

District of Alberta
Division No: 02 - Calgary
Court/Estate No: 25-1124515 (Consolidated Estate)



MEYERS NORRIS PENNY LIMITED

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

TRUSTEE'S PRELIMINARY REPORT

BACKGROUND

1. The Diamond Bullet Corporation ("Diamond") and its wholly owned subsidiaries, Hat Bit Supply Ltd. ("Hat Bit") and Premiere Manufacturing Ltd. ("Premiere"), and related companies, R Environmental Labs Ltd. ("Labs"), DBC International Inc. ("DBC"), and Dunn Trucking Ltd. ("Dunn"), (collectively, the "Companies"), by way of its predecessors, have been operating since 1986. The Companies manufacture, distribute, sell and repair tri-cone rock bits and poly-crystalline diamond compact rock bits for use in the oil and gas industry. The Companies' head office is located in Taber, Alberta.
2. On July 31, 2008, a Statement of Claim was filed against Diamond, Premiere, Labs and Dunn by Lorna Moores and Three Cloud Properties Ltd., a shareholder of Diamond. The Companies' management has advised that a Statement of Defence has been filed.
3. Diamond and Premiere have outstanding credit facilities owing to HSBC Bank Canada ("HSBC") in the approximate amount of \$3.05 million as at September 22, 2008 (the "HSBC Debt"). The HSBC Debt is secured by a general security agreement registered by HSBC and by unlimited guarantees of related companies, namely Hat Bit, DBC and Labs. On September 24, 2008, HSBC issued demands with respect to the HSBC Debt and the guarantees. It is unknown at this time whether the HSBC Debt will be paid in full by the Companies.
4. The Companies filed Notices of Intention to Make a Proposal ("NOI") on October 27, 2008 and Meyers Norris Penny Limited consented to act as Trustee.
5. On November 25, 2008 an Order was granted by the Court of Queen's Bench of Alberta (the "Court") extending the time for the Companies to file Proposals to January 9, 2009.
6. On November 25, 2008 and December 4, 2008, the Court granted Orders to procedurally consolidate the NOI filings of the Companies into one Estate.
7. Pursuant to an Order of the Court granted December 4, 2008, Meyers Norris Penny Limited was appointed as Interim Receiver over all of the current and future assets, undertaking and property of Premiere.
8. On January 9, 2009, an Order was granted by the Court to extend the time for the Companies to file Proposals to February 23, 2009.
9. On February 20, 2009, an Order was granted by the Court to extend the time for the Companies to file Proposals to March 2, 2009.



10. On February 26, 2009, Meyers Norris Penny Limited was appointed as receiver of the assets, property and undertaking of Diamond, Hat Bit, Premiere, Labs, and DBC (the "Receiver").
11. The Companies did not file Proposals prior to March 2, 2009. As a result, on March 3, 2009, the Companies were deemed to have made an assignment in bankruptcy. Meyers Norris Penny Limited was appointed as Trustee of the bankrupt Estates.
12. On March 10, 2009, an Order was granted by the Court to procedurally consolidate the bankruptcy filings of the Companies into one Estate.

CONSERVATORY AND PROTECTIVE MEASURES

13. As at the date of bankruptcy, the assets, property, and undertaking of Diamond, Hat Bit, Premiere, Labs, and DBC were in the possession and control of the Receiver. Further, as at the date of bankruptcy, the operations of Diamond, Hat Bit, Premiere, Labs and DBC were under the control and supervision of the Receiver.
14. As at the date of bankruptcy, the Receiver was in possession and control of the books and records pertaining to Diamond, Hat Bit, Premiere, Labs and DBC.
15. Upon its appointment, the Trustee attended the Taber airport to take possession and control of certain assets of Dunn. The Trustee also attended a third party storage facility to take possession and control of a storage unit leased by Dunn. The Trustee has not been provided with any current financial records pertaining to Dunn.

ASSETS

16. As noted above, as at the date of bankruptcy, the realizable assets of Diamond, Hat Bit, Premiere, Labs and DBC were in the possession and control of the Receiver.
17. As at the date of bankruptcy, the realizable assets of Dunn consisted of the following:

Description	Net Book Value (Note 1) \$	Estimated Realizations \$
Building – Hanger at Taber Airport	34,234	Unknown
Cessna Airplane	85,000	Unknown
Miscellaneous Furniture and Equipment	-	-
Peat Moss	-	-
	119,234	-

NOTE 1: Source of information is Dunn's corporate tax return for the year ended October 31, 2006.

ASSET REALIZATION AND PROJECTED DISTRIBUTION

18. The Trustee has not yet formalized a process for offering Dunn's assets for sale. As a result, the Trustee cannot determine what funds will be available to Dunn's creditors at this time.
19. Based on information available to date, the Trustee is of the view that the proceeds of realization from the Companies' assets may not be sufficient to repay the outstanding secured claims and, accordingly, there may not be funds available for distribution to the Companies' unsecured creditors.



LEGAL

20. The Trustee has requested and received a written legal opinion from McCarthy Tetrault LLP, dated March 18, 2009, with respect to the validity and enforceability of the security registered by HSBC Bank Canada. The opinion received indicates that the registered security is valid and enforceable as against the Trustee.
21. The Trustee is not involved in any legal proceedings at this time.

SUMMARY OF CLAIMS

22. Below is a summary of claims contained in the Statements of Affairs:

	Diamond	Hat Bit	Premiere	Labs	DBC	Dunn
	\$	\$	\$	\$	\$	\$
Description						
Secured	3,220,786.55	3,220,789.55	3,220,789.55	3,220,789.55	3,220,786.55	170,787.00
Preferred	-	-	-	-	-	-
Unsecured	550,000.00	915.00	309,702.00	69,588.00	1,447.00	416,935.00
Contingent	4,926,640.00	-	4,926,640.00	4,900,000.00	-	4,900,000.00
TOTAL	<u>8,697,426.55</u>	<u>3,221,704.55</u>	<u>8,457,131.55</u>	<u>8,190,377.55</u>	<u>3,222,233.55</u>	<u>5,487,722.00</u>

23. Below is a summary of proven claims as at 5 pm, March 20, 2009:

	Diamond	Hat Bit	Premiere	Labs	DBC	Dunn
	\$	\$	\$	\$	\$	\$
Description						
Secured	-	37,756.29	58,942.89	17,348.32	-	-
Preferred	-	-	-	-	-	-
Unsecured	122,719.20	10,814.10	6,867.82	8,254.14	-	-
Contingent	-	-	-	-	-	-
TOTAL	<u>122,719.20</u>	<u>48,570.39</u>	<u>65,810.71</u>	<u>25,602.46</u>	<u>-</u>	<u>-</u>

SECURED CREDITORS AND DEEMED TRUST CLAIMS

24. The following creditors appear to have a registered security interest as against the assets, property and undertakings of the Companies:

HSBC Bank Canada
Gowling Lafleur Henderson LLP
Meyers Norris Penny Limited
CIT Financial Ltd.
MCAP Leasing Inc.
Jim Pattison Industries Ltd.
Toyota Credit Canada Inc.
GMAC Corporation
Citicorp Vendor Finance Ltd.
Xerox Canada Ltd.

25. Claims that may rank in priority to the claims of the secured creditors include claims of Canada Revenue Agency with respect to employee source deductions that are estimated at approximately \$71,000 (\$55,000 with respect to Premiere and \$16,000 with respect to Labs).

REVIEWABLE TRANSACTIONS AND PREFERENCE PAYMENTS

26. Based on the information available to date, the Trustee has identified certain reviewable transactions and/or preference payments that may warrant further investigation. Further information with respect to these transactions will be made available in due course.

Dated at Calgary, Alberta this 20th day of March, 2009.

MEYERS NORRIS PENNY LIMITED

In its capacity as Trustee of the Estate of
The Diamond Bullet Corporation, Hat Bit Supply Ltd.,
Premiere Manufacturing Ltd., DBC International Inc.,
R Environmental Labs Ltd. and Dunn Trucking Ltd., a bankrupt
And not in its personal capacity



Katherine Bujold, CIRP
Vice President

Office of the Superintendent
of Bankruptcy CanadaAn Agency of
Industry CanadaBureau du surintendant
des faillites CanadaUn organisme
d'Industrie Canada

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E-Filing | update an estate:

The Reference Number for this transaction is: 3558067.
Submitted by Domohina Andriamahady.
(2009-03-24 10:41 EDT)

Please Note: The following estate(s) were updated:

- **Estate Number:** 25-1124515
Estate Name: Premiere Manufacturing Ltd.

The following document(s) have been successfully submitted:

- Trustee's Report to the Creditors on Preliminary Administration

Click [here](#) if you would like to submit another document for this estate.

If you would like to submit a document against a different estate, please click on the "Update" button in the navigation bar at the top of the screen.

Last Updated: 2008-11-28



[Important Notices](#)