying value of the asset or cash-generating unit exceeds the recoverable amount, the asset or cash-generating unit is written down with an impairment recognized in net earnings.

No impairment was required for the three month period ended June 30, 2011 (2010 - nil).

7. Share Capital

Authorized

Unlimited number of Common Shares, no stated par value.

Voting rights

Common shares carry voting rights of one vote per share.

Issued

Common Shares - Issued	Number of Shares		Amount (thousands)
Balance, December 31, 2010	62,801,825	$	7,992
Common shares issued to acquire Sharon Energy Ltd.	62,062,193		11,171
Less: Costs of Issue			(154)
Balance at June 30, 2011	124,864,018	$	19,009

Contributed Surplus		Amount (thousands)
Balance, December 31, 2010	$	557,546
Option compensation for the period		59,146
Balance at June 30, 2011	$	616,692

Normal Course Issuer Bid ("NCIB")

Tuscany is authorized to repurchase up to 2,742,500 Common Shares through the facilities of the TSX Venture Exchange pursuant to a normal course issuer bid, which expires on October 26, 2011. Shares repurchased pursuant to the bid are cancelled. No shares have been repurchased pursuant to the bid to June 30, 2011.

Earnings 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.

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

Shares Outstanding	Three Months Ended June 30, 2011		Six months ended June 30, 2011	
	2011	2010	2011	2010
Weighted average shares outstanding	81,897,700	55,090,090	72,402,514	55,158,311
Dilutive effect of stock options	786,616	387,809	764,898	338,498
Diluted weighted average shares outstanding	82,684,316	55,477,899	73,167,412	55,496,809

Stock Option Plan

The Corporation's Stock Option Plan permits the granting of options to purchase Common Shares to officers, directors, employees and other persons who provide ongoing management or consulting services to the Corporation and its subsidiaries. The Stock Option Plan currently limits the number of Common Shares that may be issued on exercise of Options to 10% of the number of outstanding Common Shares from time to time. Any increase in the issued and outstanding Common Shares will result in an increase in the available number of Common Shares issuable under the Stock Option Plan. Additionally, any exercise of options will make new grants available under the Stock Option Plan.

Options granted pursuant to the Stock Option Plan have a term not to exceed five years and vest as follows:

1/3 on grant date

1/3 on first anniversary of grant date

1/3 on second anniversary of grant date

As at June 30, 2011, there are a total of 6,705,200 options granted and outstanding under the stock option plan with a weighted average exercise price of $0.1515 per share. A total of 3,732,777 options with a weighted average exercise price of $0.1553 are exercisable at June 30, 2011.

Stock Options	June 30, 2011			December 31, 2010		
	Shares	Weighted Average Exercise Price		Shares	Weighted Average Exercise Price	
Outstanding, beginning of period	4,195,000	$	0.1219	2,220,000	$	0.1160
Granted	2,755,200	$	0.1970	2,175,000	$	0.1400
Exercised	-	$	-	-	$	-
Expired	(94,999)	$	0.1821	(200,000)	$	0.2500
Cancelled	-	$	-	-	$	-
Forfeited	(150,001)	$	0.1400	-	$	-
Outstanding, end of period	6,705,200	$	0.1515	4,195,000	$	0.1219
Options exercisable, end of period	3,732,777	$	0.1553	2,078,315	$	0.1163

Options were granted on June 2, 2011, relating to the acquisition of Sharon Energy Ltd. Holders of stock options in Sharon at that date were granted 0.84 of an option in

Tuscany for each Sharon option held. The exercise price was determined by dividing the Sharon exercise price by 0.84.

Exercise Price	Outstanding June 30, 2011	Weighted Average Remaining Life (years)	Vested June 30, 2011
$0.00 to $0.10	2,000,000	3.1452	1,749,998
$0.11 to $0.20	4,083,600	4.1752	1,361,179
$0.21 to $0.30	0	0.0000	0
$0.31 to $0.40	621,600	1.9600	621,600
Total	6,705,200	4.0000	3,732,777

The Company accounts for its issued options using the fair value method whereby costs have been recognized in the financial statements for share options granted to employees, directors and consultants. The impact on these costs of using the fair value method increased option expenses for the three months ended June 30, 2011 by $32,000 (2010 - $19,000), and $54,000 ($30,000 – 2010) for the first half of 2011.

The fair value of each option or warrant 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**
2010	1.79	4.5	1.40	0.1240

8. *Capital Disclosures*

Tuscany manages shareholder equity and debt as capital. Tuscany uses the terms cash flow from operations, annualized cash flow and net debt in its analysis below which are non-GAAP measures. 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 International Financial Reporting Standards ("IFRS"). Tuscany's determination of cash flow from operations may not be particularly comparable to that reported by other companies, especially those in other industries. Management uses cash flow from operations as a measure of operating performance as the measure is not exposed to non-cash working capital movements, which for a small company, could be material and misleading. The reconciliation of cash flow from operating activities and cash flow from operations is as follows:

($ Thousands, unaudited)	Three Months Ended June 30		Six Months Ended June 30	
	2011	**2010**	2011	2010
Cash provided by Operating Activities:	**$ 2,109**	$ 465	$ 1,327	$ (163)
Adjusted for:				
Change in non-cash working capital	**(1,873)**	(420)	(662)	446
Cash flow from operations	**$ 236**	$ 45	$ 665	$ 283

The Company also uses annualized cash flow from operations which equals four times the quarterly cash flow from operations. In addition, the Company presents "Net current debt", which is calculated as the aggregate of current assets and current liabilities.

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 sets the level of capital in proportion to its risk of achieving sufficient annualized operating cashflows with the goal of maintaining its net current debt repayability ratio to less than twenty-four months. The Company makes adjustments to capital 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 short-term or long-term debt.

The ratio of net debt to annualized cashflow from operations is the primary ratio of capital that Tuscany uses. In the long term, the ratio of net debt to annualized cash flow from operations is an important target. Net debt repayability is a calculation to determine the number of months required to repay net debt from current cashflow from operations. The ratio is calculated as follows:

Net Current Debt Repayability *(Thousands, except for months)*	Six Months Ended June 30	
	2011	2010
Current liabilities	2,945	$ 4,378
Less Current assets	5,558	$ 829
Net (Working Capital) Current Debt	(2,613)	3,549
Annualized Cashflow from Operations	$ 944	$ 180
Months estimated to repay net current debt	N/A	237

On June 2, 2011, with the conclusion of the business combination with Sharon Energy Ltd. the Company had positive working capital and had not drawn on its credit facility.

9. 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.

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:

($ Thousands)	Six Months Ended June 30 2011	2010
Asset Retirement Obligation, beginning of year	$ 1,006	$ 830
Obligations acquired from subsidiary	266	-
Additions	28	-
(Gain) Loss on Revaluation due to Rate Fluctuations	2	3
ARO reduction for property sales	-	-
Finance Cost	17	7
Asset Retirement Obligation, end of year	$ 1,319	$ 840

The total undiscounted amount of estimated cash flows required to settle the obligation is $1.3 million (2010 – 1,100,000). The present value of the obligation has been discounted using average risk free rates of 2.30% to 3.53%. Most of these obligations are expected to be paid between 2012 and 2024.

10. Commitments

The Company issued $1.2 million of flow-through shares in November 2010 and at June 30, 2011 had fulfilled its flow-through spending commitment.

11. Financial Instruments

All financial instruments are required to be measured at fair value on initial recognition of the instrument. 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 measured at fair value. Accounts receivable are designated as "loans and receivables" and are carried at amortized cost. Accounts payable are designated as "other financial liabilities" and are carried at cost.

The Company's financial instruments that are included in the balance sheet are comprised of cash, accounts receivable, accounts payable, and bank debt.

Fair values of financial assets and liabilities

The fair values of financial instruments that are included in the balance sheet approximate their carrying amount due to the short-term maturity of those 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 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 exposure to credit risk is approximately $43,000 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 that a 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 June 30, 2011, as follows:

($ Thousands)	Favourable 25% Change	Unfavourable 25% Change
Interest expense	$ 17	$ (17)

Liquidity risk

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. The timing of cash outflows relating to financial liabilities are outlined in the table below:

($ Thousands)	< 1 year	years 2 & 3	> 3 years
Accounts payable and accrued liabilities	2,945	-	-

At June 30, 2011 the Company has met all the obligations associated with its financial liabilities. The majority of the Company's accounts payable are current. The bank loan is a demand loan and is classified as a current liability of less than one year. At June 30, 2011, the credit facility of $4.6 million remained undrawn.

Foreign currency exchange risk

The Company currently has no material exposure to foreign currency fluctuations in its cash and cash equivalents, accounts receivables or accounts payables; however, the Company's investment in Magnum Hunter is in USD and is therefore exposed to foreign currency fluctuations.

	Balance Sheet	Canada	USA
($ Thousands)	Total	Cdn $ Equivalent	
Cash and cash equivalents	5,051	5,051	-
Investment	3,566	-	3,566
Accounts receivable	507	507	-
Accounts payable	2,945	2,945	-
Total	12,069	8,503	3,566

The table below indicates the balance sheet exposure to a 10% change in the USD to CND exchange rate.

	Favourable	Unfavourable
($ Thousands)	10% Change	10% Change
Investment in Magnum Hunter	$ 357	$ (357)

12. Related Party Transactions

Humboldt Capital Corporation ("Humboldt") and certain of its officers and directors owned 36% 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. As at June 30, 2011, these include Diaz Resources Ltd. ("Diaz"), 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 that may be considered related parties as at August 19, 2011:

- 37% of Tuscany common shares,
- 39% of Paris common shares, and
- 36% of Diaz common shares.

On June 2, 2011, Tuscany and Sharon completed a plan of arrangement whereby Tuscany acquired 100% of the common shares of Sharon.

The Company has a joint venture with Diaz Resources Ltd. whereby it participates in new oil and natural gas projects for a 55% working interest – Diaz 45%. Diaz provides administrative, operating and exploration services for Tuscany in exchange for payment of a portion of the related costs of Diaz. For the six month period ended June 30, 2011, Diaz charged Tuscany Management fees of $297,000 (2010 - $216,000). Management fees of $117,000 (2010 - $50,000) charged by Diaz to Tuscany related to exploration and development activities and were capitalized.

At June 30, 2011, Tuscany owed Diaz $12,000 (2010 – $170,000) and Tuscany owed Paris $1,000 (2010 – $43,000) through the normal course of business.

These transactions were conducted in the normal course of operations and measured at the amount of consideration established and agreed to by the related parties.

13. Supplemental Cash Flow Information

($ Thousands, unaudited)	Three Months Ended June 30		Six Months Ended June 30	
	2011	2010	2011	2010
Interest paid during the period	**$ 28**	$ 59	$ 78	$ 85
Taxes paid during the period	**$ -**	$ -	$ -	$ -
Changes in non-cash working capital balances				
Accounts receivable	**$ 47**	$ (70)	$ 105	$ (111)
Prepaid expenses	**$ 1**	$ 20	$ 3	$ -
Accounts payable and acrued liabilities	**$ 1,825**	$ 470	$ 554	$ (335)
	$ 1,873	$ 420	$ 662	$ (446)

14. Investment

On September 30, 2009, the Company sold its U.S. subsidiary to Magnum Hunter Resources Corporation (NYSE AMEX: MHR)("Magnum") in exchange for common shares of Magnum. The common shares of Magnum are recorded on the balance sheet of the Company at fair value. Fair value is calculated to be the product of the closing bid price of Magnum common stock on the NYSE AMEX on the balance sheet date multiplied by the number of shares held.

Investment in Magnum Hunter	Six Months Ended June 30, 2011	Year Ended December 31, 2010
Shares held, beginning of period	-	-
Acquired	546,195	-
Sold	-	-
Shares held, end of period	546,195	-
$USD Closing bid price (NYSE AMEX: MHR)	$ 6.77	$ -
CND / USD exchange rate, end of period	0.9645	-
$CND Fair value of investment, end of period	$ 3,566,470	$ -

No shares were sold during the six month period ended June 30, 2011. See Note 15 for subsequent event sales.

15. Subsequent Event

Subsequent to June 30, 2011, the Company sold a further 120,000 shares of Magnum Hunter for proceeds (net of costs) of $883,000, realizing a capital gain of $750,000.

16. Reclassification

Certain information provided for prior periods has been reclassified to conform to the presentation adopted in 2011.

17. Acquisition of Sharon Energy Ltd.

On June 2, 2011, Tuscany and Sharon Energy Ltd. ("Sharon") closed an arrangement agreement pursuant to which Tuscany acquired all of the issued and outstanding shares of Sharon ("Sharon Shares") through the issue of 62,070,593 common shares of Tuscany to shareholders of Sharon with a fair value on June 2, 2011 of $11.2 Million.

Sharon's assets consisted of $8 million of working capital and assets held for resale, $4 million of investments available for sale, and land and fixed assets valued at $3 million. The net assets acquired exceeded the consideration provided, resulting in a "gain from bargain purchase".

The assets of Sharon were valued at fair value, for the purpose of the acquisition and the shares issued for the acquisition were valued at $0.18 per share, being the closing bid price of Tuscany shares on the TSX-Venture exchange on June 2, 2011, the date of the acquisition.

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

Fair Value of Identifiable Assets & Liabilities of Sharon Energy Ltd.

Assets		
Current Assets		
Cash & Cash Equivalents	$	8,006,096
Accounts Receivable		16,832
Prepaid Expenses		150
Total Current Assets	$	8,023,078
Investment in Magnum Hunter		3,772,087
Fair Value of Non-Producing Land (from Seaton Jordan report at December 31, 2010)		507,500
Fair Value of Fixed Assets (from Information Circular, December 31, 2010 valuation)		2,595,000
Total Assets	$	14,897,665
Liabilties		
Accounts Payable & Accrued Liabilities	$	137,173
Asset Retirement Obligation		221,816
Total Liabilities	$	358,989
Fair Value of Identifiable Assets & Liabilities of Sharon Energy Limited:	$	14,538,676

Fair Value of Consideration Exchanged:

All of the outstanding shares of Sharon Energy Ltd. at .84 shares of Tuscany Energy Ltd. per 1 share of Sharon Energy Ltd.

Shares Issued by Tuscany [*at June 2, 2011*]:		62,070,593
Closing Bid - Tuscany Energy on (June 2, 2011) *[$/share]* :	$	0.18
Consideration Exchanged for Assets of Sharon Energy Ltd.	$	11,172,707
Goodwill / (Bargain Purchase)*	$	(3,365,969)

Purchase Price Discrepancy:

Fair Value of Identifiable Assets & Liabilities of Sharon Energy Limited at June 2, 2011	$	14,538,676
Carrying Value of Identifiable Assets & Liabilities of Sharon Energy Limited at June 2, 2011		13,668,303
Purchase Price Discrepancy	$	870,373
Allocated to Fixed Assets:		
Property Plant & Equipment		870,373

After the transaction, Tuscany has 124,864,018 outstanding common shares.

18. Transition to IFRS

IFRS 1 requires the presentation of comparative information as at the January 1, 2010 transition date and subsequent comparative periods as well as the consistent and retrospective application of IFRS accounting policies. To assist with the transition, the provisions of IFRS 1 allow for certain mandatory and optional exemptions for first-time adopters to alleviate the retrospective application of all International Financial Reporting Standards.

Please read this note in conjunction with Note 16 of Tuscany Energy's first quarter interim report, and in particular please refer to the additional reconciliations and disclosures contained therein which have not been repeated here. The following reconciliations present the adjustments made to the Company's previous GAAP financial results of operations and financial position to comply with IFRS 1, and which have not already been presented in the Company's previously published interim report(s). A summary of the significant accounting policy changes and applicable exemptions are discussed following the reconciliations. Reconciliations include the Company's Consolidated Statement of Operations for the three and six months ended June 30, 2010 and for the twelve months ended December 31, 2010.

Consolidated Statement of Operations and Comprehensive Loss

Three Months Ended March 31, 2010

($ Thousands, except per share amounts, unaudited)	**Previous GAAP**	**IFRS Adjustments** E&E (Note 18a)	DD&A (Note 18b)	ARO (Note 18d)	**IFRS**
Revenue, Net of Royalties	$ 762	$ -	$ -	$ -	$ 762
Expenses					
Operating and transportation	402	-	-	-	402
Overhead	98	-	-	-	98
Stock based compensation	11	-	-	-	11
Interest expense	27	-	-	-	27
Foreign exchange loss (gain)	4	-	-	-	4
Depletion, depreciation and amortization	346	-	-	(14)	332
Gain (Loss) on Revaluation	-	-	-	3	3
	888	-	-	(11)	877
Loss before income tax	(126)	-	-	11	(115)
Income tax					
Deferred tax expense (recovery)	5			2	7
Total income tax (recovery)	5	-	-	2	7
Net income (loss) and comprehensive income (loss)	(131)	-	-	9	(122)

Consolidated Statement of Operations and Comprehensive Loss

Three Months Ended June 30, 2010

($ Thousands, except per share amounts, unaudited)	Previous GAAP	IFRS Adjustments E&E	DD&A	ARO	IFRS
		(Note 18a)	(Note 18b)	(Note 18d)	
Revenue, Net of Royalties	$ 646	$ -	$ -	$ -	$ 646
					0
Expenses					-
Operating and transportation	310	-	-	-	310
Overhead	225	-	-	-	225
Stock based compensation	19	-	-	-	19
Interest expense	60	-	-	-	59
Foreign exchange loss (gain)	(1)	-	-	-	(1)
Depletion, depreciation and amortization	284	-	33	-	317
Gain (Loss) on Revaluation	-	-	-	39	39
	897	-	33	39	968
Loss before income tax	(251)	-	(33)	(39)	(322)
Income tax					
Deferred tax expense (recovery)	(167)	-	-	(2)	(169)
Total income tax (recovery)	(167)	-	-	(2)	(169)
	-				-
Net income (loss) and comprehensive income (loss)	(84)	-	(33)	(37)	(153)

Consolidated Statement of Operations and Comprehensive Loss

Six Months Ended June 30, 2010

($ Thousands, except per share amounts, unaudited)	**Previous GAAP**	**IFRS Adjustments** E&E (Note 18a)	DD&A (Note 18b)	ARO (Note 18d)	**IFRS**
Revenue, Net of Royalties	$ 1,408	$ -	$ -	$ -	$ 1,408
Expenses					
Operating and transportation	712	-	-	-	712
Overhead	323	-	-	-	323
Stock based compensation	30	-	-	-	30
Interest expense	86	-	-	-	86
Foreign exchange loss (gain)	3	-	-	-	3
Depletion, depreciation and amortization	630	-	19	-	649
Gain (Loss) on Revaluation	-	-	-	42	42
	1,784	-	19	42	1,845
Loss before income tax	(377)	-	(19)	(42)	(437)
Income tax					
Deferred tax expense (recovery)	(162)	-	-	-	(162)
Total income tax (recovery)	(162)	-	-	-	(162)
Net income (loss) and comprehensive income (loss)	(215)	-	(19)	(42)	(275)

Consolidated Statement of Operations and Comprehensive Loss

Twelve Months Ended December 31, 2010

($ Thousands, except per share amounts, unaudited)	**Previous GAAP**	**IFRS Adjustments**			**IFRS**
		E&E	DD&A	ARO	
		(Note 18a)	(Note 18b)	(Note 18d)	
Revenue, Net of Royalties	$ 2,892	$ -	$ -	$ -	$ 2,892
Expenses					
Operating and transportation	1,539	-	-	-	1,539
Overhead	720	-	-	-	720
Stock based compensation	184	-	-	-	184
Interest expense	182	-	-	-	182
Depletion, depreciation and accretion	1,324	-	(90)	(16)	1,218
	3,949	-	(90)	(16)	3,843
Loss before income tax	(1,057)	-	90	16	(951)
Income tax					
Deferred tax expense (recovery)	(181)	-	23	(8)	(166)
Total income tax (recovery)	(181)	-	23	(8)	(166)
Net income (loss) and comprehensive income (loss)	(876)	-	67	24	(785)

The most significant changes to the Company's accounting policies relate to the accounting for upstream costs. Under previous GAAP, Tuscany followed the Canadian Institute of Chartered Accountants ("CICA") guideline on full cost accounting in which all costs directly associated with the acquisition of, the exploration for, and the development of natural gas and liquids reserves were capitalized on a country-by-country cost centre basis. Costs accumulated within each country cost centre were depleted using the unit-of-production method based on proved reserves determined using estimated future prices and costs. Upon transition to IFRS, the Company was required to adopt new accounting policies for upstream activities, including exploration and evaluation costs and development costs.

Under IFRS, exploration and evaluation costs are those expenditures for an area where technical feasibility and commercial viability has not yet been determined. Development costs include those expenditures for areas where technical feasibility and commercial viability has been determined. Tuscany adopted the IFRS 1 "full cost" exemption whereby the Company deemed its January 1, 2010 IFRS upstream asset costs to be equal to its previous GAAP historical upstream property, plant and equipment net book value. Accordingly, exploration and evaluation costs were deemed equal to the unproved properties balance and the development costs were deemed equal to the upstream full cost pool balance. Under IFRS, exploration and evaluation costs are presented as exploration and evaluation assets and development costs are presented within property, plant and equipment on the Consolidated Balance Sheet.

The following provides summary reconciliations of Tuscany's 2010 previous GAAP and IFRS results, along with a discussion of the significant IFRS accounting policy changes:

(a) Exploration and Evaluation

Exploration and evaluation assets at January 1, 2010 were deemed to be $107,000, representing the unproved properties balance under previous GAAP. This resulted in a reclassification of $107,000 from property, plant and equipment to exploration and evaluation assets on Tuscany's Consolidated Balance Sheet as at January 1, 2010. The Company took an impairment of the exploration and evaluation assets at January 1, 2010, of $15,000. As at June 30, 2011, the Company's exploration and evaluation assets were approximately $815,000.

Under previous GAAP, exploration and evaluation costs were capitalized as property, plant and equipment in accordance with the CICA's full cost accounting guidelines. Under IFRS, Tuscany capitalizes these costs initially as exploration and evaluation assets. Once technical feasibility and commercial viability of the area has been determined, the capitalized costs are transferred from exploration and evaluation assets to property, plant and equipment. Under IFRS, unrecoverable exploration and evaluation costs associated with an area and costs incurred prior to obtaining the legal rights to explore are expensed.

The application of IFRS for exploration and evaluation costs did not result in any change to Tuscany's previous GAAP Net Earnings for the twelve months ended December 31, 2010.

(b) Depreciation, Depletion and Amortization

Development costs at January 1, 2010 were deemed to be $13.6 million, representing the upstream full cost pool balance under previous GAAP less Exploration and Evaluation assets. Consistent with previous GAAP, these costs are capitalized as property, plant and equipment under IFRS. Under previous GAAP, development costs were depleted using the unit-of-production method calculated for each country cost centre. Under IFRS, development costs are depleted using the unit-of-production method calculated at the Cash Generating Unit (CGU) level. The IFRS 1 exemption permitted the Company to allocate development costs to the CGU level using proved and probable reserve values for each CGU as at January 1, 2010.

Depleting at a CGU level under IFRS resulted in a $90,000 decrease to Tuscany's DD&A expense for the twelve months ended December 31, 2010. Tuscany's Net Loss decreased $90,000, after tax, compared to previous GAAP for the twelve months ended December 31, 2010 as a result of depleting at a CGU level under IFRS.

(c) Impairments

Under previous GAAP, an upstream impairment was recognized if the carrying amount exceeded the discounted cash flows from proved plus probable reserves for a country cost centre. An impairment was measured as the amount by which the carrying value exceeded the sum of the fair value of the proved and probable reserves and the costs of unproved properties. Impairments recognized under previous GAAP were not reversed.

Under IFRS, management is required to examine long-term assets for indicators of impairment. If indicators exist, then an impairment test is conducted. An upstream impairment would be recognized if the carrying value exceeded the recoverable amount for a CGU. Upstream areas are aggregated into CGUs based on their ability to generate largely independent cash flows. If the carrying value of the CGU exceeds the recoverable amount, the CGU is written down with an impairment recognized in net earnings. Impairments recognized under IFRS are reversed when there has been a subsequent increase in the recoverable amount. Impairment reversals are recognized in net earnings and the carrying amount of the CGU is increased to its revised recoverable amount as if no impairment had been recognized for the prior periods.

For the year ended December 31, 2010 and the three months ended June 30, 2011, Tuscany did not find any indicators of impairment of its fixed assets. Oil prices – a key quantitative indicator – remained strong throughout the previous year and the current period, and no qualitative factors existed to otherwise indicate an impairment of the fair value of the Company's assets, therefore no impairment test was conducted.

Under previous GAAP, proceeds from dispositions of upstream assets were deducted from the full cost pool without recognition of a gain or loss unless the deduction resulted in a change to the country cost centre depletion rate of 20 percent or greater, in which case a gain or loss was recorded.

(d) Asset Retirement Obligation

Under previous GAAP, the asset retirement obligation was measured as the estimated fair value of the retirement and decommissioning expenditures expected to be incurred. Liabilities were not re-measured to reflect period end discount rates.

Under IFRS, the asset retirement obligation is measured as the best estimate of the expenditure to be incurred and requires that the asset retirement obligation be re-measured using period end risk-free discount rates.

In conjunction with the IFRS 1 exemption regarding upstream assets discussed above, Tuscany was required to re-measure its asset retirement obligation upon transition to IFRS and recognize the difference in retained earnings. The application of this exemption resulted in a $243,000 increase to the asset retirement obligation on Tuscany's Consolidated Balance Sheet as at January 1, 2010 and a corresponding charge to retained earnings of $243,000. Subsequent IFRS re-measurements of the obligation are recorded through property, plant and equipment with an offsetting adjustment to the asset retirement obligation. As at December 31, 2010, excluding the January 1, 2010 adjustment, Tuscany's asset retirement obligation increased by $62,000 which primarily reflects the re-measurement of the obligation using risk-free discount rates for obligations within 5 years, 10 years or longer of 2.45%, 3.16% and 3.54% respectively as at December 31, 2010.

(e) Share-based payments

Under previous GAAP, the Company adopted the fair value method for accounting for stock based compensation whereby the fair value of the option granted is estimated on the date of the grant using the Black-Scholes option pricing model. Using the fair value method, compensation costs of stock based compensation are estimated and charged to earnings over the vesting period of the options. IFRS requires the same method so no changes were required in transition.

(f) Other Exemptions

Other significant IFRS 1 exemptions taken by Tuscany at January 1, 2010 include the following:

- Business combinations and jointly controlled operations entered into prior to January 1, 2010 were not retrospectively restated under IFRS.

- Leases were not reassessed to determine whether an arrangement contained a lease under International Financial Reporting Interpretations Committee 4, Determining whether an Arrangement contains a Lease, for contracts that were already assessed under previous GAAP.

The remaining IFRS 1 exemptions were not applicable or material to the preparation of Tuscany's Consolidated Balance Sheet at the date of transition to IFRS on January 1, 2010.

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