

UNITED STATES BANKRUPTCY COURT
FOR THE DISTRICT OF DELAWARE

In re Tuscany International Holdings (U.S.A.) Ltd., et al.

Case No. 14-10193 (KG)
Reporting Period: Feb-14

MONTHLY OPERATING REPORT

File with Court and submit copy to United States Trustee within 20 days after end of month.

Submit copy of report to any official committee appointed in the case

REQUIRED DOCUMENTS	Form No.	Document Attached	Explanation Attached	Affidavit/Supplement Attached
Schedule of Cash Receipts and Disbursements		MOR-1		
Bank Reconciliation (or copies of debtor's bank reconciliations)		MOR-1a		X
Schedule of Professional Fees Paid		MOR-1b		
Copies of bank statements		MOR-1a		
Cash disbursements journals		MOR-1c		
Statement of Operations		MOR-2		
Balance Sheet		MOR-3		
Status of Postpetition Taxes		N/A		X
Copies of IRS Form 6123 or payment receipt		N/A		
Copies of tax returns filed during reporting period		N/A		
Summary of Unpaid Postpetition Debts		MOR-4		
Listing of aged accounts payable		MOR-4		
Accounts Receivable Reconciliation and Aging		MOR-5		
Debtor Questionnaire		MOR-5		

I declare under penalty of perjury (28 U.S.C. Section 1746) that this report and the attached documents are true and correct to the best of my knowledge and belief.

Signature of Debtor

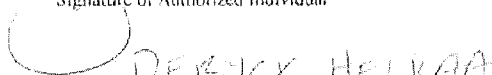
Date

Signature of Joint Debtor

Date


Signature of Authorized Individual*

Apr 29/14
Date


DEREK HELKAA
Printed Name of Authorized Individual

CRO
Title of Authorized Individual

*Authorized individual must be an officer, director or shareholder if debtor is a corporation; a partner if debtor is a partnership; a manager or member if debtor is a limited liability company.

**MOR-1: Schedule of Cash Receipts and
Disbursements**

	Actuals											
	February				March				18-Apr-14			
	Actual Week 1 7-Feb-14	Actual Week 2 14-Feb-14	Actual Week 3 21-Feb-14	Actual Week 4 28-Feb-14	Actual Week 5 7-Mar-14	Actual Week 6 14-Mar-14	Actual Week 7 21-Mar-14	Actual Week 8 28-Mar-14	Actual Week 9	Actual Week 10	Actual Week 11	Actual Total
Tuscany International Drilling Consolidated												
11 Week Cash Flow												
Week Ending	7-Feb-14	14-Feb-14	21-Feb-14	28-Feb-14	7-Mar-14	14-Mar-14	21-Mar-14	28-Mar-14				
Beginning Cash	1,868,235	(2,604,215)	(3,920,575)	(5,110,788)	(7,737,285)	(8,640,327)	(6,804,038)	(9,169,972)				1,868,235
Receipts from Customers	80,258	1,903,806	299,402	1,089,379	-	2,835,751	535,557	384,071				7,128,223
	7,287	-	810	-	7,819	-	-	560				16,576
Total - Receipts	87,545	1,903,806	300,212	1,089,379	7,819	2,835,751	535,557	384,731				7,144,799
Disbursements												
Payroll	63,717	46,910	24,350	383,144	28,526	43,308	24,933	330,227				945,115
Fuel and Lubricants	-	1,258	15,411	-	-	-	2,626	-				19,295
Catering	-	96,592	9,291	847	13,640	5,346	81,120	8,964				215,800
Other OPEX	91,595	801,877	290,728	83,331	128,051	236,620	577,085	268,797				2,478,083
Mob Expense	-	66,500	20,667	-	148,579	10,395	256,207	26,037				528,385
Taxes	8,176	120,112	86,602	5,249	15,616	133,117	88,090	5,758				462,720
G&A	65,360	41,487	5,276	54,042	40,236	75,608	103,298	47,313				432,621
Restructuring Costs	269	701,076	214,624	41,715	90,667	152,525	27,958	8,418				1,237,253
Professional Fees	30,040	-	816,903	-	-	-	-	-				846,943
CAPEX	-	-	-	-	-	335,110	-	-				335,110
Interest and Fees on new funding	1,100,000	-	-	-	-	-	439,648	-				1,539,648
FX Loss (Gain)	838	(5,646)	6,573	(2,452)	(4,454)	7,432	526	(15,558)				(12,741)
US Trustee Fee	-	-	-	-	-	-	-	-				-
Total - Disbursements	1,359,995	1,870,166	1,490,425	565,876	460,861	999,461	1,601,492	679,956				9,028,232
Change in cash	(1,272,450)	33,640	(1,190,213)	523,503	(453,042)	1,836,290	(1,065,935)	(295,225)				(1,883,433)
Intercompany Receipts	-	-	-	-	-	-	-	-				-
Intercompany Disbursements	3,200,000	1,350,000	-	3,150,000	450,000	-	1,300,000	-				9,450,000
Net intercompany Transfers	(3,200,000)	(1,350,000)	-	(3,150,000)	(450,000)	-	(1,300,000)	-				(9,450,000)
Ending Cash	(2,604,215)	(3,920,575)	(5,110,788)	(7,737,285)	(8,640,327)	(6,804,038)	(9,169,972)	(9,465,198)				(9,465,198)
Anticipated DIP funding Advance	14,700,000	-	-	-	-	-	-	-				-
Cumulative Draw	14,700,000	14,700,000	14,700,000	14,700,000	14,700,000	14,700,000	14,700,000	14,700,000				14,700,000
Ending Cash after DIP Funding Advance	12,095,785	10,779,425	9,589,212	6,962,715	6,059,673	7,895,962	5,530,028	5,234,802				5,234,802

MOR-1a: Bank Reconciliations

In re Tuscany International Holdings (U.S.A.) Ltd., et al.
Debtors

Case No. 14-10193 (KG)
Reporting Period: February 1 to 28, 2014

BANK RECONCILIATIONS

MOR-1a

Bank Name	Account Number	Currency	Account Description	GL Balance (different currency)
Scotiabank USD Operating	xxxxx xxx70 12	USD	Operating	5,491,412.88
Scotiabank CAD Operating	xxxxx xxx70 10	CAD	Operating	47,308.94
Scotiabank USD Payroll	xxxxx xxx72 17	USD	Payroll	246.27
Scotiabank CAD Payroll	xxxxx xxx00 11	CAD	Payroll	288.95
Scotiabank USD Treasury	xxxxx xxx68 14	USD	Treasury - Dormant	-
Scotiabank CAD Treasury	xxxxx xxx96 17	CAD	Treasury - Dormant	-
The Bank of Nova Scotia	xxxxx xxx75 19	USD	Dormant	-
The Bank of Nova Scotia	xxxxx xxx03 13	CAD	Dormant	-
Scotiabank Houston Payroll	xxx6932	USD	Payroll	53.19
The Bank of Nova Scotia	xxx7238	USD	Dormant	-
The Bank of New York Mellon	x-xxxxx4008	USD	Receipt	-
The Bank of New York Mellon	x-xxxxx4009	USD	DSRA	-
Bank International	xxxxx3240	USD		522,263.33
Bank Pichincha	xxxxxx70-04	USD		204,677.15
Trust Account	xxxxxx8704	USD		179,209.85

**In re: Tuscany International Holdings (U.S.A.) Ltd, et al.
Debtors**

**Case No. 14-10183 (KG)
Reporting Period: 2/2/14 – 2/28/14**

**DECLARATION REGARDING RECONCILIATION OF THE DEBTORS'
BANK ACCOUNTS AS OF FEBRUARY 28, 2014**

I, Matt Moorman, hereby declare under penalty of perjury under 28 U.S.C. § 1746:

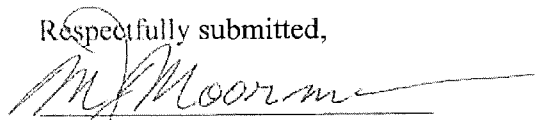
1. I am the Chief Financial Officer of the above-captioned debtors and debtors in possession (together, the "Debtors"). I am familiar with the Debtors' day-to-day operations, business, affairs and books and records.

2. All statements in this Declaration are based on my personal knowledge, my review of the relevant documents, my discussions with other employees of the Debtors, or my opinion based upon my experience and knowledge of the Debtors' operations and financial condition. If I were called upon to testify, I could and would testify to each of the facts set forth herein based on such personal knowledge, review of documents or opinion. I am authorized to submit this Declaration of behalf of the Debtors.

3. To the best of my knowledge, all of the Debtors' bank balances as of February 28, 2014 have been reconciled in an accurate and timely manner.

Dated: May 7, 2014

Respectfully submitted,


Matt Moorman
Chief Financial Officer

MOR-1c: Cash Disbursement Journals

In re: Tuscany International Holdings (U.S.A.) Ltd, et al.
Debtors

Case No. 14-10193 (KG)
Reporting Period: 2/2/14 – 2/28/14

MOR-1c: SCHEDULE OF DISBURSEMENTS BY LEGAL ENTITY

Debtor Entity	Bankruptcy Case Number	Disbursements (1)	Estimated Trustee Fees
Tuscany International Drilling Inc.	14-10194	\$12,986,462	\$13,000

Notes:

- (1) – All disbursements for the Debtors are made by Tuscany International Drilling Inc.
- (2) – Includes disbursements to non-debtor subsidiaries in the amount of \$7.7 million.

MOR-2: Statement of Operations

Tuscany International Drilling Inc.**Income Statement Detail Report**

TID

Period ended

[Back to Table of](#)

	February		
	<u>Canada</u>	<u>Ecuador</u>	<u>Consolidated</u>
Revenue			
Drilling			
Drilling	0	792,757	792,757
Force Majeure	0	0	0
	<u>0</u>	<u>792,757</u>	<u>792,757</u>
Standby			
Standby w/crew Workover	0	2,792	2,792
Standby w/out crew Workover	0	0	0
Standby w/crew Drilling	0	77,137	77,137
Standby w/out crew Drilling	0	0	0
	<u>0</u>	<u>79,929</u>	<u>79,929</u>
Workover	0	560,877	560,877
			0
Mobilization			0
Initial Mob/Demob Workover	0	51,000	51,000
Rig move b/w wells Workover	0	170,000	170,000
Initial Mob/Demob Drilling	0	0	0
Rig move b/w wells Drilling	0	89,000	89,000
	<u>0</u>	<u>310,000</u>	<u>310,000</u>
Other Revenue			
Equipment/Tool rental	88,480	35,854	124,334
Extra Labour	0	12,242	12,242
Others, Catering, Lodging	0	23,053	23,053
Equipment/Tool sales	0	4,468	4,468
	<u>88,480</u>	<u>75,616</u>	<u>164,096</u>
Reimbursables			
Reimbursable Labour	0	0	0
Reimbursable Fuel	0	0	0
Reimbursable Catering	0	0	0
Other Reimbursables	0	340,345	340,345
	<u>0</u>	<u>340,345</u>	<u>340,345</u>
Total Revenue	<u>88,480</u>	<u>2,159,524</u>	<u>2,248,004</u>
Expenses			
Initial Mob/Demob Workover	0	25,850	25,850
Rig Move b/w wells Workover	0	133,890	133,890
Initial Mob/Demob Drilling	0	0	0
Rig Move b/w wells Drilling	0	0	0
	<u>0</u>	<u>159,740</u>	<u>159,740</u>
Direct Rig Costs			
Direct Labour			
Salaries	0	217,021	217,021
Overtime	0	0	0
Vacation	0	1,957	1,957
Benefits	0	73,409	73,409
Roll Daily	0	180,565	180,565

Vehicle Maintenance	0	6,599	6,599
Fuel and Lubricants	0	9,927	9,927
Catering	0	62,591	62,591
Transportation of Materials and Fuel			0
International Freight	0	0	0
In-Country	0	13,610	13,610
Insurance and Bonds	0	15,452	15,452
Rental Expenses			0
Tools and Instruments	0	18,280	18,280
Vehicles	0	24,400	24,400
Equipment	0	166,584	166,584
Treatment Plants	0	5,880	5,880
Land and Building (Camps)	0	0	0
Others	0	0	0
Other Direct Expenses	0	14,494	14,494
Reimbursable Expenses			0
Reimbursable Labour	0	294,880	294,880
Reimbursable Fuel	0	0	0
Reimbursable Catering	0	0	0
Other Reimbursables	0	0	0
Subcontracted Services			0
Technical Assistance	0	50	50
General Professional Services	0	5,334	5,334
Environmental	0	9,670	9,670
QHSE & Training			0
QHSE	0	36,032	36,032
Training	0	9,738	9,738
IT Computers /Communications	0	4,174	4,174
Direct Labour Travel & Accommodation	0	16,608	16,608
Taxes			0
Municipal	0	38,404	38,404
Other Taxes	0	0	0
Rig Maintenance			0
Tubular Repair and Inspection	0	490	490
Drawworks, Swabbing	0	16,068	16,068
Hoists, Traveling Block, Equip	0	0	0
Soft Rope/Lifting	0	275	275
Mud/Centrifuge Pumps	0	41,583	41,583
Rotary Table	0	2,853	2,853
Other R&M	0	8,995	8,995
Pneumatic/Air system	0	6,709	6,709
BOP/Well Control	0	15,519	15,519
Camps & Houses	0	10,337	10,337
Carrier Unit	0	0	0
Electric system	0	11,508	11,508
Engines	0	3,344	3,344
Transmission, Chains/Belts	0	0	0
Instrumentation	0	4,098	4,098
General Maintenance/Supplies	0	5,339	5,339
Safety equipment	0	0	0
Low Pressure Lines	0	1,395	1,395
Mud System	0	1,089	1,089
Hydraulic system	0	2,192	2,192
Rotary equipment	0	2,099	2,099
Top Drive	0	8,532	8,532
High pressure lines	0	13,138	13,138
Generators	0	384	384
SCR System	0	0	0
Mast/Derrick	0	1,000	1,000

Mobile equipment	0	1,233	1,233
Hand tools	0	6,521	6,521
Water Treatment	0	1,756	1,756
Allocation Costs	0	0	0
Safety	0	0	0
Base Camp	0	56,866	56,866
	0	1,448,984	1,448,984
Total expenses	0	1,608,724	1,608,724
Gross Margin	88,480	550,800	639,280
Gross Margin %	100%	26%	126%

General & Administration Expenses

Salaries	134,791	73,668	208,459
Travel	18,761	3,814	22,576
Insurance	37,870	0	37,870
Freight	0	0	0
Audit	86,227	0	86,227
Legal	12,659	6,413	19,072
Other Professional	40,411	8,350	48,761
Recruitment	0	0	0
Office Supplies & Equipment	1,385	5,026	6,411
Parking	4,335	0	4,335
Business & Prop. Tax	14,930	434	15,365
Marketing	1,701	0	1,701
Investor Relations	1,351	0	1,351
IT Expenses	1,253	1,752	3,004
Rent & Utilities	17,701	7,357	25,058
Repairs & Maintenance	0	1,751	1,751
Telephone	1,802	2,588	4,390
Bank fees	3,877	302	4,179
Bad debt Expense	0	0	0
Other Administration	3,651	1,796	5,447
	382,707	113,250	495,956

EBITDA	(294,227)	437,551	
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Other Expenses

Depreciation	0	272,267	272,267
Stock based compensation	0	0	0
Amortization of Financing fees	0	0	0
Interest Expense	0	0	0
Foreign Exchange Loss (Gain)	49	0	49
Interest Income	0	0	0
Equity Income	0	0	0
Hedges	(213,267)	0	(213,267)
Other	(22)	(1,141)	(1,163)
	(213,241)	271,126	57,885

Net Income (loss) before income taxes	(80,986)	166,425	85,439
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Income taxes	0	28,443	28,443
Future income taxes	0	0	0
	0	28,443	28,443

Net Income (loss)	(80,986)	137,983	56,997
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MOR-3: Balance Sheet

Tuscany International Drilling Inc.

Balance Sheet

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Period ended

Back to Table of

	February		
	<u>Canada</u>	<u>Ecuador</u>	<u>Consolidated</u>
Assets			
Current Assets			
Cash	5,652,950	915,150	6,568,100
Restricted cash	0	0	0
Accounts receivable	1,841,390	16,676,246	18,517,636
Prepaid expenses and deposits	890,456	377,890	1,268,346
Inventory	0	2,818,902	2,818,902
Foreign VAT recoverable - ST	0	391,326	391,326
	<u>8,384,796</u>	<u>21,179,514</u>	<u>29,564,310</u>
Assets held for sale	0	0	0
Deferred tax asset	0	0	0
Foreign VAT recoverable - LT	0	0	0
Long-term investments	3,555,989	0	3,555,989
Property and equipment	80,125,461	34,060,787	114,186,248
	<u>92,066,245</u>	<u>55,240,301</u>	<u>147,306,547</u>
Liabilities			
Current Liabilities			
Bank Indebtedness	36,106,718	0	36,106,718
Accounts payable and accrued liabilities	27,589,027	2,243,594	29,832,621
Intercompany	(457,772,115)	48,489,428	(409,282,687)
Current portion of LTD	0	0	0
Income Taxes Payable	(42,428)	645,601	603,173
Due to shareholders	875,547	0	875,547
Foreign VAT Payable - ST	0	0	0
	<u>(393,243,252)</u>	<u>51,378,623</u>	<u>(341,864,629)</u>
Loan payable	174,668,794	0	174,668,794
Hedges	0	0	0
Deferred taxes payable	0	4,719	4,719
	<u>(218,574,458)</u>	<u>51,383,342</u>	<u>(167,191,116)</u>
Shareholder's Equity			
Share capital	381,797,962	50,014	381,847,976
Contributed Surplus	24,313,889	0	24,313,889
Warrants	0	0	0
Other Comprehensive Income	0	0	0
Retained earnings	(95,471,148)	3,806,946	(91,664,203)
Round	<u>310,640,703</u>	<u>3,856,959</u>	<u>314,497,663</u>
	<u>92,066,245</u>	<u>55,240,301</u>	<u>147,306,547</u>

**In re: Tuscany International Holdings (U.S.A.) Ltd, et al.
Debtors**

**Case No. 14-10183 (KG)
Reporting Period: 2/2/14 – 2/28/14**

**DECLARATION REGARDING THE STATUS OF THE DEBTORS'
POST-PETITION TAXES OF AS OF FEBRUARY 28, 2014**

I, Matt Moorman, hereby declare under penalty of perjury under 28 U.S.C. § 1746:

1. I am the Chief Financial Officer of the above-captioned debtors and debtors in possession (collectively, the "Debtors"). I am familiar with the Debtors' day-to-day operations, business, affairs and books and records.

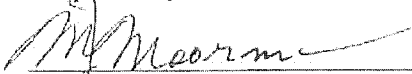
2. All statements in this Declaration are based on my personal knowledge, my review of the relevant documents, my discussions with other employees of the Debtors, or my opinion based upon my experience and knowledge of the Debtors' operations and financial condition. If I were called upon to testify, I could and would testify to each of the facts set forth herein based on such personal knowledge, review of documents or opinion. I am authorized to submit this Declaration of behalf of the Debtors.

3. To the best of my knowledge, from the Petition Date through February 28, 2014 the Debtors have filed all necessary federal, state and local tax returns and made all required postpetition tax payments in connection therewith on a timely basis or have promptly remediated any late filings or payments that may have occurred due to unintentional oversights.

4. Pursuant to 28 U.S.C. § 1746, I declare under penalty of perjury that the foregoing is true and correct.

Dated: May 7, 2014

Respectfully submitted,



Matt Moorman
Chief Financial Officer

MOR-4: Summary of Unpaid Postpetition Debt

**In re: Tuscany International Holdings (U.S.A.) Ltd, et al.
Debtors**

**Case No. 14-10193 (KG)
Reporting Period: 2/2/14 – 2/28/14**

MOR-4: SUMMARY OF UNPAID POST-PETITION DEBTS

	Number of Days Past Due					Total
	Current	0-30	31-60	61-90	Over 90	
Total Gross Accounts Payable	1,487,911.26	593,324.27	60,582.73	23,082.83	103,056.27	2,267,957.36

Notes:

- (1) – The Debtors’ are paying post-petition debts as they become due in the ordinary course.
- (2) – The Debtors’ maintain accruals for goods and services received but not invoiced. They do not consider these due until they are involved, therefore certain payables may not be included based on timing of invoicing from vendor.
- (3) – The Debtors’ are continuing to bifurcate pre and post-petition invoices in their AP system as they come in from vendors.

MOR-5: Accounts Receivable and Aging

In re: Tuscany International Holdings (U.S.A.) Ltd, et al.
Debtors

Case No. 14-10193 (KG)
Reporting Period: 2/2/14 – 2/28/14

MOR-5: ACCOUNTS RECEIVABLE RECONCILIATION AND AGING
(in thousands)

Net Accounts Receivable Aging	Amount
0 - 30 Days	\$ 2,033,619.20
31 – 60 Days	\$ 718.20
61 – 90 Days	\$ 459,044.61
91 – 180 Days	\$ 0
181 – 360 Days (1)	\$ 1,192,645.32
361 + Days (1)	\$ 10,080,597.03
Total Aged Accounts Receivable	\$13,766,624.36
Other Accounts Receivable	\$0
Total Accounts Receivable (Net)	\$13,766,624.36

Notes:

(1) – Includes accounts receivable owing from Servicios Intergrados CYA of approximately \$11.25 million. This receivable is classified as a doubtful account and is currently subject to ongoing litigation.

In re Tuscany International Holdings (U.S.A.) Ltd., et al.
Debtors

MOR-5:DEBTOR QUESTIONNAIRE

Must be completed each month	Yes	No
1. Have any assets been sold or transferred outside the normal course of business this reporting period? If yes, provide an explanation below.		X
2. Have any funds been disbursed from any account other than a debtor in possession account this reporting period? If yes, provide an explanation below.	X	
3. Have all postpetition tax returns been timely filed? If no, provide an explanation below.	X	
4. Are workers compensation, general liability and other necessary insurance coverages in effect? If no, provide an explanation below.	X	
5. Has any bank account been opened during the reporting period? If yes, provide documentation identifying the opened account(s). If an investment account has been opened provide the required documentation pursuant to the Delaware Local Rule 4001-3.		X

All disbursements made are consistent with the Cash Management Order.