MANAGEMENT'S DISCUSSION AND ANALYSIS

FOR THE YEAR ENDED DECEMBER 31, 2014

Tuscany ENERGY LTD.

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Corporate Summary

	Three months ended December 31, 2014	Three months ended December 31, 2013	Year Ended December 31, 2014	Year Ended December 31, 2013
($ Thousands, unless otherwise indicated)				
Financial				
Oil & gas revenue	**$ 4,685**	$ 3,298	**$ 17,607**	$ 10,078
Cash flow from operations [1]	**1,925**	1,309	**8,077**	3,387
per share, diluted [1]	**0.04**	0.04	**0.19**	0.10
Net loss for the period	**(5,923)**	(2,012)	**(5,087)**	(2,973)
per share, diluted	**(0.12)**	(0.05)	**(0.12)**	(0.09)
Capital expenditures, net of dispositions	**3,584**	1,038	**11,525**	4,955
Net debt [1]	**(6,763)**	(7,423)	**(6,763)**	(7,423)
Total assets	**33,503**	34,317	**33,503**	34,317
Total shares outstanding at period end	**51,041**	38,664	**51,041**	38,664
Operations				
Production				
Oil and NGLs (Bopd)	**777**	536	**609**	382
Gas (Mcfd)	**834**	995	**852**	578
BOEd (6 Mcf = 1 Bbl)	**916**	702	**751**	478
Product Prices				
Oil ($/Bbl)	**$ 61.89**	$ 61.06	**$ 73.19**	$ 68.14
Gas ($/Mcf)	**$ 3.40**	$ 3.14	**$ 4.30**	$ 2.73

Reserves (gross - proved plus probable, forecast costs and prices) [2]	**2014**	2013
Gas (MMcf)	**1,129.8**	1,589.8
Oil and NGLs (Mbbls)	**2,673.0**	1,988.5
BOE (Thousands)	**2,861.4**	2,253.6
Net present value of future net revenue, before tax, discounted at 10% ($ millions)	**$ 61.9**	$ 39.3
Undeveloped land holdings (net acres)		
Alberta	**46,630**	51,302
Saskatchewan	**18,670**	23,467
Total net acreage	**65,300**	74,769

(1) See non-GAAP measures in MD&A.

(2) Based on reserve evaluations prepared by McDaniel and Associates Consultants Ltd. as at December 31, 2014 and 2013, respectively. The net present value of future net revenue does not represent fair market value.

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

For the years ended December 31, 2014 and 2013.

This Management's Discussion and Analysis ("MD&A") for Tuscany Energy Ltd. ("Tuscany" or the "Company") is dated March 31, 2015 and should be read in conjunction with the audited consolidated financial statements of Tuscany for the years ended December 31, 2014 and 2013.

The following discussion and analysis is Management's assessment of Tuscany's historical, financial and operating results. The reader should be aware that historical results are not necessarily indicative of future performance.

IFRS

The audited consolidated financial statements have been prepared in Canadian dollars, except where another currency has been indicated, and in accordance with International Financial Reporting Standards ("IFRS"), as issued by the International Accounting Standards Board. In Canada, public companies that prepare their financial statements using IFRS are also considered to be following generally accepted accounting principles ("GAAP").

Corporate Summary

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

Selected Quarterly Information

		2014				***2013***		
	Q4	Q3	Q2	Q1	Q4	Q3	Q2	Q1
($Thousands, except BOE and per share)								
Oil and NGL's (Bopd)	**777**	502	603	553	536	457	255	274
Natural Gas (Mcfd)	**834**	909	931	732	995	937	208	162
Production (BOEd)	**916**	654	758	675	702	613	290	301
Oil ($/barrel)	**61.89**	78.23	82.83	74.08	61.06	86.39	69.34	50.65
BOE ($/BOE)	**55.59**	65.38	71.49	66.78	51.07	68.13	62.56	47.51
Total production revenue	**4,685**	3,934	4,931	4,057	3,200	3,875	1,733	1,287
Operating and transportation	**1,629**	1,353	1,482	1,437	1,154	1,476	915	623
$/BOE	**19.33**	22.49	21.25	23.14	17.87	26.17	35.06	23.00
Cash flow from operations [1]	**1,925**	1,857	2,460	1,835	1,309	1,477	324	297
per share (basic and diluted)	**0.04**	0.04	0.06	0.05	0.03	0.04	0.01	0.01
Net earnings (loss)	**(5,923)**	616	440	(220)	(2,012)	(84)	(445)	(432)
per share (basic and diluted)	**(0.12)**	0.01	0.01	(0.01)	(0.05)	0.00	(0.01)	(0.01)
Net overhead	**645**	465	588	499	468	447	345	317
Net capital expenditures	**3,584**	4,547	1,618	1,776	1,038	2,669	478	770
Total assets	**33,503**	38,324	35,584	34,847	34,317	37,023	22,824	24,246
Net debt (1)	**(6,763)**	(6,555)	(6,334)	(7,074)	(7,423)	(8,139)	(322)	(150)

(1) *See non-GAAP measures.*

Over the last eight quarters Tuscany's average production volumes have increased 200% from 301 BOEd for Q1 2013 to the Company's record of 916 BOEd for Q4 2014. The success of the heavy oil drilling program in early 2013, together with the acquisition of Diaz Resources Ltd. ("Diaz") in early Q3 2013 and the subsequent drilling of additional heavy oil wells have allowed the Company to more than double its production by Q3 2013 and continue to increase its production levels in 2014.

Oil prices recovered from a cyclical low of $50.65 in Q1 2013 to reach a high of $86.39 in Q3 2013 before seasonal declines reduced the price to $61.06 for Q4 2013. This decline was short lived and prices recovered to the mid $70s and low $80s for the first three quarters of 2014 until the beginning of the current oil price correction resulted in Q4 2014 prices declining to average $61.89 for Q4 2014. The recent supply side pressure combined with refinery strikes and turnarounds have resulted in rapidly increasing storage levels which have in turn resulted in world oil prices declining to levels not seen since the end of 2008. Subsequent to the year end, prices have continued to move lower as North American shale production continues to rise along with storage.

Production revenue tracked the changes in production rates and prices and increased from $1.3 million for Q1 2013 to a high of $4.9 million in Q2 2014 before settling to $4.7 million in Q4 2014 as declining oil prices offset the Company's record production levels.

A number of factors contributed to unacceptably high operating costs for the first three quarters of 2013, including high costs for fuel, snow removal and water handling. The Company has made significant steps toward getting these costs under control and operating costs declined to average under $20 per BOE in Q4 2014.

Cash flow from operations has reflected changes in revenues and operating costs over the past eight quarters and the Company has been able to generate sufficient cash flow to reinvest in its development program. As important, growing levels of revenues and cash flow have enabled the Company to raise additional financing to escalate the development program.

Three Year Summary of Results

The following table provides selected financial and operating data derived from the Company's financial results for the past three years:

Year ended December 31,		**2014**		2013		2012
(Thousands, except BOEd, Price and per share)						
Revenue net of royalties	$	**16,481**	$	9,590	$	7,462
Cash flow from operations [(1)]	$	**8,077**	$	3,387	$	2,737
per share, basic and diluted	$	**0.19**	$	0.10	$	0.09
Net loss for the period	$	**(5,087)**	$	(2,973)	$	(361)
per share, basic and diluted	$	**(0.12)**	$	0.09	$	(0.01)
Total assets	$	**33,503**	$	34,317	$	24,178
Working capital (net debt) [(1)]	$	**(6,763)**	$	(7,423)	$	380
Non-current finacial liabilities	$	**5,365**	$	6,346	$	1,639
Production (BOEd)		**751**		478		354
Price received ($ per BOE)	$	**64.23**	$	57.76	$	62.46

(1) *See non-GAAP measures.*

For the year ended December 31, 2014, Tuscany's production increased 57% to average 751 BOEd. The Company drilled and successfully completed nine new wells, (7.5 net wells) including initial wells in Rutland (0.75 net well) and Morgan (0.88 net well), two new wells in the Evesham area (1.2 net wells), and five new 100% wells in the Macklin area. Increased production levels resulted in record revenues of $16.5 million, a 72% increase over 2013 levels. Operating and overhead costs rose on an absolute basis in 2014 as a result of increased production levels. On a per BOE basis, both operating and overhead costs fell compared to the previous year. Cash flow from operations increased by 135% in 2014 to $8.1 million compared with $3.4 million in the prior year.

The Company reported a loss for each of the last three years. A loss of $5.1 million for 2014, despite increasing revenues and cash flow, resulted primarily from an impairment charge of $4.1 million and an allowance of $1.9 million against the recovery of future tax assets. The significant decline in commodity prices in Q4 2014 were indicators of possible impairment of the Company's cash generating units ("CGUs") and exploration and evaluation assets ("E&E assets"). The Company conducted an impairment review and determined that at the current prices a significant portion of the E&E assets would not be developed as they were not economic therefore the Company took an impairment charge of $1.4 million against its E&E assets. In addition the Company's Alberta Gas CGU had minimal value at current and estimated future gas prices and The Company took an Impairment of $2.2 million on this CGU. The $0.5 million balance of the impairment was in the Company's Alberta oil CGU.

Results of Operations

Oil & Gas Production

Oil and gas sales and prices	Three months ended December 31, 2014	2013	Year Ended December 31, 2014	2013
Average daily sales				
Oil and NGL (Bopd)	**777**	536	**609**	382
Gas (Mcf/d)	**834**	995	**852**	578
BOEd	**916**	702	**751**	478
Average price				
Oil and NGL ($/Bbl)	**61.89**	61.06	**73.19**	68.14
Gas ($/Mcf)	**3.40**	3.14	**4.30**	2.73
$/BOE	**55.59**	51.07	**64.23**	57.76

During Q4 2014, Tuscany's oil and NGL sales increased to 777 Bopd compared with 536 Bopd for the same period in 2013. For the year ended December 31, 2014 oil and gas liquids production increased by 57% to average 751 Bopd.

Gas production, converted to BOE's on a 6:1 basis, accounted for approximately 19% of the total production for Q4 2014 but only 6% of total revenue.

Oil and gas prices

During Q4 2014, Tuscany received an average of $61.89 per barrel of oil compared with the average price of $61.06 per barrel for the same period in 2013. For the year ended December 31, 2014, the average oil price was $73.19 per barrel of oil and NGL, 7% higher than the prior year's price of $68.14 per barrel. Gas prices improved slightly in Q4 2014 to average $3.40 per Mcf compared with $3.14 per Mcf in Q4 2013.

The Company's production is heavily oil weighted. 92% of its oil & gas sales revenue came from oil production in 2014 (94% in Q4 2014).

Oil and Natural Gas Sales

For the three months ended December 31, 2014, oil and gas sales totaling $4.7 million were 47% higher compared with the same period in 2013, resulting from new production and more efficient operational techniques applied in 2014. For the year ended December 31, 2014, total sales increased 74% to $17.6 million compared with $10.1 million in 2013. The increased sales revenue resulted from a 57% increase in oil sales volumes and a 7% increases in oil prices compared to the prior year.

Royalty Expense

The Company's average royalty rate for the year ended December 31, 2014 was 6.4% of revenues or $4.12 per BOE. The rate was slightly higher than the 5.47% for the same period in 2013. The Company's 2014 royalty includes a Government of Saskatchewan surcharge of 1.75% of resource revenues.

Summary of operating net back		Three months ended December 31, 2014		2013		Year Ended December 31, 2014		2013
(Thousands, except per BOE information)								
Oil and natural gas liquids	**$**	**4,424**	$	3,011	**$**	**16,269**	$	9,501
Natural gas		**261**		287		**1,338**		577
Other income		**3**		(98)		**2**		67
Total sales		**4,688**		3,200		**17,609**		10,145
Royalties		**(381)**		(218)		**(1,128)**		(555)
Revenues, net of royalties		**4,307**		2,982		**16,481**		9,590
Operating expenses		**(1,629)**		(1,154)		**(5,901)**		(4,168)
Operating netback [1]	**$**	**2,678**	$	1,828	**$**	**10,580**	$	5,422
$/ BOE								
Oil and natural gas sales	**$**	**55.59**	$	51.07	**$**	**64.23**	$	57.76
Other income		**0.04**		(1.52)		**0.01**		0.38
Royalties		**(4.52)**		(3.38)		**(4.12)**		(3.18)
Operating expenses		**(19.33)**		(17.87)		**(21.53)**		(23.89)
Operating netback [1]	**$**	**31.78**	$	28.30	**$**	**38.59**	$	31.07

(1) See non-GAAP measures.

Operating Expense

Tuscany's operating expenses for 2014 totalled $5.9 million, $21.52 per BOE compared with $4.2 million, $23.89 per BOE in 2013. Operating costs increased with Tuscany's increasing production volumes however Tuscany continues to reduce the operating cost on a per BOE basis.

General and Administrative Expense

Overhead		Three months ended December 31, 2014		2013		Year Ended December 31, 2014		2013
(Thousands, except per BOE information)								
Salaries and benefits	**$**	**480**	$	404	**$**	**1,791**	$	822
Office		**153**		161		**694**		399
Consultants		**135**		89		**479**		240
Professional fees		**50**		48		**119**		137
Corporate		**93**		131		**262**		220
Joint salaries and benefits allocated		**-**		-		**-**		565
Joint office expense allocated		**-**		-		**-**		190
Joint expense recovery allocated		**-**		-		**-**		(74)
Gross expenses		**911**		833		**3,345**		2,499
Recovered		**(158)**		(260)		**(694)**		(519)
Capitalized		**(108)**		(105)		**(454)**		(403)
Recovered and/or capitalized		**(266)**		(365)		**(1,148)**		(922)
Net overhead	**$**	**645**	$	468	**$**	**2,197**	$	1,577
Per BOE	**$**	**7.65**	$	7.25	**$**	**8.01**	$	9.04

Prior to the Diaz acquisition in July of 2013, the Company had operated pursuant to a joint interest arrangement with Diaz whereby it participated jointly in new oil and natural gas projects. Diaz also provided administrative, operating and exploration services for Tuscany in exchange for payment of management fees representing a portion of the related costs of Diaz. (See Related Party Transactions). Management fees were allocated to the Company in proportion to the relative percentage of group revenues and group capital spending for each of Tuscany and Diaz.

As a result of the acquisition of Diaz, Tuscany was able to achieve some overhead efficiency and cost reductions in 2014. Tuscany's net overhead has increased to $2.2 million for 2014 compared with $1.6 million in 2013. However the Company was able to achieve overhead savings per BOE while increasing production and as a result overhead cost per BOE were reduced by 12% from $9.04 per BOE in 2013 to $8.01 per BOE in 2014.

Finance Expense

	Three months ended December 31,		Year Ended December 31,	
Financing Expense	**2014**	2013	**2014**	2013
(Thousands)				
Interest	**$ 74**	77	**$ 270**	154
Bank fees	**-**	3	**-**	25
Capital lease interest	**(25)**	73	**6**	218
Accretion of ARO	**25**	35	**131**	84
Financing expense	**$ 74**	$ 188	**$ 407**	$ 481

Bank interest expenses for 2014 were $270,000, compared with $154,000 in 2013. In order to retain a certain amount of flexibility in the design of water handling facilities during 2013, Tuscany entered into a number of capital lease contracts to purchase certain equipment. The Company purchased or returned this equipment in early 2014, and incurred $6,000 of interest expense on these leases in the first quarter of 2014 compared to $218,000 for the year ended December 31, 2013.

Depletion and Depreciation

	Three months ended December 31,		Year Ended December 31,	
	2014	2013	**2014**	2013
(Thousands, except per BOE information)				
Depletion and depreciation	**$ 1,768**	$ 1,792	**$ 6,938**	$ 5,182
Impairment	**4,099**	152	**4,099**	152
Total	**5,867**	1,944	**11,037**	5,334
per BOE	**$ 20.98**	$ 27.75	**$ 25.31**	$ 29.70

In Q3 2014, Tuscany changed its estimates with respect to depletion of its fixed assets, accounting for the change on a prospective basis. Prior to Q3 2014, the Company depleted its development and production assets on the basis of proved reserves. As a result of the Company's acquisition of Diaz and the additional equity financing in Q3 2014, and the resulting change in the Company's plans and ability to develop its resources, the Company's circumstances have changed and it is engaged in the development of its exploration assets and probable reserves. As a result it depletes its development and production assets on the basis of its proved plus probable reserves ("2P" or "2P reserves"). This both accurately reflects the recent change in circumstance, and aligns the Company's method of estimating depletion with those of the vast majority of its industry peers, enhancing comparability.

For the year ended December 31, 2014, depletion and depreciation expense increased to $6.9 million compared with $5.2 million for the prior year. This was due to increased production combined with a decreased depletion rate. The sharp decline in commodity prices in Q4 2014, however, resulted in an indicator of impairment and Tuscany conducted an impairment review at December 31, 2014 which resulted in an impairment being taken on the Company's Alberta properties. The Company took impairment charges of $4.1 million. The Company's impairment review determined that at the current estimates of prices a significant portion of the E&E assets would probably not be developed as they were not economic therefore the Company took an impairment charge of $1.4 million against its E&E assets. In addition the Company's Alberta gas CGU had minimal value at estimated gas prices and the Company took an Impairment of $2.2 million on this CGU. The $0.5 million balance of the impairment was related to the Company's Alberta oil CGU.

Capital Additions

	Three months ended December 31,		Year Ended December 31,	
	2014	2013	**2014**	2013
(Thousands)				
Drilling and completions	**$ 2,525**	$ 743	**$ 7,588**	$ 3,538
Facilities and pipelines (net of dispositions)	**1,324**	165	**3,026**	1,743
Geological and geophysical (net)	**(3)**	5	**67**	7
Land	**26**	120	**692**	314
Asset retirement obligation	**(237)**	320	**(39)**	(70)
Acquisition of Diaz Resources Ltd.	**-**	(673)	**-**	10,673
Total	**$ 3,635**	$ 680	**$ 11,334**	$ 16,205

During the year ended December 31, 2014, Tuscany incurred $11.3 million in net capital expenditures compared with $16.2 million in the prior year.

In 2014 Tuscany drilled five horizontal heavy oil wells at Macklin (5.0 net wells), two horizontal heavy oil wells at Evesham (1.2 net wells), one horizontal heavy oil well at Rutland (0.8 net wells) and drilled one horizontal heavy oil well at Morgan (0.9 net wells).

Diaz Resources Ltd. Acquisition

On July 15, 2013, Tuscany completed the acquisition of all of the issued and outstanding common shares of Diaz pursuant to a Plan of Arrangement under the Business Corporations Act(Alberta), approved by the shareholders of both companies. Tuscany issued 7,328,036 common shares with a fair value of $1.3 million. In addition Tuscany assumed Diaz's net debt of $4.9 million and an asset retirement obligation of $4.4 million.

At the acquisition date, the assets acquired included oil and gas reserves of approximately 948 MBOE and undeveloped land holdings of 65,000 net acres. In addition Tuscany acquired income tax pools totaling approximately $28.1 million.

Prior to the acquisition of Diaz, Tuscany operated with Diaz through a joint interest arrangement and shared common property interests. Tuscany acquired Diaz for the additional production, reserves and reduced overhead expenses per BOE and increased management's efficiency and control over the timing of drilling operations of jointly held property.

Liquidity and Capital Resources

At December 31, 2014, the Company had a production loan facility (the "Credit Facility") with a Canadian financial institution, with a lending limit of $8.5 million, repayable on demand and the amount of the Credit Facility is subject to a borrowing base redetermination performed on a periodic basis by the lender which is based on the lenders view of the Company's reserves and future commodity prices. The next review is required to be completed by May 31, 2015. Pursuant to the Credit Facility, the Company has a financial covenant to maintain a Working Capital Ratio of at least 1 to 1, with Working Capital Ratio being defined to mean the ratio of (i) current assets of the Company plus any undrawn amount under the Credit Facility, to (ii) current liabilities of the Company less (to the extent included therein) any amount drawn under the Credit Facility. At December 31, 2014, the Company's Working Capital Ratio was 1.1 to 1 and the Company is in compliance with the covenant. The facility is a revolving facility with advances under the facility charged interest at prime plus 1.4% per annum. The loan is secured by a general security agreement providing a security interest over all present and after acquired property and a floating charge on all land.

At December 31, 2014 the Company had outstanding letters of credit of $1.0 million (2013 – $158,000) to creditors and $4.0 million was drawn on the loan facility (2013 - $7.0 million).

Tuscany incurred $11.3 million of capital expenditures during the year ended December 31, 2014. The Company's capital expenditures were financed with the $8.1 million of cash flow from operations and the $4.7 million net proceeds of an equity financing completed in 2014.

During 2014 the Company reduced its bank debt by $3.0 million and reduced the net debt by $0.7 million.

The Company plans to finance its continuing exploration and development expenditures out of available cash flow from operations and the proceeds from the equity issues. Tuscany has a target net debt limit of one times the current quarters cash flow annualized. Based on the Q4 cash flow, the December 31, 2014 net debt was 0.8 of the Q4 2014 cash flow, annualized. The recent decline in commodity price will result in Tuscany exceeding this target ratio. The Company plans to seek opportunities to increase its production and reduce its debt to bring this ratio back to its target. During the first quarter of 2015, prices have remained at a level which dictates that Tuscany reduces its heavy oil development program, and consequently the Company will limit expenditures to essential projects and carefully selected land acquisitions until oil prices improve(See Note 2 - Going concern).

The Province of Alberta has enacted a program whereby companies that are operators in the province are required to maintain a Licenced Liability Rating ("LLR"), defined as a level of "deemed asset", defined by the regulator, operated by them to offset the "deemed liability", defined by the regulator, of future abandonments. If the operator falls short of this amount the operator is required to rectify the condition or post a letter of credit with the Government. As of December 31, 2014, the Company had an LLR rating of less than one and the Company has posted security totaling $1.0 million. Tuscany is currently conducting abandonments and repairs on wells that it operates to bring this imbalance back into line; however the credit for the restoration of land costs may take several years to be approved by the Alberta Government.

At December 31, 2014 the Company had an obligation to incur and renounce $1.0 million of expenditures qualifying as Canadian Exploration Expenses, before December 31, 2015.

Tuscany plans to use cash generated from operations and amounts available under the Credit Facility to meet its obligations and continue the exploration and development of the Company's properties. The Company may also use other sources to fund its obligations and the development of its properties such as industry joint ventures, the sale of non-core assets and equity financing.

The ability of the Company to meet its obligations and continue to develop its properties depends on the ability of the Company to generate cash flow from operations, sell non-core assets or obtain financing from other sources. As a consequence of the significant decline in commodity prices in Q4 2014 the Company's revenues, cash flow and earnings have been significantly reduced, despite higher production levels. (See Note 2 - Going concern)

At March 31, 2015, Tuscany had outstanding 51,040,892 common shares, warrants to purchase 2,143,000 additional common shares and options to purchase 3,710,000 additional common shares.

Normal Course Issuer Bid ("NCIB")

Tuscany filed a notice of intention to acquire up to 2,300,000 common shares pursuant to the bid, which expires on October 23, 2015. Purchases pursuant to the NCIB are made in the open market through the facilities of the TSX Venture Exchange. A copy of the NCIB is available to shareholders, without charge, upon request to the Company.

During the year ended December 31, 2014, the Company purchased 133,000 common shares (2013 – 1,395,500 common shares) at an average price of $0.34 per share (2013 - $0.21 per share) pursuant to a NCIB. All shares acquired pursuant to the NICB are cancelled.

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 impact of the price decrease has reduced Tuscany's revenue and cash flow from operations. The effect of this lower price dictates that Tuscany reduce its heavy oil development program and consequently, the Company will limit expenditures to essential projects and carefully selected land acquisitions until oil prices improve. (See Note 2 – Going concern)

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.

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

Please also refer to the Risk Factors section in the Company's most recently filed annual information form.

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 an estimate of the present value of the liabilities for such costs on its balance sheet. The present value of these liabilities at December 31, 2014 was $5.1 million (December 31, 2013 – $5.9 million). The total estimate of undiscounted cost of these liabilities as at December 31, 2014, was $7.5 million (December 31, 2013 – $7.2 million). The reduction in the present value of these liabilities compared with the prior year is due in part to abandonment operations completed in 2014 and due to a revision in the present value estimate of future obligations and the estimate of the timing of such operations. The present value of the obligation has been discounted using average risk free rates of 1.34% to 2.33%. The Company expects to incur $1.1 million of these obligations within the next three years and the remainder are expected to be incurred between 2017 and 2026.

The Company is committed to make office lease payments until October 31, 2016. The lease payments commitments total $179,000 in 2015 and $155,000 in 2016.

Off Balance Sheet Arrangements

Tuscany does not currently utilize any off balance sheet arrangements 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 34.5% of the outstanding shares of Tuscany at December 31, 2014. Humboldt is controlled by Robert Lamond, who owns approximately 72% of the common shares of

Humboldt. Mr. Lamond is the Chairman and CEO of Humboldt, Tuscany and was until July 30, 2014 the Chairman and CEO of Paris Energy Inc. ("Paris"). Humboldt's business includes the ownership, acquisition and sale of securities and Humboldt owns interests in companies in the oil and gas sector, which compete with Tuscany and may operate jointly with Tuscany. This included Paris which also had certain common officers and directors until July 30, 2014 when control of Paris was acquired by a third party.

The Company has a joint cost sharing agreement with Humboldt and had a joint cost sharing agreement with Paris, until August 31, 2014, where the parties agreed to share certain overhead costs based on an estimate of the amount of time spent on administering each of the companies and the amount of office space used by each of the companies.

For the year ended December 31, 2014 Tuscany charged Humboldt $333,000 (2013 – $30,000) and prior to August 31, 2014 Tuscany charged Paris $18,000 (2013 – $11,000).

These transactions were 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 IFRS. The significant accounting policies used by Tuscany are disclosed in Note 4 to the Consolidated Financial Statements included in the Company's annual report for the year ended December 31, 2014. Certain accounting policies require that Management make appropriate 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 amounts estimated that differ materially from current estimates.

Reserves estimates

Commercial petroleum reserves are determined based on estimates of petroleum-in-place, recovery factors and future oil and natural gas prices and costs. Tuscany engages an independent qualified reserve evaluator to evaluate all of the Company's oil and natural gas reserves at each year-end.

Reserve adjustments are made annually based on actual oil and natural gas volumes produced, the results from capital programs, revisions to previous estimates, new discoveries and acquisitions and dispositions made during the year and the effect of changes in forecast future crude oil and natural gas prices. There are a number of estimates and assumptions that affect the process of evaluating reserves.

Proved reserves are the estimated quantities of crude oil, natural gas and natural gas liquids determined to be economically recoverable under existing economic and operating conditions with a high degree of certainty (at least 90 percent) those quantities will be exceeded. Proved plus probable reserves are the estimated quantities of crude oil, natural gas and natural gas liquids determined to be economically recoverable under existing economic and operating conditions with a 50 percent certainty those quantities will be exceeded. Tuscany reports production and reserve quantities in accordance with Canadian practices and specifically in accordance with "Standards of Disclosure for Oil and Gas Activities" ("NI 51-101").

The estimate of proved plus probable reserves is an essential part of the depletion calculation, the impairment test and hence the recorded amount of oil and gas assets.

Tuscany cautions users of this information that the process of estimating crude oil and natural gas reserves is subject to a level of uncertainty. The reserves are based on current and forecast economic and operating conditions; therefore, changes can be made to future assessments as a result of a number of factors, which can include commodity prices, new technology, changing economic conditions, and future reservoir performance and forecast development activity.

Recoverability of asset carrying values

Tuscany assesses its property, plant and equipment ("PP&E") for impairment by comparing the carrying amount to the recoverable amount of the underlying assets. The determination of the recoverable amount involves estimating the higher of an asset's fair value less costs to sell or its value-in-use, the latter of which is based on its discounted future cash flows using an applicable discount rate. Future cash flows are calculated based on estimates of future commodity prices and inflation and are discounted based on management's current assessment of market conditions.

Recoverability of exploration and evaluation assets

E&E assets are assessed for impairment by comparing the carrying amount to the recoverable amount. The assessment of the recoverable amount involves a number of assumptions, including the timing, likelihood and amount of commercial production, further resource assessment plans, and future revenue and costs expected from the asset, if any.

Asset Retirement Obligations

Tuscany recognizes a provision for future abandonment activities in the consolidated financial statements at the net present value, discounted at the risk-free rate, of the estimated future expenditures required to settle the estimated obligation at the balance sheet date. The measurement of the asset retirement obligation ("ARO") involves the use of estimates and assumptions including the discount rate, the amount and expected timing of future abandonment costs and the inflation rate related thereto. The estimates were made by management considering current costs, technology and enacted legislation.

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 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.

New and amended accounting standards adopted

Effective January 1, 2014, the Company adopted, as required, amendments to IAS 32,

"Financial Instruments: Presentation" ("IAS 32"). The amendments indicate that the right to offset financial assets and liabilities must be available on the current date and must not be contingent on a future event. The adoption of IAS 32 had no impact on the Company's Financial Statements.

On January 1, 2014, the Company adopted IFRIC 21 Levies. IFRIC clarifies that an entity recognizes a liability for a levy when the activity that triggers payment, as identified by the relevant legislation, occurs. The interpretation also clarifies that no liability should be recognized before the specified minimum threshold to trigger that levy is reached. The adoption of IFRIC 21 had no impact on the Company's Financial Statements.

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 is 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 currently included in the balance sheet are comprised of cash, accounts receivable, accounts payable, bank debt, and capital lease obligation.

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.

Level 1 fair value measurements are based on unadjusted quoted market prices.
Level 2 fair value measurements are based on valuation models and techniques where the significant inputs are derived from quoted indices.

Level 3 fair value measurements are those with inputs for the asset or liability that are not based on observable market data.

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. 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. Approximately $900,000 (2013 – $803,000) of accounts receivable balances are in excess of 90 days. Management has reviewed the items comprising the accounts receivable balance and has made allowance for amounts deemed uncollectible and determined that all remaining accounts are collectible.

Interest Rate Risk

The Company is exposed to risks from interest rate fluctuation on its cash balances and bank debt.

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:

Liquidity (thousands)		< 1 year		years 2 & 3		> 3 years
Accounts payable and accrued liabilities	$	6,797	$	-	$	-
Bank loan	$	3,982	$	-	$	-

Foreign Currency Exchange Risk

The Company currently has no material exposure to foreign currency fluctuations in its cash or accounts receivables.

Outlook

Management believes the abrupt drop in North American stock markets in 2014 can now be safely categorized as a seasonal panic which was corrected by mid-November. Hence, with persisting very low interest rates and steady US growth we can anticipate a continuing rise in stock market valuations.

The large drop in in the price of oil however is quite a different matter, in that the forces of supply and demand have clearly led to lower current and ongoing oil prices. The rapid rise of horizontal drilling in various USA shale basins has resulted in large increases of production from these areas. This trend has gradually reduced the level of US imports and lowered the ability of refineries to handle the surge of new oil production.

Tuscany anticipates that low oil prices will gradually reduce many of the shale oil developments to "sweet spot" drilling in selected areas and will result in a reduction in the rate of growth of new oil production, or even in a decline. Tuscany assumes that the reduction in activity will take at least several months to become evident and anticipates only a gradual rise back to prices in the mid $80s. Hence the Company's financial plan calls for drilling of our best projects, while maintaining our debt to cash flow ratio at very conservative levels.

Tuscany anticipates that by the end of 2015 the oil price will recover to levels of $60 per barrel for its heavy oil production. At these prices the Company believes that its heavy oil projects will have positive economics and provide the environment for Tuscany's continued growth.

Management believes longer term growth will result from the ongoing development of its current oil pools and the drilling planned on Tuscany's additional prospects.

Advisories

Drilling locations

Disclosed herein are possible drilling locations in three categories: (i) proved locations; (ii) probable locations; and (iii) unbooked locations. Proved locations and probable locations are derived from the McDaniel Report and are drilling locations that have associated proved and/or probable reserves, as applicable. Unbooked locations are internal estimates based on prospective acreage and an assumption as to number of wells that can be drilled per section based on industry practice and internal review. Unbooked locations do not have any attributed reserves or resources. Of the 80 possible development locations identified herein, 19 are proved locations, 15 are probable locations and 46 are unbooked locations. Unbooked locations have been identified by management as an estimation of our future drilling activities based on an evaluation of applicable geological, seismic, engineering, production and reserves information. There is no certainty that we will drill all unbooked locations, and if drilled, there is no certainty that such locations will result in addition oil and gas reserves, resources or production. The drilling locations on which we actually drill wells will also be dependent upon the availability of capital, regulatory approvals, seasonal restrictions, commodity prices, costs, actual drilling results, additional reservoir information that is obtained and other factors. While certain of the unbooked drilling locations have been de-risked by drilling existing wells in relatively close proximity to such unbooked drilling locations, other unbooked drilling locations are farther away from existing wells where management has less information about the characteristics of the reservoir therefor there is more uncertainty whether wells will be drilled in such locations and, if drilled, there is more uncertainty that such wells will result in additional reserves, resources or production.

Non-GAAP Measures

Included here are references to terms commonly used in the oil and gas industry such as cash flow from operations, annualized cash flow from operations, operating netback and barrels of oil equivalent ("BOE"). Cash flow from operations as used in this report represent cash from operating activities before changes in non-cash working capital, the cost of abandonment and site restoration and transaction costs incurred in the acquisition of Diaz Resources Ltd.

Cash flow from operations represents both an indicator of the Company's performance and a funding source for on-going operations. Operating netback is calculated as oil and gas sales less royalties, operating expenses and transportation expenses and is a measure of the profitability of operations before administrative, financing, depletion and depreciation expenses, and gains or losses on sale of property, plant and equipment. These terms are not defined under IFRS and therefore are referred to as additional GAAP measures

Non-GAAP measures also include the term, "annualized cash flow from operations" which equals four times the most recent 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. "Operating net back" separately presents Oil and sag sales less royalty and operating expense which is not shown on the face of the financial statements. In addition, the Company presents "net debt" and "working capital", calculated as the aggregate of current assets, less current liabilities and long term debt.

	December 31,	
Net debt	**2014**	2013
(Thousands)		
Current assets [1]	**$ 4,016**	$ 3,086
Less current liabilities [1]	**(10,779)**	(10,085)
Less long term capital leases	**-**	(424)
Net debt	**$ (6,763)**	$ (7,423)

(1) As reported in audited consolidated balance sheets

Cash flow from operations is calculated as cash from operating activities, as reported on the consolidated statements of cash flows, before changes in non-cash working capital, the cost of abandonment and site restoration, and transaction costs. We believe cash flow from operations, which is not impacted by fluctuations in non-cash working capital balances, is more indicative of operational performance of the Company.

Cash flow from operations is reconciled to cash flow from operating activities as follows:

Cash flow from operations	Three months ended December 31, **2014**	2013	Year Ended December 31, **2014**	2013
(Thousands, except per share information)				
Cash provided by (used in) operating activities [1]	**$ 1,125**	$ (1,175)	**$ 6,463**	$ 265
Transaction costs	**62**	-	**62**	524
Settlement of ARO liabilities [1]	**550**	-	**911**	320
Change in non-cash working capital [1]	**188**	2,484	**641**	2,278
Cash flow from operations	**$ 1,925**	$ 1,309	**$ 8,077**	$ 3,387
Cash flow from operations per Share, basic [2]	**$ 0.04**	$ 0.04	**$ 0.19**	$ 0.10

(1) As reported in audited consolidated statements of cash flows

(2) Non-GAAP measure

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. Given that the value ratio based on the current price of crude oil as compared to natural gas is significantly different from the energy equivalency of 6:1, utilizing a conversion on a 6:1 basis may be misleading as an indication of value.

Forward-looking Statements

Certain of the statements contained herein including, without limitation, management's assessment of future plans and operations, drilling plans and the timing thereof, plans to limited expenditures to essential projects and carefully-selected land acquisitions until oil prices improve, expectation that the Company will resume growth when commodity prices recover and the expected timing thereof, plans to finance continuing exploration and development expenditures, expected expenditures on abandonment operations, expected effects of low oil prices, timing thereof and resulting plan and expected commodity prices 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. 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, Tuscany's 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.

Corporate Information

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Donald K. Clark
Vice President, Operations and COO

Marshall Kis
Vice President, Development Geology

Charles A. Teare
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