



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

MEYERS NORRIS PENNY LIMITED

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

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

**TRUSTEE'S THIRD REPORT TO THE COURT**  
(Subsection 50.4(7)(b)(ii) of the *Bankruptcy and Insolvency Act*)

**INTRODUCTION AND 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 "Debtor Companies"), by way of predecessors, have been operating since 1986. The Debtor 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 head office of the Debtor Companies is located in Taber, Alberta.
2. Diamond, Hat Bit, 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 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 Debtor Companies.
3. On July 31, 2008, a Statement of Claim was filed against the Debtor Companies by Lorna Moores and Three Cloud Properties Ltd., a shareholder of Diamond. Management advises that the Debtor Companies have filed a Statement of Defense.
4. The Debtor Companies filed a Notice of Intention to Make a Proposal ("NOI") on October 27, 2008 (the "Filing Date") and Meyers Norris Penny Limited consented to act as Trustee (the "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 Debtor Companies to file Proposals to January 9, 2009. On January 9, 2009 an Order was granted by the Court extending the time for the Debtor Companies to file Proposals to February 23, 2009.
6. On November 25, 2008 and December 4, 2008, the Court granted Orders to procedurally consolidate the Debtor Companies' NOI filings into one Estate.



7. Pursuant to an Order granted by the Court on December 4, 2008, Meyers Norris Penny Limited was appointed as Interim Receiver (the "Receiver") of all of the current and future assets, undertakings and property of Premiere.
8. This report constitutes the Trustee's third report to the Court and should be read in conjunction with the Trustee's reports to the Court dated November 24, 2008 (the "First Report") and January 9, 2009 (the "Second Report").

## FINANCIAL POSITION

9. The most recent financial information available from the Debtor Companies is the internally prepared, unaudited financial statements as at January 31, 2009. Copies of the Debtor Companies' balance sheets as at January 31, 2009 are attached hereto as Schedule 1.
10. A list of assets and the net book values is summarized below:

	Premiere	DBC	Net Book Value (Note 1)		Diamond	Total
	(Note 2)		Labs	Dunn		
	\$	\$	\$	(Note 3)	\$	\$
Cash on Hand	77,409	78,862	15,163	-	-	171,434
Accounts Receivable	475,279	264,434	557,769	-	1,038	1,298,520
Prepays and Deposits	41,226	9,859	107,966	-	20,705	179,756
Due from Related Companies	-	592,041	-	-	-	592,041
Inventory	2,462,201	52,717	541,217	-	-	3,056,135
Land and Building	75,899	-	434,966	34,234	-	545,099
Equipment (Note 4)	1,710,342	-	109,914	85,000	-	1,905,256
Vehicles (Note 4)	56,130	-	-	-	9,709	65,839
Computer Hardware and Software	6,434	-	-	-	5,311	11,745
Furniture and Fixtures	628	-	1,184	-	764	2,576
Investments in Related Companies (Note 5)	1,490,245	-	-	-	6,000,000	7,490,245
	<u>6,395,793</u>	<u>997,913</u>	<u>1,768,179</u>	<u>119,234</u>	<u>6,037,527</u>	<u>15,318,646</u>

### NOTES:

1. The source of information is the Debtor Companies' internally prepared, unaudited balance sheets as at January 31, 2009.
  2. The operations of Hat Bit were wound up into Premiere prior to the Filing Date. As such, all of the transactions related to Hat Bit are included in Premiere's internally prepared, unaudited balance sheet as at January 31, 2009.
  3. Management has been unable to provide any financial statements for Dunn. The source of information is Dunn's corporate tax return for the year ended October 31, 2006.
  4. Certain of the equipment and vehicles are subject to security agreements. The value of Premiere's equipment includes drill bit rental fleet inventory of \$13,607,284 less depreciation.
  5. The investments in related companies represent Premiere's investment in Hat Bit and Diamond's investment in Premiere and Hat Bit. As the Debtor Companies have filed NOIs, the value of the investments in related companies is unknown.
11. From a review of the balance sheets there have been no material changes to the Debtor Companies' assets since the Second Report, except for adjustments made with respect to Labs' equipment and inventory as discussed in further detail in paragraphs 12 and 13 below.
  12. The net book value of Labs' equipment was increased by approximately \$15,000 to account for an asset purchase in the prior fiscal year that had not been recorded correctly.
  13. As noted in the Second Report, the Debtor Companies do not record inventory adjustments on their balance sheets until year end. Labs has now converted from a periodic inventory system to an automated inventory system and, as a result, inventory on the balance sheet is now adjusted monthly. The net book value of Labs' inventory has been adjusted to reflect actual current inventory (\$541,217) from the previously reported amount (\$116,242), an increase of \$424,975.

14. Premiere continues to use a manual inventory system and, although inventory adjustments are tracked manually in real time, adjustments are not recorded on the balance sheet until year end. Management advises that the year end adjustments with respect to Premiere's inventory have not been made for the past two fiscal years.
15. The Trustee has not conducted physical inventory counts for the Debtor Companies.
16. Management advises that in December 2008 and January 2009 Premiere's inventory decreased by a total of approximately \$29,000.
17. As noted on Labs' Report on Cash Flow Statement dated November 6, 2008, Labs projected cash flow was based on the probable assumption that it would collect sales proceeds (\$9,200) arising from the disposition of a vehicle prior to the Filing Date. Labs was unable to collect the sales proceeds and the vehicle has been returned to Labs. Labs has not yet made the required adjusting entry to the balance sheet to reflect this transaction.
18. As noted in the Second Report, the Debtor Companies commissioned appraisals of Premiere and Labs' land and buildings as at October 6, 2006 which indicated resale market values of approximately \$375,000, and \$475,000, respectively. The Debtor Companies commissioned current appraisals as at January 15, 2009 which indicated current resale market values of \$460,000 and \$675,000, respectively.

#### OPERATIONS

19. The Debtor Companies have continued operations on a business as usual basis. Results of the Debtor Companies' operations since the Second Report are discussed below in the monitoring section of this report.
20. Sales in January 2009 were higher than projected. Total sales for Premiere and DBC were approximately \$243,000 (including approximately \$48,000 of sales that have not yet been recorded) compared to the total projected sales of \$238,000.

#### MONITORING

21. The Debtor Companies' actual cash receipts and disbursements for the period January 4, 2009 to February 14, 2009 are summarized below:

##### Premiere

	Actual \$	Projected \$	Variance \$
Opening Cash Position	112,007	112,007	-
Cash Receipts	213,750	334,404	(120,654)
Cash Disbursements	(253,793)	(239,043)	(14,750)
Net Cash Flow	(40,043)	95,361	(135,404)
Closing Cash Position	71,964	207,368	(135,404)

Note: Diamond is a holding company that holds the shares of Premiere and Hat Bit. The operations of Hat Bit were wound up into Premiere prior to the Filing Date. As such, Management has included any disbursements relating to the operations of Diamond and Hat Bit in Premiere's actual cash receipts and disbursements.

**DBC**

	Actual \$	Projected \$	Variance \$
Opening Cash Position	35,184	35,184	-
Cash Receipts	57,433	108,397	(50,964)
Cash Disbursements	(24,805)	(88,850)	64,045
Net Cash Flow	<u>32,628</u>	<u>19,547</u>	<u>13,081</u>
Closing Cash Position	<u>67,812</u>	<u>54,731</u>	<u>13,081</u>

**Labs**

	Actual \$	Projected \$	Variance \$
Opening Cash Position	1,953	1,953	-
Cash Receipts	27,218	60,000	(32,782)
Cash Disbursements	(24,744)	(32,844)	8,100
Net Cash Flow	<u>2,474</u>	<u>27,156</u>	<u>(24,682)</u>
Closing Cash Position	<u>4,427</u>	<u>29,109</u>	<u>(24,682)</u>

**Dunn**

	Actual \$	Projected \$	Variance \$
Opening Cash Position	-	-	-
Cash Receipts	-	349	(349)
Cash Disbursements	-	(349)	349
Net Cash Flow	<u>-</u>	<u>-</u>	<u>-</u>
Closing Cash Position	<u>-</u>	<u>-</u>	<u>-</u>

Note: Management advises that during the period to February 14, 2009 there were no cash receipts or disbursements.

22. Summaries of actual cash receipts and disbursements for the period January 4, 2009 to February 14, 2009 are attached as Schedule 2.
23. The Trustee reviewed the Debtor Companies' cash receipts for the period January 4, 2009 to February 14, 2009 and provides the following comments:
  - The actual collection of accounts receivable and bit sale and repair revenue was less than forecast. Management advises that customers have extended payment time by approximately 15 days and believes that this is due to the economic downturn. Management advises that it is actively seeking payment on past due amounts from customers and that all receivables remain collectible.

- DBC will not collect the GST receivable of approximately \$7,100 included in its forecast. Management advises that DBC is unable to provide documentation to Canada Revenue Agency ("CRA") for the refund related to adjustments made by the Debtor Companies' former accountant and certain inter-company transactions processed through the Debtor Companies' previous accounting system.
24. The Trustee reviewed the Debtor Companies' cash disbursements for the period January 4, 2009 to February 14, 2009 and provides the following comments:
- Commissions are higher than forecast as a result of higher than forecast sales in December 2008.
  - Cash disbursements relating to the purchase of materials and supplies are less than forecast as the Debtor Companies have been relying on existing stock on hand.
  - Cash disbursements relating to professional fees are less than forecast. Currently, the outstanding professional fees total approximately \$108,000 (included in accounts payable as discussed in paragraph 25 of this report).
  - Management, in conjunction with Premiere's Receiver, paid the pre Filing Date amount due to Young Parkyn McNab of approximately \$1,700 in order to secure future accounting services including preparation of the Debtor Companies' 2008 T4s.
25. Management advises that there is approximately \$135,000 in post Filing Date accounts payable (excluding inter-company amounts) that has not yet been paid. This is comprised mainly of outstanding professional fees of \$108,000 (as discussed above).
26. Although Premiere and Labs have not achieved Management's projected cash flow, the Trustee did not note any material adverse change in the Debtor Companies' projected cash flow that would impair the Debtor Companies' ability to carry on operations.
27. A recent CRA trust audit for the 2008 taxation year indicates that Premiere owes approximately \$55,000 in unpaid source deductions and penalties. This is approximately \$20,000 more than the October 2008 CRA audit as Premiere neglected to remit source deductions for September and October 2008.
28. A recent CRA trust audit for the 2008 taxation year indicates that Labs owes approximately \$16,000 in unpaid source deductions and penalties.
29. Management advises that all of the Debtor Companies' post Filing Date remittances relating to GST, source deductions, WCB, and PST are up to date.

#### **CASH FLOW FORECASTS**

30. Management previously filed weekly projected statements of cash flow for the period ending March 28, 2009 (refer to Schedule 3 of the Second Report). Management has now prepared projections up to, and including April 25, 2009.
31. Attached as Schedule 3 are copies of the Debtor Companies' internally prepared, unaudited weekly projected statements of cash flow for the period ending April 25, 2009 (the "Revised Projected Statements of Cash Flow").
32. Management advises that there have been no changes to the significant assumptions used in preparing the Revised Projected Statements of Cash Flow, summarized as follows:

- Continue to provide supplies and materials, distribute, sell and provide bit repair services to domestic and international customers in the ordinary course of business;
- No inter-company transactions except within the normal course of business represented by the actual sale of product or services between the Debtor Companies;
- Continue to collect accounts receivable in the ordinary course of business;
- No payment of pre Filing Date accounts payable; and
- Projected expenses based on average historical expenses from past fiscal year.

33. A summary of the Debtor Companies' Revised Projected Statements of Cash Flow are provided below:

	Premiere (Note 1) \$	DBC \$	Labs \$	Dunn \$	Total \$
Opening Cash Position (Note 2)	112,007	35,184	1,953	-	149,144
Estimated Cash Receipts	775,614	236,397	120,000	1,122	1,133,133
Estimated Cash Disbursements	(699,081)	(160,340)	(78,854)	(1,122)	(939,397)
Estimated Closing Cash Position	<u>188,540</u>	<u>111,241</u>	<u>43,099</u>	<u>-</u>	<u>342,880</u>

Notes:

1. Diamond is a holding company that holds the shares of Premiere and Hat Bit. The operations of Hat Bit were wound up into Premiere in September 2006. As such, Management has included any disbursements relating to the operations of Diamond and Hat Bit in Premiere's Projected Statement of Cash Flow.
2. Opening cash position as at January 4, 2009.

34. The Revised Projected Statements of Cash Flow are based on the following monthly projected sales as summarized below:

	Premiere \$	DBC \$	Labs \$	Total \$
February	198,070	40,000	30,000	268,070
March	198,070	40,000	30,000	268,070
April	144,070	88,000	30,000	262,070
	<u>540,210</u>	<u>168,000</u>	<u>90,000</u>	<u>798,210</u>

35. Management anticipates that there will be sufficient cash flow during the period from January 4, 2009 to April 25, 2009 to meet the Debtor Companies' on-going expenses and to pay the costs of restructuring.

36. Using the actual closing cash balance as at February 14, 2009 (refer to paragraph 21) as the revised opening cash balance, the Revised Projected Statements of Cash Flow for the period February 15, 2009 to April 25, 2009 are set out below:

	Premiere \$	DBC \$	Labs \$	Dunn \$	Total \$
Opening Cash Balance	71,964	67,812	4,427	-	144,203
Estimated Cash Receipts	441,210	128,000	60,000	773	629,983
Estimated Cash Disbursements	(460,038)	(71,490)	(46,009)	(773)	(578,310)
Estimated Closing Cash Position	<u>53,136</u>	<u>124,322</u>	<u>18,418</u>	<u>-</u>	<u>195,876</u>

#### SALE OF ASSETS

37. Premiere owns a significant portion of the Debtor Companies' assets. The Receiver of Premiere commenced a sales process with respect to Premiere's assets. The Receiver's marketing efforts and sales process is outlined in the Receiver's First Report to the Court dated January 8, 2009 and the Receiver's Second Report to the Court dated February 19, 2009 (the "Receiver's Second Report").

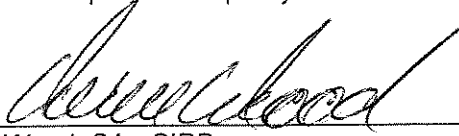
#### EXTENSION OF STAY PERIOD

38. Pursuant to the Order of January 9, 2009, the Debtor Companies must file Proposals no later than February 23, 2009. The Trustee understands that the Debtor Companies will be applying for an extension of time to file the Proposals for a period of 45 days to April 6, 2009.
39. The Debtor Companies are operating in a manner consistent with the Revised Projected Statements of Cash Flow and there have been no material changes to the operations since the Filing Date.
40. The Trustee is of the view that Management is acting in good faith and with due diligence in its effort to restructure the Debtor Companies' affairs. Although Mr. Souther has been diligently working with several interested parties, to date, his efforts have not resulted in any arrangements that would indicate to the Trustee that Proposals to the Debtor Companies' creditors would be likely. It is unknown whether further discussions with these parties will result in an arrangement that would facilitate the Debtor Companies' Proposals.
41. The Debtor Companies' Proposals are dependent on the outcome of the sales process under the receivership of Premiere. As discussed in the Receiver's Second Report, the Receiver received 10 Offers to Purchase and/or Expressions of Interest (collectively, the "Expressions"). The Expressions received varied from the purchase of all assets, auction proposals for all assets, interest in the dill bit inventory and/or interest in the real property. However, none of the Expressions have materialized into any form of offer that could be accepted by the Receiver and thereby presented to the Court for its approval. Although the Receiver has carried on a dialogue with a party that expressed an interest to not only purchase all of Premiere's assets but assets of certain of the other Debtor Companies, at this time it is unknown whether the current negotiations will lead to an offer to purchase that is acceptable to the Receiver or that will be in substance an offer that will permit the Debtor Companies to make viable Proposals to their creditors.
42. Accordingly, the Trustee is of the view that an extension of the period for filing the Proposals is not appropriate in the circumstances.

Dated at Calgary, Alberta this 19th day of February 2009.

MEYERS NORRIS PENNY LIMITED

In its capacity as Trustee of the Notice of Intention to Make a Proposal of  
The Diamond Bullet Corporation, Hat Bit Supply Ltd.,  
Premiere Manufacturing Ltd., R Environmental Labs Ltd.,  
DBC International Inc. and Dunn Trucking Ltd. Insolvent Person  
And not in its personal capacity



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Verne Wood, CA • CIRP  
Senior Vice President

# **SCHEDULE 1**

**Premiere Manufacturing Ltd**  
**Balance Sheet As at 01/31/2009**

**ASSET**

**Assets**

Petty Cash- Office	87.08	
Petty Cash- Rick Souther	515.35	
Petty Cash- Paul Karl	1,228.77	
HSBC Operating Account	10,290.00	
HSBC Bank - Hat Bit	-3,455.99	
HSBC Operating Acct US\$	-9.00	
HSBC US\$ - Hat Bit	-17.16	
Scotiabank Operating Account	162.15	
MNP Bank Account (In Trust)	68,608.11	
A/P Clearing	0.00	
<b>Total Cash</b>		<b>77,409.31</b>
Accounts Receivable (CAD)	342,013.27	
Other Accounts Receivable	114,269.77	
Employee Receivable - Ross Math	17,541.21	
Agents Clearing Account-LL	752.71	
Agents Clearing Account-GP	385.47	
Agents Clearing Account-RD	316.42	
<b>Total Receivables</b>		<b>475,278.85</b>
Deposits - Prepaid Orders	0.00	
Prepaid Insurance - Hat Bit	18,105.57	
Prepaid W.B.C.	5,533.36	
Prepaid WCB - Hat Bit	-2,874.32	
Prepaid Taxes	7,888.24	
Prepaid Other	5,415.97	
Prepaid Deposits	898.43	
Prepays - Hat Bit	6,258.37	
<b>Total Prepaid Expenses</b>		<b>41,225.62</b>
Mastercard Clearing Account		3,839.33
Inventory Raw Materials	486,264.00	
Inventory Bits-Tooth-Button	872,656.00	
Inventory-PDC Bits	434,501.14	
Inventory Out of Service Bits	179,900.00	
Inventory-W.I.P.	486,880.00	
<b>Total Inventory</b>		<b>2,462,201.14</b>
Due (to) from Renviron		-772,655.36
Due (to) from Renviron - Hat Bit		258,118.72
Due (to) from DBC Int'l		203,010.53
Due (to) from DBC Int'l - Hat Bit		-300,289.35
Due (to) Hat Bit Supply Ltd.		11,066,513.83
Due (to) Premiere - Hat Bit		-11,067,296.68
Due (to) Diamond Bullet		-12,458,310.01
Due (to) Diamond Bullet - Hat Bit		11,875,466.15
Due To Shelby Recycling - Hat Bit		1,072.00
Due from Sleawzone		58.69
<b>Total Current Assets</b>		<b>1,865,642.77</b>

**Property, Plant and Equipment**

Land	5,047.19
Building	187,167.45
Equipment	1,239,651.00
Vehicles	201,466.18
Computer Hardware	51,565.88
Furniture & Fixtures	38,736.51
PDC Rentals	9,497,990.00
Other PDC Rental Bits	2,082,240.00
Tooth & Button Bits	2,027,054.00
Accum Deprn Buildings	-116,315.98
Accum Deprn Equipment	-1,090,023.65
Acc um Deprn Equip - Hat Bit	-476.45
Accum Deprn Vehicles	-84,069.53
Accum Deprn Vehicles - Hat Bit	-499.58
Accum Deprn Computers	-45,132.32
Accum Deprn Furniture	-38,108.23
Accum Deprn PDC Rentals	-7,207,702.00

Accum Deprn Other	-1,863,817.00	
Accum Deprn Tooth	-1,569,605.00	
Net Prperty, Plant and Equipment		3,295,168.47
<b>Total Capital Assets</b>		<u>3,295,168.47</u>

#### Investments

Investments Marketabel		-1,670.58
Investment in Hat Bit		1,491,916.00
<b>Total Investments</b>		<u>1,490,245.42</u>

**TOTAL ASSET** 6,651,056.66

#### LIABILITY

##### Liabilities

Accounts Payable Pre Oct 27, 2008		15,096.58
Accounts Payable After Oct 27, 2008	114,312.26	
Trade Accounts Payable	607,310.14	
Accrued Payroll	23,848.94	
<b>Total Accounts payable</b>		<u>745,471.34</u>
GST Charged on Sales	4,251.31	
GST Charged on Sales - Hat Bit	-348.96	
GST Purchases ITC Credits	-3,154.66	
GST Purchases ITC's - Hat Bit	990.86	
GST Clearing	-11,584.02	
Net GST Payable (Receivable)		-9,845.47
PST Sask Payable		-351.20
Vacation Payable		-3,578.11
CPP Payable	21,455.23	
EI Payable	7,741.90	
Tax Payable (PAYROLL)	33,726.60	
Payroll remittance payable		62,923.73
Provincial Heath Payable		-2,495.55
Health Insurance Payable		-5,574.77
Other Payable		-249.74
Future Income Tax payable		282,256.71
M/C Payable R.Souther		22.99
M/C Payable C Daub		2,942.46
M/C Payable P Karl		1,986.87
Temp A/P		0.00
<b>Total Current Liabilities</b>		<u>1,088,605.84</u>

##### Long Term Debt

Long Term Equipment Loans		1,384,969.15
Bank Loan # 600 - Vehicle		3,650.83
GMAC Loan #701		49,844.78
Toyota Loan - Unit 102		2,365.75
Due (to) Dunn Trucking	13,175,155.50	
Due (to) Dunn Trucking - Hat Bit		-36,100.14
Shareholder Loan - Rick Souther		-7,478.63
<b>Total Liabilities</b>		<u>14,572,407.24</u>

**TOTAL LIABILITY** 15,661,013.08

#### EQUITY

##### Owners Equity

Common Shares		2.00
Common Shares - Hat Bit		190.00
Retained Earnings	-11,342,102.53	
Retained Earnings - Hat Bit	2,392,265.40	
Current Earnings	-60,311.29	
<b>Total Owners Equity</b>		<u>-9,009,956.42</u>

**TOTAL EQUITY** -9,009,956.42

**LIABILITIES AND EQUITY** 6,651,056.66

**DBC International Inc.**  
**Balance Sheet As at 01/31/2009**

**ASSET**

**Assets**

Petty Cash	871.61
Petty Cash US	194.74
Petty Cash- Rick	3.36
Scotiabank Operating Account	74,846.27
Scotiabank Operating Account US\$	2,945.90
Accounts Receivable (CAD)	264,442.17
Accounts Receivable (USD)	-8.05
Prepaid Other	-140.63
Prepaid Deposits	10,000.00
Inventory Bits-Tooth-Button	30,997.88
Inventory Other PDC Bits	14,204.00
Due (to) from Renviron	44,077.14
Due (to) Hat Bit Supply Ltd.	460,184.28
Due (to) Premiere Manufacturing Ltd	-335,544.76
Due (to) Diamond Bullet	423,324.63
PDC Rentals	7,515.00
<b>Total Assets</b>	<u>997,913.54</u>

**TOTAL ASSET**

997,913.54

**LIABILITY**

**Liabilities**

Accounts Payable	46,838.04
Accounts Payable Pre 10/27/08	0.00
Accounts Payable US	1,248.27
GST Charged on Sales	355.00
GST Purchases ITC Credits	-3,226.47
Shareholder Loan - Rick Souther	18,391.99
<b>Total Liabilities</b>	<u>63,606.83</u>

**TOTAL LIABILITY**

63,606.83

**EQUITY**

**Owners Equity and Retained Earnings**

Share Capital	100.00
Retained Earnings	811,382.87
Current Earnings	122,823.84
<b>Total Owners Equity and Retained</b>	<u>934,306.71</u>

**TOTAL EQUITY**

934,306.71

**LIABILITIES AND EQUITY**

997,913.54

Generated On: 02/06/2009

**Diamond Bullet Corporation**  
**Balance Sheet As at 01/31/2009**

**ASSET**

**Assets**

HSBC Operating Account	-1,651,256.31
Accounts Receivable (CAD)	1,038.31
Deposits	1,743.69
Prepaid Insurance	18,961.21
Prepaid W.B.C.	-262.97
Due (to) from Renviron	688,764.59
Due (to) from DBC Int'l	-276,307.03
Due (to) Hat Bit Supply Ltd.	-11,897,516.15
Due (to) Premiere Manufacturing Ltd	12,485,292.27
Vehicles	51,109.43
Computer Hardware	75,357.14
Computer Software	42,401.02
Furniture & Fixtures	16,921.19
Accum Deprn Vehicles	-31,949.61
Accum Deprn Computers	-72,137.78
Accum Deprn Computer Software	-40,309.87
Accum Deprn Furniture	-16,157.02
Investment in Hat Bit	3,000,000.00
Investment in Premiere	3,000,000.00
<b>Total Assets</b>	<u>5,395,692.11</u>

**TOTAL ASSET**

5,395,692.11

**LIABILITY**

**Liabilities**

Accounts Payable	7,859.04
Accrued Payables	18,961.21
Accrued Payroll	6,071.32
Asset Clearing Account	-6,071.32
GST Charged on Sales	-41.88
GST Purchases ITC Credits	-3,455.42
Vacation Payable	3,092.53
CPP Payable	0.20
Provincial Health Payable	-348.52
Health Insurance Payable	1,316.44
GMAC Loan - Unit 917	9,450.54
Due (to) Dunn Trucking	255,076.53
Due (to) Three Cloud Properties	641,048.42
<b>Total Liabilities</b>	<u>932,959.09</u>

**TOTAL LIABILITY**

932,959.09

**EQUITY**

**Owners Equity**

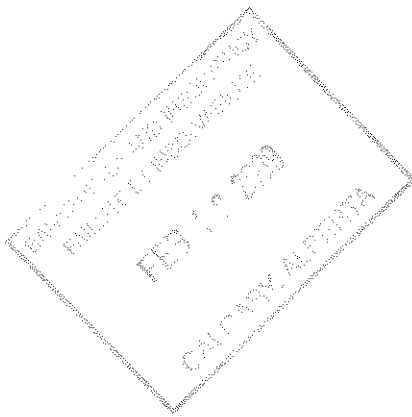
Class C - Common Shares	100.00
Class D- Common Shares	100.00
Class H - Common Shares	3,000,000.00
Retained Earnings	1,455,296.82
Current Earnings	7,236.20
<b>Total Owners Equity</b>	<u>4,462,733.02</u>

**TOTAL EQUITY**

4,462,733.02

**LIABILITIES AND EQUITY**

5,395,692.11



Court/Estate No. 25-1124515  
(Consolidated Estate)

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

IN BANKRUPTCY

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

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**TRUSTEE'S THIRD REPORT TO THE  
COURT**

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**McCARTHY TÉTRAULT LLP**  
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