

Court No. 25-1124515
Estate No. 25-1124515
Affidavit of Rick Souther
Sworn January 7, 2009

**IN THE COURT OF QUEEN'S BENCH OF ALBERTA
JUDICIAL DISTRICT OF CALGARY**

IN BANKRUPTCY AND INSOLVENCY

**IN THE MATTER OF AN APPLICATION UNDER SECTION 50.4(9) OF THE
BANKRUPTCY AND INSOLVENCY ACT, R.S.C. 1985, c. B-3, AS AMENDED**

**IN THE MATTER OF THE PROPOSAL OF
THE DIAMOND BULLET CORPORATION, PREMIERE MANUFACTURING LTD.,
HAT BIT SUPPLY LTD., DBC INTERNATIONAL INC., DUNN TRUCKING LTD. AND
R ENVIRONMENTAL LABS LTD.**

OF THE TOWN OF TABER, IN THE PROVINCE OF ALBERTA

AFFIDAVIT

I, Rick Souther, of the Town of Taber, Businessman, MAKE OATH AND SAY:

1. I am the President and sole director of The Diamond Bullet Corporation ("**Diamond**"), Premiere Manufacturing Ltd. ("**Premiere**"), Hat Bit Supply Ltd. ("**Hat Bit**"), Dunn Trucking Ltd. ("**Dunn**"), DBC International Inc. ("**DBC**"), R Environmental Labs Ltd. ("**Labs**") (collectively referred to as the "**Debtor Companies**") and as such have personal knowledge of the matters to which I depose in this Affidavit, except where such matters are stated to be based on information and belief, in which case I verily believe such information to be true.
2. This Affidavit is made in support of an application by the Debtor Companies for an Order extending the time for the Debtor Companies to file the proposal to their creditors to Monday, February 23, 2009 pursuant to section 50.4(9) of the *Bankruptcy and Insolvency Act* (Canada) (the "**BIA**").

A. Since Order Granted Extending Time to Make a Proposal

3. On Tuesday, November 25, 2008, Justice J.D.B. McDonald granted orders in the Estates of the Debtor Companies extending the time to make a proposal under the BIA to January 9, 2009 (the “**Orders**”).
4. On December 4, 2008, Justice J.D.B. McDonald granted an order appointing Meyers Norris Penny Limited as interim receiver (the “**Receiver**”) over Premiere for the purposes of providing for an orderly disposition of the assets of Premiere, to maximize recovery for the benefit of the HSBC Bank of Canada and the rest of the Debtor Companies’ creditors, secured and unsecured, in the course of developing a viable proposal and continuing to operate Premiere until the Receiver finds it is not commercially reasonable to continue operations.
5. Since December 4, 2008, the following has transpired with respect to Premiere and the Debtor Companies:
 - (a) I have been working with the Receiver in marketing Premiere’s primary asset, approximately 6,000 drill bits (the “**Drill Bits**”) for use in the oil and gas industry. I am informed by Mr. Craig McMahon, lawyer at Gowling Lafleur Henderson LLP (“**Gowlings**”), solicitors to the Debtor Companies, and do verily believe that the Receiver has sent out sales packages to at least 20 parties who have either communicated their interest in the Drill Bits to me, directly, or contacted the Receiver after the Receiver ran advertisements for the Drill Bits in newspapers in the Calgary Herald and the Lethbridge Herald. The parties who received the sales packages include those parties identified at paragraph 41(c) in my November 20, 2008 Affidavit. The deadline for offers is Monday, January 12, 2009;
 - (b) I have had preliminary discussions a company interested in purchasing the Debtor Companies as a going concern; and
 - (c) the Debtor Companies have continued operating, collecting accounts receivable and paying their payroll obligations. As an example of the accounts receivable being collected, in the week of December 29, 2008 the Debtor Companies

collected approximately \$100,000 and I believe that a similar amount will be collected by the end of this week. Additionally, sales of Drill Bits in December were comparable to sales of Drill Bits in November, both of which were above the Debtor Companies' projections.

- 6. Premiere and the Debtor Companies require time to conclude the aforementioned transactions. I believe that there is a potential for the assets of the Debtor Companies to realize significant future value for their creditors through a proposal.
- 7. Based upon the aforementioned, the Debtor Companies have assets and a business that has value and requires protection from creditors to afford the Debtor Companies the opportunity to file a viable proposal. Specifically, I believe that, with the benefit of a stay, the Debtor Companies will be better able to affect a sale of the businesses or they key assets, including the Drill Bits.
- 8. I believe that a failed proposal of the Debtor Companies would have a significant negative impact on numerous stakeholders, including the Debtor Companies' creditors.
- 9. I make this Affidavit in support of an application by the Debtor Companies under the provisions of the BIA for an order extending the time in which to make a proposal.

SWORN BEFORE ME at the City of Lethbridge, in the Province of Alberta, this 7 day of January 2009.

A COMMISSIONER FOR OATHS
In and for the Province of Alberta

Richard A. Low,
my Commission expires
at leave of Lt. Gov.



RICK SOUTHER

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