

# FINANCIAL STATEMENTS

FOR THE THREE MONTHS  
ENDED MARCH 31, 2015



*Tuscany*  
ENERGY LTD.




### Management's Report

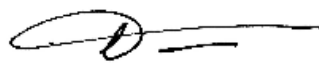
The accompanying unaudited condensed consolidated interim financial statements of Tuscany Energy Ltd. for the three months ended March 31, 2015 and 2014 are the responsibility of Management and have been prepared by Management in accordance with International Financial Reporting Standards as issued by the International Accounting Standards Board and include certain estimates that reflect Management's best judgments. Financial information contained throughout the annual report is consistent with these financial statements.

**The accompanying unaudited condensed consolidated interim financial statements have not been reviewed by the Company's auditors.**

The Company's Board of Directors has approved the unaudited condensed consolidated interim financial statements. The Board of Directors fulfills its responsibility regarding the financial statements mainly through its Audit Committee, which has a written mandate that complies with the current requirements of Canadian securities legislation. The Audit Committee has reviewed these statements with Management and has reported to the Board of Directors. The Audit Committee meets at least on a quarterly basis.



Robert W. Lamond  
President and Chairman of the Board  
May 27, 2015



Charles A. Teare  
Chief Financial Officer

## Condensed Consolidated Interim Financial Statements

### Interim Condensed Consolidated Balance Sheets

March 31, December 31,  
2015 2014

(Thousands, unaudited)

#### ASSETS

Cash		\$ 49	\$ 50
Accounts receivable		2,945	3,814
Prepaid expense		249	152
Total current assets		3,243	4,016
Property, plant and equipment	(Note 6)	28,182	29,229
Exploration and evaluation assets	(Note 6)	260	258
		28,442	29,487
Total assets		\$ 31,685	\$ 33,503

#### LIABILITIES

Accounts payable and accrued liabilities		\$ 4,411	\$ 6,797
Bank debt	(Note 5)	6,043	3,982
Total current liabilities		10,454	10,779
Asset retirement obligation	(Note 9)	5,105	5,114
Flow through share premium	(Note 7)	251	251
Total liabilities		15,810	16,144

#### SHAREHOLDERS' EQUITY

Share capital	(Note 7)	23,728	23,780
Warrants	(Note 7)	154	154
Contributed surplus		1,861	1,760
Deficit		(9,868)	(8,335)
Shareholders' equity		15,875	17,359
Total liabilities and shareholders' equity		\$ 31,685	\$ 33,503

See going concern (note 2)

See accompanying notes to the unaudited condensed consolidated financial statements.

Approved by the Board:

(Signed) "R.W. Lamond" Director

(Signed) "C.A. Teare" Director

## Condensed Consolidated Interim Financial Statements

### Interim Condensed Consolidated Statements of Operations

Three months ended March 31,	2015	2014
<i>(Thousands, except per share amounts, unaudited)</i>		
<b>Revenue</b>		
Oil and natural gas sales	\$ 2,631	\$ 4,057
Royalties	(48)	(226)
Oil and natural gas revenue, net of royalties	<b>2,583</b>	3,831
<b>Expenses</b>		
Operating and transportation	1,540	1,437
Overhead	499	499
Share based compensation <i>(Note 7)</i>	58	237
Depletion and depreciation <i>(Note 6)</i>	1,602	1,740
Impairment <i>(Note 6)</i>	348	-
	<b>4,047</b>	3,913
Loss from operating activities	<b>(1,464)</b>	(82)
Finance expense <i>(Note 13)</i>	(69)	(96)
Gain (loss) on asset disposals	-	(38)
Loss before income tax	<b>(1,533)</b>	(216)
<b>Income tax</b>		
Deferred tax expense	-	4
Total income tax expense	-	4
Net loss for the period	<b>(1,533)</b>	(220)
Deficit, beginning of period	<b>(8,335)</b>	(3,248)
Deficit, end of period	<b>\$ (9,868)</b>	\$ (3,468)
Loss per share, basic and diluted <i>(Note 7)</i>	<b>\$ (0.03)</b>	\$ (0.01)

### Interim Condensed Consolidated Statements of Comprehensive Loss

Three months ended March 31,	2015	2014
<i>(Thousands, unaudited)</i>		
<b>Net loss for the period</b>	<b>\$ (1,533)</b>	\$ (220)
<b>Other comprehensive income</b>		
Foreign exchange gain (loss)	(3)	3
<b>Comprehensive loss</b>	<b>\$ (1,536)</b>	\$ (217)

See accompanying notes to the unaudited condensed consolidated financial statements.

## Interim Condensed Consolidated Statements of Changes in Shareholders' Equity

**Three months ended March 31,** **2015** **2014**

*(Thousands, unaudited)*

### **Share capital**

Balance at January 1,	\$	<b>23,780</b>	\$	19,720
Repurchased for cancellation		<b>(23)</b>		-
Paid up capital in excess of cost		<b>(29)</b>		-
		<i>(Note 7)</i>		
Balance at March 31,	\$	<b>23,728</b>	\$	19,720

### **Warrants**

		<b>2015</b>		2014
Balance at January 1,	\$	<b>154</b>	\$	-
Balance at March 31,	\$	<b>154</b>	\$	-

### **Contributed surplus**

		<b>2015</b>		2014
Balance at January 1,	\$	<b>1,760</b>	\$	1,411
Option compensation, before capitalization		<b>72</b>		237
Paid up capital in excess of cost		<b>29</b>		-
		<i>(Note 7)</i>		
Balance at March 31,	\$	<b>1,861</b>	\$	1,648

### **Deficit**

		<b>2015</b>		2014
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The deficit discloses the cumulative total resulting from transactions that are recorded in the consolidated statement of operations.

Balance at January 1,	\$	<b>(8,335)</b>	\$	(3,248)
Net loss		<b>(1,533)</b>		(220)
Balance at March 31,	\$	<b>(9,868)</b>	\$	(3,468)

### **Accumulated other comprehensive income**

		<b>2015</b>		2014
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The reserve of accumulated other comprehensive income discloses the cumulative total resulting from transactions that are recorded in the consolidated statement of comprehensive loss.

Balance at January 1,	\$	<b>3</b>	\$	3
Gain on foreign exchange		<b>(3)</b>		4
Balance at March 31,	\$	<b>-</b>	\$	7

See accompanying notes to the unaudited condensed consolidated financial statements.

## Interim Condensed Consolidated Statements of Cash Flows

Three months ended March 31,	2015	2014
<i>(Thousands, unaudited)</i>		
<b>Cash provided by (used for):</b>		
<b>Operations</b>		
Net loss for the period	\$ (1,533)	\$ (216)
Adjusted for:		
Depletion and depreciation	(Note 6) 1,602	1,740
Impairment	(Note 6) 348	
Accretion	(Note 9, 13) 20	36
Share based compensation	72	237
Loss on asset disposals	-	38
Foreign exchange gain	-	(4)
Deferred tax expense	-	4
Abandonments and site restoration	(Note 9) (421)	(25)
Change in non-cash working capital	(Note 12) 484	183
<b>Cash from operating activities</b>	<b>572</b>	<b>1,993</b>
<b>Investing</b>		
Property, plant and equipment expenditures	(511)	(1,759)
Exploration and evaluation expenditures	(2)	(17)
Change in non-cash working capital	(Note 12) (2,098)	275
<b>Cash used in investing activities</b>	<b>(2,611)</b>	<b>(1,501)</b>
<b>Financing</b>		
Bank debt	2,061	(377)
Capital lease obligation	-	(241)
Common shares repurchased for cancellation	(Note 7) (23)	-
<b>Cash from financing activities</b>	<b>2,038</b>	<b>(618)</b>
<b>Change in cash</b>	<b>(1)</b>	<b>(126)</b>
Cash, beginning of period	50	155
Cash, end of period	\$ 49	\$ 29

See accompanying notes to the unaudited condensed consolidated financial statements.

## Notes to the Condensed Consolidated Interim Financial Statements

For the Three months ended March 31, 2015

(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 in Alberta and Saskatchewan, Canada.

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

During 2014 Tuscany had two subsidiaries Diaz Resources, Inc. and Orbit Oil and Gas Inc. both domiciled in the United States. Both these subsidiaries were dissolved on October 22, 2014. Tuscany currently has no subsidiaries.

Common shares of the Company trade on the TSX Venture Exchange under the symbol "TUS".

These unaudited condensed consolidated interim financial statements were approved and authorized for issuance by the Board of Directors on May 27, 2015.

### *2 Going concern*

The accompanying consolidated financial statements have been prepared on a going concern basis. The going concern basis of presentation assumes that the Company will continue in operation for the foreseeable future and will be able to realize its assets and discharge its liabilities and commitments in the normal course of business.

At March 31, 2015, the Company had a net debt of \$7.2 million, including amounts drawn on its credit facility of \$6.0 million. The Company currently has a credit facility with a Canadian financial institution of \$8.5 million, which is repayable on demand and subject to an annual review by May 31, 2015. The Company also has an obligation to spend \$0.9 million in qualifying exploration expenses before December 31, 2015, to satisfy the terms of a flow through share issue.

The continued exploration and development of the Company's properties is, in part, dependent upon the renewal of the Company's credit facility and/or its ability to arrange additional financing. In addition, 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.

These conditions give rise to material uncertainties that may cast significant doubt upon the Company's ability to continue as a going concern.

There can be no assurance that the Company will be successful in its efforts to renew the credit facility at acceptable levels, or to arrange additional financing, if needed, on terms satisfactory to the Company or at all.

These consolidated financial statements do not reflect adjustments in the carrying values of the assets and liabilities, expenses and the balance sheet classifications that

would be necessary if the going concern assumption were not appropriate. Such adjustments could be material.

### *3 Basis of presentation and statement of compliance*

The unaudited condensed consolidated interim financial statements for the three months ended March 31, 2015 and comparative information have been prepared in Canadian dollars, except where another currency has been indicated, and in accordance with International Financial Reporting Standard ("IFRS") 34, "Interim financial reporting", as issued by the International Accounting Standards Board ("IASB") and do not include all of the information required for full annual financial statements.

Items included in the financial statements of each consolidated entity of the Company are measured using the currency of the primary economic environment in which the entity operates (the "functional currency"). The functional and presentation currency of the Company is the Canadian dollar.

The policies applied in these unaudited condensed consolidated interim financial statements are based on IFRS issued and outstanding as of May 27, 2015, the date the Board of directors approved the statements. These unaudited condensed consolidated interim financial statements have been prepared on a historical cost basis except for share based compensation which is measured at fair value on the grant date.

### *4 Accounting Policies*

In preparing these unaudited condensed consolidated interim financial statements, the accounting policies, methods of computation and significant judgements made by Management in applying the Company's accounting policies and key sources of estimation uncertainty were the same as those that applied to the audited consolidated financial statements as at and for the years ended December 31, 2014 and 2013, except as disclosed below.

Certain disclosures that are normally required in the notes to the annual audited consolidated financial statements have been condensed or omitted. These unaudited condensed consolidated interim financial statements should be read in conjunction with the Company's audited condensed consolidated financial statements and notes thereto for the years ended December 31, 2014 and 2013.

### *5 Bank Debt*

The Company has 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 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 March 31, 2014, the Company's Working Capital Ratio was 1.1 to 1 and the Company is in compliance with the

## Condensed Consolidated Interim Financial Statements

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 March 31, 2015 the Company had outstanding letters of credit of \$1.0 million (2013 – \$158,000) to creditors and \$6.0 million was drawn on the loan facility (2014- \$6.6 million).

### 6 Property, Plant and Equipment (“PP&E”) and Exploration and Evaluation (“E&E”) Assets

<b>Long-term assets</b>	PP&E	E&E Assets
<i>(Thousands)</i>		
As at December 31, 2013	\$ 47,156	\$ 1,860
Capital additions	11,780	59
Disposals	(500)	(5)
Transfers (from) to PP&E	101	(101)
As at December 31, 2014	\$ 58,537	\$ 1,813
Capital additions	903	2
<b>As at March 31, 2015</b>	<b>\$ 59,440</b>	<b>\$ 1,815</b>

<b>Accumulated depletion and depreciation and impairment</b>	PP&E	E&E Assets
<i>(Thousands)</i>		
As at December 31, 2013	\$ (19,674)	\$ (152)
Depletion and depreciation	(6,938)	
Impairments	(2,696)	(1,403)
As at December 31, 2014	\$ (29,308)	\$ (1,555)
Depletion and depreciation	(1,602)	-
Impairments	(348)	-
<b>As at March 31, 2015</b>	<b>\$ (31,258)</b>	<b>\$ (1,555)</b>

<b>Net Book Value</b>	PP&E	E&E Assets
<i>(Thousands)</i>		
As at December 31, 2014	\$ 29,229	\$ 258
<b>As at March 31, 2015</b>	<b>\$ 28,182</b>	<b>\$ 260</b>

For the three months ended March 31, 2015, administrative expenses and share based compensation of \$140,000 directly related to exploration and development activities were capitalized as part of property, plant and equipment (December 31, 2014- \$109,000).

## Condensed Consolidated Interim Financial Statements

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 PP&E assets on the basis of proved reserves. As a result of the Company's acquisition of Diaz Resources Ltd. 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 E&E assets and probable reserves. As a result Tuscany depletes its PP&E 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 calculating depletion with those of the vast majority of its industry peers, enhancing comparability.

For the calculation of depletion expense, estimated future costs required to develop the proved plus probable reserves were added to the cost base of PP&E. At March 31, 2015, future costs to develop 2P reserves were \$29.3 million. For the calculation of depletion expense for Q1 2014, estimated future costs required to develop the proved reserves of \$9.5 million were added to the cost base of PP&E.

The carrying value of long-term assets is reviewed quarterly for indicators that the carrying value of an asset or CGU may not be recoverable. The Company increased its estimate for asset retirement obligations in Q1 2015. To the extent the increased obligation was for properties in the Alberta Gas CGU the Company took an additional impairment of \$348,000.

### 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.

	Number of	Amount
<b>Common shares issued</b>	Shares	(thousands)
Balance, December 31, 2013	38,663,892	\$ 19,720
Common shares issued (net of offering expense and tax)	12,510,000	4,124
Repurchased for cancellation	(133,000)	(45)
Paid up capital in excess of cost	-	(19)
Balance at December 31, 2014	51,040,892	\$ 23,780
Repurchased for cancellation	(110,000)	(23)
Paid up capital in excess of cost	-	(29)
<b>Balance at March 31, 2015</b>	<b>50,930,892</b>	<b>\$ 23,728</b>

#### Normal Course Issuer Bid ("NCIB")

During the three months ended March 31, 2015, the Company repurchased 110,000 common shares at an average price of \$0.21 per share pursuant to the NCIB.

### Per Share Amounts

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

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

The weighted average shares outstanding for the three months ended March 31, 2015 was 50,991,630 (2014 – 38,662,892) and there is no dilutive effect of options or warrants outstanding because of the loss in both periods.

### Stock Option Plan

The Company'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 Company. The Stock Option Plan currently limits the number of common shares that may be issued on exercise of options outstanding at any time to 10% of the number of outstanding common shares. 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 to 1/3 on the grant date; 1/3 on the first anniversary of the grant date and the final 1/3 on the second anniversary of the grant date.

As at March 31, 2015, there were options to purchase a total of 3,710,000 common shares outstanding under the Stock Option Plan with a weighted average exercise price of \$0.20 per common share. 2,535,567 of the options were exercisable at March 31, 2015.

## Condensed Consolidated Interim Financial Statements

	March 31, 2015		December 31, 2014	
	Options	Weighted Average Exercise Price	Options	Weighted Average Exercise Price
<b>Stock Options</b>				
Outstanding, beginning of period	3,710,000	\$ 0.20	1,169,750	\$ 0.55
Granted	-	-	3,810,000	0.20
Expired	-	-	(1,203,150)	1.00
Forfeited	-	-	(66,600)	-
Outstanding, end of period	<b>3,710,000</b>	<b>\$ 0.20</b>	3,710,000	\$ 0.20
Options exercisable, end of period	<b>2,535,567</b>	<b>\$ 0.20</b>	1,320,000	\$ 0.20

Exercise Price	Outstanding	Weighted Average	Exercisable
	March 31, 2015	Remaining Life (years)	March 31, 2015
\$0.190	2,400,000	3.91	1,600,100
\$0.220	200,000	1.00	200,000
\$0.220	1,110,000	4.00	735,467
Total	3,710,000	3.78	2,535,567

### Warrants

At March 31, 2015 Tuscany had outstanding warrants, with a fair value of \$0.04 per half warrant (\$0.08 per full warrant) entitling the holders to purchase an aggregate of 2,143,000 common shares at a price of \$0.50 per share exercisable until July 17, 2015. The expiry date may be accelerated upon notice to the Warrant agent after the shares trade for 20 consecutive days at a weighted average trading price of \$0.70 per share.

## 8 Capital Disclosures

The Company's capital structure consists of shareholders' equity and working capital.

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.

To facilitate the management of its capital structure the Company prepares expenditure and operating forecasts and budgets that are updated as necessary depending on a number of factors that impact the Company's liquidity including drilling success, commodity prices, and other industry conditions and the Company's operating cash flow. These budgets are reviewed by the Board of Directors. 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, as it is required, Tuscany may issue new shares or buy back shares, and the Company may increase its debt or sell assets.

## Condensed Consolidated Interim Financial Statements

The Company uses the terms annualized cash flow from operations and net debt in its analysis below which are non-GAAP measures. The term annualized cash flow from operations, equals four times the most recent quarterly cash flow from operations. In addition, the Company presents "net debt" calculated as the aggregate of current assets less current liabilities and capital lease obligations.

The ratio of net debt to annualized cash flow from operations is a key ratio that Tuscany uses to determine if debt levels are being maintained below limits determined acceptable by the Company. Net debt repayability is a calculation to determine the number of years required to repay net debt from the most recent quarter's annualized cash flow from operations. The ratio is calculated as follows:

<b>Net debt repayability</b>	<b>March 31, December 31,</b>	
	<b>2015</b>	<b>2014</b>
<i>(\$ Thousands, except for years)</i>		
Current assets	\$ 3,243	\$ 4,016
Current liabilities	(10,454)	(10,779)
Net debt	(7,211)	(6,763)
Annualized quarterly cash flow from operations	\$ 2,036	\$ 7,700
Years estimated to repay net debt	3.54	0.88

### 9 Asset Retirement Obligation

Tuscany is responsible for the retirement of long-lived assets related to its oil and gas assets at the end of their useful lives. 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 total undiscounted amount of estimated cash flows required to settle the obligation is \$5.5 million (December 31, 2014 – \$6.3 million). The present value of the obligation at March 31, 2015 has been discounted using average risk free rates of 1.34% to 2.33% (2014 – 1.34% to 2.33%) and an inflation rate of 2% for both periods. The Company expects to incur \$1.6 million of these obligations within the next three years and the remainder are expected to be incurred between 2018 and 2037.

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:

**Asset Retirement Obligation**

(Thousands)	
Outstanding at December 31, 2013	\$ 5,922
Liabilities incurred	615
Liabilities settled	(911)
Change in estimates	(643)
Accretion expense	131
Outstanding at December 31, 2014	\$ 5,114
Liabilities settled	(421)
Liabilities divested	(102)
Change in estimates	494
Accretion expense	20
Outstanding at March 31, 2015	\$ 5,105

### *10 Financial Instruments*

Financial assets and liabilities are recognized when the Company becomes a party to the contractual provisions of the instrument. Financial assets are derecognized when the rights to receive cash flows from the assets have expired or have been transferred and the Company has transferred substantially all risks and rewards of ownership. Financial liabilities are derecognized when the obligation specified in the contract is discharged, cancelled or expires.

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.

Accounts receivable are designated as “loans and receivables” and are carried at amortized cost. Accounts payable, accrued liabilities, and bank debt, are designated as “other financial liabilities” and carried at amortized cost using the effective interest method.

The Company's financial instruments that are currently 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.

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 \$534,000 (December 31, 2014 – \$900,000) 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 bank debt. If the interest rate increases by 1% the Company's net loss will increase by \$60,000, based on the amount outstanding on the Loan at March 31, 2015.

**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 from operations 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 as:

<b>Liquidity (thousands)</b>		< 1 year	years 2 & 3	> 3 years
Accounts payable and accrued liabilities	\$	4,411	\$ -	\$ -
Bank loan	\$	6,043	\$ -	\$ -

**Foreign Currency Exchange Risk**

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

### *11 Related Party Transactions*

Humboldt Capital Corporation ("Humboldt") and certain of its officers and directors owned 34.5% of the outstanding shares of Tuscany at March 31, 2015. 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 and Tuscany. 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.

The Company has a joint cost sharing agreement with Humboldt where the parties agreed to share certain overhead costs based on an estimate of the amount of time

## Condensed Consolidated Interim Financial Statements

spent on administering each of the companies and the amount of office space used by each of the companies.

For the three months ended March 31, 2015 Tuscany charged Humboldt \$79,000 (2014 – \$59,000).

These transactions were measured at the amount of consideration established and agreed to by the related parties.

### Remuneration of Directors and Senior Management

Three months ended March 31,	2015	2014
<i>(Thousands)</i>		
Short-term wages and benefits	\$ 160	\$ 160
Directors' fees	13	13
Share-based compensation	40	134
Total	\$ 213	\$ 307

Remuneration of Directors and senior management includes all amounts earned and awarded to the Company's Board of Directors and senior management.

Short-term wages and benefits include salary, benefits and bonuses earned or awarded during the year.

Share-based compensation includes expenses related to the Company's stock option plan as disclosed in Note 7.

### 12 Supplemental Cash Flow Information

	Three months ended	
	March 31,	
	2014	2013
<i>(Thousands)</i>		
Interest and bank fees paid during the period	\$ 49	\$ 70
<b>Changes in non-cash working capital balances</b>		
Accounts receivable	\$ 869	\$ (834)
Prepaid expenses	(97)	(147)
Accounts payable and accrued liabilities	(2,386)	1,439
	\$ (1,614)	\$ 458

### 13 Expenses by Nature

<b>Overhead</b>	Three months ended March 31,	
<b>Overhead</b>	<b>2015</b>	2014
<i>(Thousands, except per BOE information)</i>		
Salaries and benefits	\$ 442	\$ 453
Office	167	163
Consultants	136	81
Professional fees	15	9
Corporate	31	23
Gross expenses	791	729
Recovered	(167)	(121)
Capitalized	(125)	(109)
Recovered and/or capitalized	(292)	(230)
Net overhead	\$ 499	\$ 499

The Company's finance expense is comprised of:

<b>Finance Expense</b>	Three months ended March 31,	
<b>Finance Expense</b>	<b>2015</b>	2014
<i>(Thousands)</i>		
Interest	\$ 49	70
Capital lease interest	-	(10)
Accretion of ARO	20	36
Finance expense	\$ 69	\$ 96

## Corporate Information

<p><b><i>Directors</i></b></p> <p>Robert W. Lamond Calgary, Alberta</p> <p>Charles A. Teare Canmore, Alberta</p> <p>Donald K. Clark Calgary, Alberta</p> <p>Robert L. McPherson<sup>(1)</sup> Calgary, Alberta</p> <p>Glen Phillips<sup>(1)</sup> Calgary, Alberta</p> <p>John R. Nelson Calgary, Alberta</p> <p>Roger W. Hume<sup>(1)</sup> Kelowna, British Columbia</p> <p><sup>(1)</sup> Member of the Audit Committee</p> <p><b><i>Legal Counsel</i></b></p> <p>Burnet, Duckworth &amp; Palmer LLP Calgary, Alberta</p> <p><b><i>Registrar and Transfer Agent</i></b></p> <p>Computershare Trust Company of Canada Calgary, Alberta</p> <p><b><i>Banker</i></b></p> <p>ATB Financial, Calgary, Alberta</p>	<p><b><i>Officers</i></b></p> <p>Robert W. Lamond President, Chairman of the Board &amp; CEO</p> <p>Donald K. Clark Vice President, Operations and COO</p> <p>Marshall Kis Vice President, Development Geology</p> <p>Charles A. Teare Executive Vice President and CFO</p> <p>Jason G. Gallant Controller</p> <p><b><i>Auditors</i></b></p> <p>KPMG LLP Calgary, Alberta</p> <p><b><i>Stock Exchange Listing</i></b></p> <p>TSX Venture Exchange Trading Symbol: TUS</p> <p><b><i>Tuscany Energy Ltd.</i></b></p> <p>Suite 1800, 633 – 6 Avenue SW Calgary, Alberta T2P 2Y5</p> <p>Telephone : (403) 269-9889 Fax : (403) 269-9890</p> <p>Website : <a href="http://www.tuscanyenergy.com">www.tuscanyenergy.com</a></p>
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