

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: Mar-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*

Date

Printed Name of Authorized Individual

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				28-Mar-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 1 7-Feb-14	Actual Week 2 14-Feb-14	Actual Week 3 21-Feb-14	Actual Week 4 28-Feb-14	
Tuscani 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	7-Feb-14	14-Feb-14	21-Feb-14	28-Feb-14	7-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					
	7,287	-	810	-	7,819	-	-	660					
Total - Receipts	87,545	1,903,806	300,212	1,089,379	7,819	2,835,751	535,557	384,731					
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)					
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					

MOR-1a: Bank Reconciliations

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

Case No. 14-10193 (KG)
Reporting Period: March 1 to 31, 2014

BANK RECONCILIATIONS

MOR-1a

Bank Name	Account Number	Currency	Account Description	GL Balance (different currency)
Scotiabank USD Operating	xxxxx xxx70 12	USD	Operating	4,764,017.95
Scotiabank CAD Operating	xxxxx xxx70 10	CAD	Operating	104,013.03
Scotiabank USD Payroll	xxxxx xxx72 17	USD	Payroll	310.71
Scotiabank CAD Payroll	xxxxx xxx00 11	CAD	Payroll	288.47
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	43.19
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	Operating	227,531.40
Bank Pichincha	xxxxxx70-04	USD	Operating	266,778.01
Trust Account	xxxxxx8704	USD		1,294.05

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

**Case No. 14-10183 (KG)
Reporting Period: 3/1/14 – 3/31/14**

**DECLARATION REGARDING RECONCILIATION OF THE DEBTORS'
BANK ACCOUNTS AS OF MARCH 31, 2014**

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

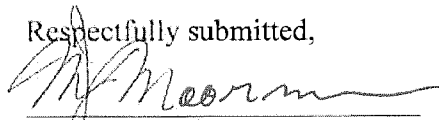
1. I am the Chief Financial Officer of the above-captioned debtors and debtors in possession (together, the "Debtors"). I am familiar with the Debtors' day-to-day operations, business, affairs and books and records.

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 March 31, 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: 3/1/14 – 3/31/14

MOR-1c: SCHEDULE OF DISBURSEMENTS BY LEGAL ENTITY

Debtor Entity	Bankruptcy Case Number	Disbursements (1)	Estimated Trustee Fees
Tuscany International Drilling Inc.	14-10194	\$5,491,770	\$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 \$1.75 million.

MOR-2: Statement of Operations

Tuscany International Drilling Inc.
Income Statement Detail Report
TID

Period ended

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	March		
	<u>Canada</u>	<u>Ecuador</u>	<u>Consolidated</u>
Revenue			
Drilling			
Drilling	0	877,503	877,503
Force Majeure	0	0	0
	<u>0</u>	<u>877,503</u>	<u>877,503</u>
Standby			
Standby w/crew Workover	0	1,925	1,925
Standby w/out crew Workover	0	0	0
Standby w/crew Drilling	0	11,990	11,990
Standby w/out crew Drilling	0	0	0
	<u>0</u>	<u>13,915</u>	<u>13,915</u>
Workover	0	601,804	601,804
			0
Mobilization			
Initial Mob/Demob Workover	0	155,726	155,726
Rig move b/w wells Workover	0	103,342	103,342
Initial Mob/Demob Drilling	0	0	0
Rig move b/w wells Drilling	0	0	0
	<u>0</u>	<u>259,068</u>	<u>259,068</u>
Other Revenue			
Equipment/Tool rental	97,960	16,958	114,918
Extra Labour	0	1,912	1,912
Others, Catering, Lodging	0	67,658	67,658
Equipment/Tool sales	0	2,066	2,066
	<u>97,960</u>	<u>88,594</u>	<u>186,554</u>
Reimbursables			
Reimbursable Labour	0	0	0
Reimbursable Fuel	0	0	0
Reimbursable Catering	0	0	0
Other Reimbursables	0	286,268	286,268
	<u>0</u>	<u>286,268</u>	<u>286,268</u>
Total Revenue	<u>97,960</u>	<u>2,127,152</u>	<u>2,225,112</u>
Expenses			
Initial Mob/Demob Workover	0	101,900	101,900
Rig Move b/w wells Workover	0	73,180	73,180
Initial Mob/Demob Drilling	0	0	0
Rig Move b/w wells Drilling	0	0	0
	<u>0</u>	<u>175,080</u>	<u>175,080</u>
Direct Rig Costs			
Direct Labour			
Salaries	0	209,703	209,703
Overtime	0	0	0
Vacation	0	3,883	3,883
Benefits	0	88,958	88,958
Roll Daily	0	155,535	155,535

Vehicle Maintenance	0	47	47
Fuel and Lubricants	0	14,382	14,382
Catering	0	63,586	63,586
Transportation of Materials and Fuel			0
International Freight	0	0	0
In-Country	0	13,120	13,120
Insurance and Bonds	0	15,368	15,368
Rental Expenses			0
Tools and Instruments	0	17,903	17,903
Vehicles	0	24,930	24,930
Equipment	0	194,456	194,456
Treatment Plants	0	6,160	6,160
Land and Building (Camps)	0	0	0
Others	0	0	0
Other Direct Expenses	0	22,125	22,125
Reimbursable Expenses			0
Reimbursable Labour	0	286,432	286,432
Reimbursable Fuel	0	0	0
Reimbursable Catering	0	0	0
Other Reimbursables	0	0	0
Subcontracted Services			0
Technical Assistance	0	376	376
General Professional Services	0	6,548	6,548
Environmental	0	18,980	18,980
QHSE & Training			0
QHSE	0	34,862	34,862
Training	0	18,425	18,425
IT Computers /Communications	0	5,450	5,450
Direct Labour Travel & Accommodation	0	15,398	15,398
Taxes			0
Municipal	0	46,369	46,369
Other Taxes	0	0	0
Rig Maintenance			0
Tubular Repair and Inspection	0	16,607	16,607
Drawworks, Swabbing	0	12,044	12,044
Hoists, Traveling Block, Equip	0	0	0
Soft Rope/Lifting	0	0	0
Mud/Centrifuge Pumps	0	54,650	54,650
Rotary Table	0	258	258
Other R&M	0	3,369	3,369
Pneumatic/Air system	0	947	947
BOP/Well Control	0	13,636	13,636
Camps & Houses	0	9,456	9,456
Carrier Unit	0	70	70
Electric system	0	13,907	13,907
Engines	0	11,231	11,231
Transmission, Chains/Belts	0	0	0
Instrumentation	0	2,012	2,012
General Maintenance/Supplies	0	7,086	7,086
Safety equipment	0	0	0
Low Pressure Lines	0	737	737
Mud System	0	11,051	11,051
Hydraulic system	0	1,441	1,441
Rotary equipment	0	8,636	8,636
Top Drive	0	1,336	1,336
High pressure lines	0	10,097	10,097
Generators	0	10,671	10,671
SCR System	0	550	550
Mast/Derrick	0	596	596

Mobile equipment	0	636	636
Hand tools	0	10,389	10,389
Water Treatment	0	2,662	2,662
Allocation Costs	0	0	0
Safety	0	0	0
Base Camp	0	53,044	53,044
	0	1,520,115	1,520,115
Total expenses	0	1,695,195	1,695,195
Gross Margin	97,960	431,957	529,917
Gross Margin %	100%	20%	120%

General & Administration Expenses

Salaries	132,293	73,412	205,705
Travel	2,010	1,757	3,767
Insurance	41,928	0	41,928
Freight	0	0	0
Audit	(200,000)	0	(200,000)
Legal	0	4,196	4,196
Other Professional	(511,790)	1,850	(509,940)
Recruitment	0	0	0
Office Supplies & Equipment	2,499	8,709	11,208
Parking	3,093	0	3,093
Business & Prop. Tax	29,982	159	30,142
Marketing	0	0	0
Investor Relations	2,404	0	2,404
IT Expenses	2,511	1,402	3,912
Rent & Utilities	58,245	6,843	65,088
Repairs & Maintenance	0	1,815	1,815
Telephone	0	5,224	5,224
Bank fees	1,302	255	1,557
Bad debt Expense	0	0	0
Other Administration	1,325	1,558	2,883
	(434,199)	107,178	(327,020)
EBITDA	532,159	324,778	

Other Expenses

Depreciation	0	299,917	299,917
Stock based compensation	174,538	0	174,538
Amortization of Financing fees	4,315,278	0	4,315,278
Interest Expense	6,261,842	0	6,261,842
Foreign Exchange Loss (Gain)	(2,069)	0	(2,069)
Interest Income	0	0	0
Equity Income	0	0	0
Hedges	0	0	0
Other	(9)	(2,027)	(2,036)
	10,749,580	297,890	11,047,470
Net Income (loss) before income taxes	(10,217,421)	26,888	(10,190,533)
Income taxes	0	0	0
Future income taxes	0	0	0
	0	0	0
Net Income (loss)	(10,217,421)	26,888	(10,190,533)

MOR-3: Balance Sheet

Tuscany International Drilling Inc.

Balance Sheet

TID

Period ended

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	March		
	<u>Canada</u>	<u>Ecuador</u>	<u>Consolidated</u>
Assets			
Current Assets			
Cash	4,872,684	504,603	5,377,288
Restricted cash	0	0	0
Accounts receivable	5,352,002	16,971,445	22,323,447
Prepaid expenses and deposits	816,472	646,462	1,462,933
Inventory	0	2,881,178	2,881,178
Foreign VAT recoverable - ST	0	317,184	317,184
	<u>11,041,158</u>	<u>21,320,872</u>	<u>32,362,030</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	33,823,014	113,948,475
	<u>94,722,608</u>	<u>55,143,886</u>	<u>149,866,493</u>
Liabilities			
Current Liabilities			
Bank Indebtedness	0	0	0
Accounts payable and accrued liabilities	15,338,629	1,828,218	17,166,847
Intercompany	(438,657,878)	48,781,501	(389,876,377)
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>(422,486,130)</u>	<u>51,255,319</u>	<u>(371,230,811)</u>
Loan payable	216,714,480	0	216,714,480
Hedges	0	0	0
Deferred taxes payable	0	4,719	4,719
	<u>(205,771,650)</u>	<u>51,260,039</u>	<u>(154,511,612)</u>
Shareholder's Equity			
Share capital	381,797,962	50,014	381,847,976
Contributed Surplus	24,136,269	0	24,136,269
Warrants	0	0	0
Other Comprehensive Income	0	0	0
Retained earnings	(105,439,973)	3,833,833	(101,606,139)
Round	<u>300,494,258</u>	<u>3,883,847</u>	<u>304,378,105</u>
	<u>94,722,608</u>	<u>55,143,886</u>	<u>149,866,493</u>

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

Case No. 14-10183 (KG)
Reporting Period: 3/1/14 – 3/31/14

DECLARATION REGARDING THE STATUS OF THE DEBTORS'
POST-PETITION TAXES OF AS OF MARCH 31, 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.

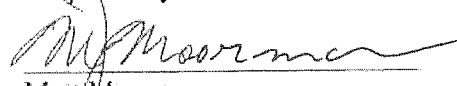
2. All statements in this Declaration are based on my personal knowledge, my review of the relevant documents, my discussions with other employees of the Debtors, or my opinion based upon my experience and knowledge of the Debtors' operations and financial condition. If I were called upon to testify, 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 March 31, 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: 3/1/14 – 3/31/14

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	984,137.73	1,010,553.25	303,770.42	15,040.09	54,731.69	2,368,233.18

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: 3/1/14 – 3/31/14

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

Net Accounts Receivable Aging	Amount
0 - 30 Days	\$ 2,438,923.82
31 – 60 Days	\$ 11,879.30
61 – 90 Days	\$ 12.00
91 – 180 Days	\$ 36,259.47
181 – 360 Days (1)	\$ 709,358.36
361 + Days (1)	\$ 10,563,883.99
Total Aged Accounts Receivable	\$13,760,316.95
Other Accounts Receivable	\$0
Total Accounts Receivable (Net)	\$13,760,316.95

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.