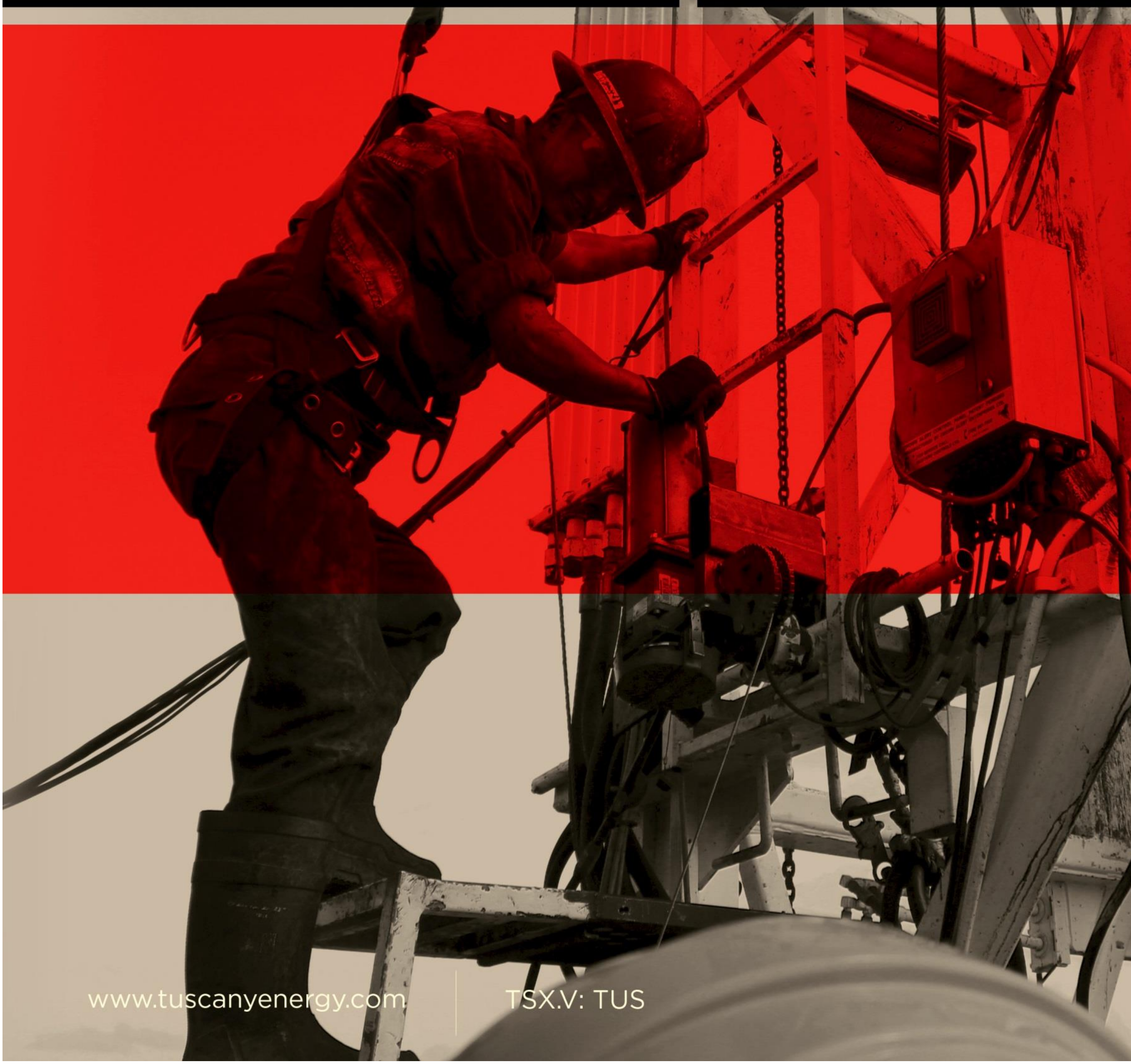
FINANCIAL STATEMENTS

FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2015

Tuscany ENERGY LTD.



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Management's Report

The accompanying unaudited condensed consolidated interim financial statements of Tuscany Energy Ltd. for the nine months ended September 30, 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 interim 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	Charles A. Teare
President and Chairman of the Board	Chief Financial Officer
November 26, 2015	

Interim Condensed Consolidated Balance Sheets

(Thousands, unaudited)		September 30, 2015	December 31, 2014
ASSETS			
Cash		**$ 13**	$ 50
Accounts receivable		**1,878**	3,814
Prepaid expense		**211**	152
Total current assets		**2,102**	4,016
Property, plant and equipment	*(Note 6)*	**25,522**	29,229
Exploration and evaluation assets	*(Note 6)*	**285**	258
		25,807	29,487
Total assets		**$ 27,909**	$ 33,503
LIABILITIES			
Accounts payable and accrued liabilities		**$ 2,095**	$ 6,797
Bank debt	*(Note 5)*	**7,221**	3,982
Total current liabilities		**9,316**	10,779
Asset retirement obligation	*(Note 9)*	**5,284**	5,114
Flow through share premium	*(Note 7)*	**164**	251
Total liabilities		**14,764**	16,144
SHAREHOLDERS' EQUITY			
Share capital	*(Note 7)*	**23,588**	23,780
Warrants	*(Note 7)*	**-**	154
Contributed surplus		**2,169**	1,760
Deficit		**(12,612)**	(8,335)
Shareholders' equity		**13,145**	17,359
Total liabilities and shareholders' equity		**$ 27,909**	$ 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

Interim Condensed Consolidated Statements of Operations

		Three months ended September 30, 2015	Three months ended September 30, 2014	Nine months ended September 30, 2015	Nine months ended September 30, 2014
(Thousands, except per share amounts, unaudited)					
Revenue					
Oil and natural gas sales		**$ 2,337**	$ 3,937	**$ 8,363**	$ 12,920
Royalties		**(140)**	(189)	**(431)**	(747)
Oil and natural gas revenue, net of royalties		**2,197**	3,748	**7,932**	12,173
Expenses					
Operating and transportation		**1,289**	1,353	**4,217**	4,272
Overhead		**566**	465	**1,650**	1,552
Share based compensation	*(Note 7)*	**29**	34	**115**	234
Depletion and depreciation	*(Note 6)*	**1,319**	1,427	**4,397**	5,170
Impairment	*(Note 6)*	**1,469**	-	**1,817**	-
		4,672	3,279	**12,196**	11,228
Loss from operating activities		**(2,475)**	469	**(4,264)**	945
Finance expense	*(Note 13)*	**(95)**	(110)	**(240)**	(333)
Gain (loss) on asset disposals		**(2)**	259	**141**	181
Gain on settlement of ARO		**-**	-	**-**	48
Earnings (loss) before income tax		**(2,572)**	618	**(4,363)**	841
Income tax					
Current tax expense		**-**	3	**-**	3
Deferred tax expense (recovery)		**(86)**	-	**(86)**	3
Total income tax expense		**(86)**	3	**(86)**	6
Net earnings (loss) for the period		**$ (2,486)**	$ 615	**$ (4,277)**	$ 835
Earnings (loss) per share, basic and diluted	*(Note 7)*	**$ (0.05)**	$ 0.01	**$ (0.08)**	$ 0.02

Interim Condensed Consolidated Statements of Comprehensive Loss

	Three months ended September 30, 2015	Three months ended September 30, 2014	Nine months ended September 30, 2015	Nine months ended September 30, 2014
(Thousands, unaudited)				
Net earnings (loss) for the period	**$ (2,486)**	$ 615	**$ (4,277)**	$ 835
Other comprehensive income				
Foreign exchange gain (loss)	**-**	(3)	**-**	(3)
Comprehensive earnings (loss) for the period	**$ (2,486)**	$ 612	**$ (4,277)**	$ 832

See accompanying notes to the unaudited condensed consolidated financial statements.

Interim Condensed Consolidated Statements of Changes in Shareholders' Equity

Nine months ended September 30,

(Thousands, unaudited)

Share capital			**2015**		2014
Balance at January 1,		**$**	**23,780**	$	19,720
Common shares issued (net of tax and issue costs)			**-**		1,384
Flow through shares issued (net of tax and issue costs)			**-**		1,025
Repurchased for cancellation			**(80)**		(2)
Paid up capital in excess of cost	*(Note 7)*		**(112)**		(2)
Balance at September 30,		**$**	**23,588**	$	22,125

Warrants		**2015**		2014
Balance at January 1,	**$**	**154**	$	-
Warrants Issued (net of tax and issue costs)		**-**		154
Warrants expired		**(154)**		-
Balance at September 30,	**$**	**-**	$	154

Contributed surplus			**2015**		2014
Balance at January 1,		**$**	**1,760**	$	1,411
Option compensation, before capitalization			**143**		289
Warrants expired			**154**		-
Paid up capital in excess of cost	*(Note 7)*		**112**		2
Balance at September 30,		**$**	**2,169**	$	1,702

Deficit		**2015**		2014

The deficit discloses the cumulative total resulting from transactions that are recorded in the consolidated statement of operations.

Balance at January 1,	**$**	**(8,335)**	$	(3,248)
Net earnings (loss) for the period		**(4,277)**		835
Balance at September 30,	**$**	**(12,612)**	$	(2,413)

Accumulated other comprehensive income		**2015**		2014

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,	**$**	**-**	$	3
Gain on foreign exchange		**-**		(3)
Balance at September 30,	**$**	**-**	$	-

See accompanying notes to the unaudited condensed consolidated financial statements.

Interim Condensed Consolidated Statements of Cash Flows

		Three months ended September 30, 2015	Three months ended September 30, 2014	Six months ended September 30, 2015	Six months ended September 30, 2014
(Thousands, unaudited)					
Cash provided by (used for):					
Operations					
Net earnings (loss) for the period		**$ (2,486)**	616	**$ (4,277)**	$ 836
Adjusted for:					
Depletion and depreciation	*(Note 6)*	**1,319**	1,426	**4,397**	5,169
Impairment	*(Note 6)*	**1,469**	-	**1,817**	-
Accretion	*(Note 9, 13)*	**18**	6	**51**	81
Share based compensation		**29**	40	**115**	289
Gain on asset disposals		**2**	(234)	**(141)**	(181)
Gain on settlement of ARO		**-**	-	**-**	(48)
Foreign exchange gain		**-**	8	**-**	3
Deferred tax expense (recovery)		**(86)**	-	**(86)**	3
Abandonments and site restoration	*(Note 9)*	**(36)**	(115)	**(504)**	(361)
Change in non-cash working capital	*(Note 12)*	**(367)**	1,441	**911**	(453)
Cash from operating activities		**(138)**	3,188	**2,283**	5,338
Investing					
Property, plant and equipment expenditures		**(958)**	(4,546)	**(1,756)**	(7,892)
Property, plant and equipment disposals		**-**	-	**42**	-
Exploration and evaluation expenditures		**(3)**	(1)	**(27)**	(49)
Change in non-cash working capital	*(Note 12)*	**305**	1,925	**(3,738)**	3,340
Cash used in investing activities		**(656)**	(2,622)	**(5,479)**	(4,601)
Financing					
Bank debt		**773**	(3,148)	**3,239**	(3,166)
Common shares (net of issue costs)		**-**	2,435	**-**	2,435
Warrants issued (net of issue cost)		**-**	148	**-**	148
Capital lease obligation		**-**	-	**-**	(256)
Common shares repurchased	*(Note 7)*	**(26)**	1	**(80)**	(2)
Cash from financing activities		**747**	(564)	**3,159**	(841)
Change in cash		**(47)**	2	**(37)**	(104)
Cash, beginning of period		**60**	49	**50**	155
Cash, end of period		**$ 13**	$ 51	**$ 13**	$ 51

See accompanying notes to the unaudited condensed consolidated financial statements.

Notes to the Condensed Consolidated Interim Financial Statements

For the Nine months ended September 30, 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 of 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 November 26, 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 September 30, 2015, the Company had net debt of $7.2 million, including amounts drawn on its credit facility of $7.2 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, 2016. The Company also has an obligation to spend $0.7 million in qualifying exploration expenses before December 31, 2015, to satisfy the terms of a flow through share issue.

As a consequence of the significant decline in commodity prices beginning in Q4 2014 the Company's revenues, cash flow and earnings have been significantly reduced. Until commodity prices recover the continued exploration and development of the Company's properties may be dependent upon its ability to arrange alternative methods of financing.

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 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 nine months ended September 30, 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 November 26, 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, 2016. 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 September 30, 2015, the Company's Working Capital Ratio was 1.6 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 September 30, 2015 the Company had no outstanding letters of credit (2014 – $1.0 million) to creditors and $7.2 million was drawn on the loan facility (2014 - $4.0 million).

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

Long-term assets		PP&E		E&E Assets
(Thousands)				
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		2,834		27
Disposals		(327)		-
As at September 30, 2015	**$**	**61,044**	**$**	**1,840**

Accumulated depletion and depreciation and impairment		PP&E		E&E Assets
(Thousands)				
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		(4,397)		-
Impairments		(1,817)		-
As at September 30, 2015	**$**	**(35,522)**	**$**	**(1,555)**

Net Book Value		PP&E		E&E Assets
(Thousands)				
As at December 31, 2014	$	29,229	$	258
As at September 30, 2015	**$**	**25,522**	**$**	**285**

For the nine months ended September 30, 2015, administrative expenses and share based compensation of $382,000 directly related to exploration and development activities were capitalized as part of property, plant and equipment (September 30, 2014 - $346,000).

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. The acquisition of Diaz Resources Ltd., the additional equity financing in 2014 and the resulting change in the Company's plans and ability to develop its resources, have resulted in a change in the Company's circumstances and it is now engaged in the development of its exploration assets and probable reserves. As a result it now 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 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 September 30, 2015, future costs to develop 2P reserves were $29.3 million (December 31, 2014 - $29.3 million).

The carrying value of long-term assets is reviewed quarterly for indicators that the carrying value of an asset or a Cash Generating Unit ("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 impairment of $348,000. In Q3 2015, the company again found indicators of impairment due to the ongoing slump in oil and natural gas prices, and a weaker outlook going forward. The company recognized an additional impairment of $1.5 million related to its Alberta Gas and Alberta Oil CGUs.

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.

Common shares issued	Number of Shares	Amount (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	(404,000)	(80)
Paid up capital in excess of cost		(112)
Balance at September 30, 2015	**50,636,892**	**$ 23,588**

Normal Course Issuer Bid ("NCIB")

During the nine months ended September 30, 2015, the Company repurchased 404,000 common shares [2014 – 11,000] at an average price of $0.20 per share [2014 - $0.29 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 nine months ended September 30, 2015 was 50,853,200 (2014 – 40,731,939). There is no dilutive effect of options in 2015.

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 September 30, 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 September 30, 2015.

	September 30, 2015			December 31, 2014		
Stock Options	**Options**		**Weighted Average Exercise Price**	Options		Weighted Average Exercise Price
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	**3,710,000**	**$**	**0.20**	3,710,000	$	0.20
Options exercisable, end of period	**2,535,567**	**$**	**0.20**	1,320,000	$	0.20

Exercise Price	Outstanding September 30, 2015	Weighted Average Remaining Life (years)	Exercisable September 30, 2015
$0.190	2,400,000	3.42	1,600,100
$0.220	200,000	0.42	200,000
$0.220	1,110,000	3.32	735,467
Total	3,710,000	3.23	2,535,567

Warrants

In Q3 2014, Tuscany issued 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. The warrants expired on July 17, 2015.

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.

The Company uses the terms annualized cash flow from operations and net debt in its analysis below which are non-GAAP measures. 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 and the cost of abandonment and site restoration. 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 whether 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:

Net debt repayability		**September 30, 2015**		December 31, 2014
($ Thousands, except for years)				
Current assets	**$**	**2,102**	$	4,016
Current liabilities		**(9,316)**		(10,779)
Net debt		**(7,214)**		(6,763)
Annualized cash flow from operations	**$**	**1,060**	$	7,700
Net debt to annualized cash flow		**6.8**		0.9

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 $6.1 million (December 31, 2014 – $7.5 million). The present value of the obligation at September 30, 2015 has been discounted using average risk free rates of 0.81% to 2.21% (2014 – 1.57% to 2.96%) and an inflation rate of 2% for both periods. The Company expects to incur $2.2 million of these obligations within the next three years and the remainder are expected to be incurred between 2018 and 2037.

In the third quarter, the Company acquired natural gas assets in Provost, Alberta area. Upon acquisition, the fair value of the asset retirement obligation associated with these assets was determined to be $96,000. At September 30, 2015, the Company evaluated the present value of this obligation using average risk free rates of 0.81% to 2.21% and increased its estimate of the fair value of the obligation to $197,000.

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)		
Balance at December 31, 2013	$	5,922
Liabilities incurred		615
Liabilities settled		(911)
Change in estimates		(643)
Accretion expense		131
Balance at December 31, 2014	$	5,114
Liabilities acquired		96
Liabilities settled		(504)
Liabilities divested		(100)
Change in estimates		627
Accretion expense		51
Balance at September 30, 2015	$	5,284

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 $260,000 (December 31, 2014 – $748,000) 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 $72,000, based on the amount outstanding on the Loan at September 30, 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:

Liquidity (thousands)	< 1 year	years 2 & 3	> 3 years
Accounts payable and accrued liabilities	$ 2,095	$ -	$ -
Bank loan	$ 7,221	$ -	$ -

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 36.7% of the outstanding shares of Tuscany at September 30, 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 spent by management on administering each of the companies and the amount of office space used by each of the companies. For the nine months ended September 30, 2015 Tuscany charged Humboldt $232,000 (2014 – $243,000) pursuant to this arrangement.

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

Remuneration of Directors and Senior Management

Nine months ended September 30,		**2015**		2014
(Thousands)				
Short-term wages and benefits	**$**	**479**	$	479
Directors' fees		**30**		38
Share-based compensation		**110**		233
Total	**$**	**619**	$	750

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 September 30, 2015	Three months ended September 30, 2014	Nine months ended September 30, 2015	Nine months ended September 30, 2014
(Thousands)				
Interest and bank fees paid during the period	**$ 77**	$ 79	**$ 189**	$ 227
Changes in non-cash working capital balances				
Accounts receivable	**$ 494**	$ 534	**$ 1,934**	$ (1,387)
Prepaid expenses	**91**	(32)	**(59)**	(218)
Accounts payable and accrued liabilities	**(647)**	2,864	**(4,702)**	4,492
	$ (62)	$ 3,366	**$ (2,827)**	$ 2,887
Changes in non-cash working capital balances atributed to:				
Operating activity	**$ (367)**	$ 1,441	**$ 911**	$ (453)
Investing activity	**305**	1,925	**(3,738)**	3,340
	$ (62)	$ 3,366	**$ (2,827)**	$ 2,887

13 Expenses by Nature

The Company's overhead expense is comprised of:

Overhead	Three months ended September 30, **2015**	Three months ended September 30, 2014	Nine months ended September 30, **2015**	Nine months ended September 30, 2014
(Thousands, except per BOE information)				
Salaries and benefits	**$ 442**	$ 415	**$ 1,331**	$ 1,311
Office	**166**	169	**491**	541
Consultants	**121**	135	**383**	344
Professional fees	**11**	16	**92**	69
Corporate	**90**	61	**181**	169
Gross expenses	**830**	796	**2,478**	2,434
Recovered	**(139)**	(210)	**(446)**	(536)
Capitalized	**(125)**	(121)	**(382)**	(346)
Recovered and capitalized	**(264)**	(331)	**(828)**	(882)
Net overhead	**$ 566**	$ 465	**$ 1,650**	$ 1,552

The Company's finance expense is comprised of:

Finance Expense		Three months ended September 30, 2015		2014		Nine months ended September 30, 2015		2014
(Thousands)								
Interest	**$**	**77**		79	**$**	**189**		196
Capital lease interest		**-**		-		**-**		31
Accretion of ARO		**18**		31		**51**		106
Finance expense	**$**	**95**	$	110	**$**	**240**	$	333

14 Asset Acquisition

On July 8, 2015, the Company closed its acquisition of a natural gas property in Provost, Alberta, for cash consideration of $280,000. The acquisition included six natural gas wells (two producing wells). The fair value of the properties on the date of acquisition (net of the associated abandonment liabilities) was not materially different from the value of the cash consideration exchanged. At September 30, 2015, the company re-evaluated the asset retirement obligation associated with the wells acquired at average risk free discount rates between 0.81% and 2.21%. This resulted in an increase in the Company's asset retirement obligation of $101,000.

Corporate Information

Directors

Robert W. Lamond
Calgary, Alberta

Charles A. Teare
Canmore, Alberta

Donald K. Clark
Calgary, Alberta

Robert L. McPherson(1)
Calgary, Alberta

Glen Phillips(1)
Calgary, Alberta

John R. Nelson
Calgary, Alberta

Roger W. Hume (1)
Kelowna, British Columbia

(1) Member of the Audit Committee

Legal Counsel

Burnet, Duckworth & Palmer LLP
Calgary, Alberta

Registrar and Transfer Agent

Computershare Trust Company of Canada
Calgary, Alberta

Banker

ATB Financial, Calgary, Alberta

Officers

Robert W. Lamond
President, Chairman of the Board & CEO

Donald K. Clark
Vice President, Operations and COO

Marshall Kis
Vice President, Development Geology

Charles A. Teare
Executive Vice President and CFO

Jason G. Gallant
Controller

Auditors

KPMG LLP
Calgary, Alberta

Stock Exchange Listing

TSX Venture Exchange
Trading Symbol: TUS

Tuscany Energy Ltd.

Suite 1800, 633 – 6 Avenue SW
Calgary, Alberta T2P 2Y5

Telephone : (403) 269-9889
Fax : (403) 269-9890

Website : www.tuscanyenergy.com

TUSCANY ENERGY LTD.

Suite 1800, 633 Sixth Avenue S.W.
Calgary, AB Canada T2P 2Y5
Phone: (403) 269-9889
Fax: (403) 269- 9890

Email: IR@tuscanyenergy.com