

District of Alberta
Division No: 02-Calgary
Court No: 25-1124515
Estate No: 25-1124515



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., AND
PREMIERE MANUFACTURING LTD.**

TRUSTEE'S 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") (collectively, the "Debtor Companies"), by way of its predecessors, have been operating since 1986. Diamond is a holding company for the shares of Premiere and Hat Bit. Hat Bit was a distributor of drill bits but its operations were wound up into Premiere at the end of September 2007. Premiere manufactures, distributes, sells and repairs tri-cone rock bits and poly-crystalline diamond compact rock bits for use in the oil and gas industry throughout Western Canada. The Debtor Companies' head office is located in Taber, Alberta.
2. The Debtor Companies 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 International Inc. and R Environmental Ltd. 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. 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"). Related companies, namely R Environmental Labs Ltd., DBC International Inc., and Dunn Trucking Ltd. also filed NOIs on the Filing Date.

FINANCIAL POSITION

4. The most recent financial information available from the Debtor Companies is its internally prepared, unaudited financial statements as at October 30, 2008. Copies of the Debtor Companies' balance sheets as at October 30, 2008 (collectively, the "Balance Sheet") are attached as Schedule 1.
5. Management advises that adjusting entries from prior years (fiscal years ending September 30, 2007 and 2008) have not yet been made.

6. The primary assets of the Debtor Companies are accounts receivable, land and building, inventory, equipment and vehicles. A list of assets and the net book values is summarized below:

Description (Note 1)	Note	Net Book Value		Total
		Premiere (Note 2) \$	Diamond \$	
Accounts Receivable		463,234	1,778	465,012
Prepays and Deposits		47,862	19,744	67,606
Inventory		2,462,201	-	2,462,201
Land and Building		75,899	-	75,899
Equipment	3	1,710,342	-	1,710,342
Vehicles	3	51,026	9,709	60,735
Computer Hardware and Software		6,434	5,311	11,745
Furniture and Fixtures		628	764	1,392
Investments in Related Companies	4	1,490,245	6,000,000	7,490,245
		<u>6,307,871</u>	<u>6,037,306</u>	<u>12,345,177</u>

NOTES:

1. The source of information is the Debtor Companies' internally prepared, unaudited balance sheets as at October 30, 2008.
 2. The operations of Hat Bit were wound up into Premiere at the end of September 2007. As such all of the transactions related to Hat Bit are included in Premiere's internally prepared, unaudited balance sheet as at October 30, 2008.
 3. Certain of the vehicles and equipment are subject to security agreements.
 4. The investments in related companies represent Premiere's investment in Hat Bit and Diamond's investment in Premiere and Hat Bit. Due to the Debtor Companies' filing of the NOIs, the value of these investments in related companies is unknown.
7. The majority of the Debtor Companies' assets are situated in Taber, Alberta. There are also certain assets and inventory situated in Grande Prairie and Lloydminster, Alberta.
 8. All of the Debtor Companies' assets are subject to various lease agreements and the general security agreement held by HSBC. The Trustee has not obtained a legal opinion as to the validity and enforceability of these security agreements.
 9. The Debtor Companies' Balance Sheet indicates accounts receivable in the approximate amount of \$465,000. This is comprised of trade accounts receivable (approximately \$333,000), an employee accounts receivable (approximately \$18,000) and other accounts receivable (approximately \$114,000).
 10. Management advises that the accounts receivable as recorded on the Balance Sheet are overstated as a result of duplicated year end adjusting entries made by both the Debtor Companies and the external accountant. Management advises that the employee accounts receivable and the other accounts receivable should not be recorded on the Balance Sheet and expects to receive an adjusting entry from its external accountant to eliminate these amounts.

11. Of the trade accounts receivables, approximately \$385,000 is due from arm's length third parties and the balance of approximately \$80,000 is due from a related party, Sleawzone (2005) Inc. ("Sleawzone"). Approximately 85% of the accounts receivable due from third parties is less than 60 days. Management advises that it expects to collect all of the third party accounts receivable. The Trustee has not been provided with information to assess Sleawzone's financial status, and as such, cannot determine the likelihood of collectability of the amount due from Sleawzone.
12. The Debtor Companies commissioned an appraisal of the building located at 6215 – 62 Street, Taber, Alberta as at October 6, 2006. The appraisal indicates a resale market value of approximately \$375,000.
13. The Debtor Companies commissioned an appraisal of the inventory as at June 2, 2008. The appraisal indicates fair market and orderly liquidation values of the inventory at approximately \$11.3 million and \$8.9 million, respectively.
14. Management has not provided us with a fixed asset ledger. Management advises that vehicles and equipment is comprised of trailers, tractors, forklifts, machines and shop equipment, and various motor vehicles. As noted above, certain of the vehicles and equipment are subject to security agreements.
15. The Balance Sheet indicates total secured and unsecured liabilities, excluding inter-company debt, contingent claims, shareholders' loans, and HSBC Debt, of approximately \$965,000. Management advises that the liabilities as recorded on the Balance Sheet are overstated as a result of duplicated year end adjusting entries made by both the Debtor Companies and the external accountant. Management advises that as at the Filing Date, the Debtor Companies' secured and unsecured liabilities, excluding inter-company debt and the HSBC Debt, total approximately \$225,000.

OPERATIONS

16. The Debtor Companies have eight employees. The Debtor Companies also have two agents (contractors) that are paid on a commission basis.
17. The Debtor Companies have continued operations on a business as usual basis. Results of the Debtor Companies' operations since October 27, 2008 are discussed below in the monitoring section of this report.
18. Management advises that the Debtor Companies actual sales since the Filing Date total approximately \$174,000, higher than the projected sales of \$34,000. Management advises that all sales have been invoiced to customers.
19. As a result of these increased sales, Management advises that cash disbursements including the cost of materials and commissions payable will also increase.

MONITORING

20. Attached as Schedule 2 is a copy of the Debtor Companies' internally prepared, unaudited weekly projected statement of cash flow for the period ending January 3, 2009 (the "Projected Statement of Cash Flow").

21. The significant assumptions used in preparing the Projected Statement of Cash Flow are summarized as follows:

- Continue to distribute, sell and provide bit repair services to Canadian customers in the ordinary course of business;
- Continue to provide bit repair services to DBC International Inc. and continue to purchase supplies and materials from R Environmental Labs Ltd;
- No inter-company transactions except within the normal course of business represented by the actual sale of product or services between companies;
- Continue to collect accounts receivable in the ordinary course of business (historical average collection period of 75 days);
- No payment of pre Filing Date accounts payable except for net payroll that was paid on October 31, 2008; and
- Projected expenses based on average historical expenses from past fiscal year.

22. A summary of the Debtor Companies' Projected Statement of Cash Flow is provided below:

	\$
Opening Cash Position	50,710
Estimated Cash Receipts	345,749
Estimated Cash Disbursements	<u>(377,625)</u>
Estimated Closing Cash Position	<u><u>18,834</u></u>

23. Management anticipates that there will be sufficient cash flow to meet the Debtor Companies' ongoing expenses and to pay restructuring costs.

24. The actual net cash flow for the Debtor Companies for the period October 27, 2008 to November 22, 2008 is summarized below:

	Actual \$	Projected \$	Variance \$
Opening Cash Position	50,710	50,710	-
Cash Receipts	100,188	107,636	(7,448)
Cash Disbursements	(99,948)	(107,640)	7,692
Net Cash Flow	<u>240</u>	<u>(4)</u>	<u>244</u>
Closing Cash Position	<u><u>50,950</u></u>	<u><u>50,706</u></u>	<u><u>244</u></u>

25. A summary of actual cash receipts and disbursements for the period October 27, 2008 to November 22, 2008 is attached as Schedule 3.

26. The Trustee reviewed the Debtor Companies' cash receipts for the period and provides the following comments:
- All cash receipts have been derived from collection of accounts receivable. The total amount of accounts receivable collected has been slightly less than forecast. Variances have occurred with respect to the timing of collection of the accounts receivable.
27. The Trustee reviewed the Debtor Companies' cash disbursements for the period and provides the following comments:
- Management deemed it necessary to pay certain pre-Filing Date payables namely net payroll (approximately \$12,000) that was paid on October 31, 2008 and vehicle registration and fines (total of approximately \$300).
 - Rent has not yet been paid to R Environmental Labs Ltd. Management advises that this amount will be paid in a subsequent period.
 - Professional fees are higher than forecast as a \$10,000 retainer to legal counsel had been included in the DBC International Inc. forecast was, in fact, paid by the Debtor Companies.
28. Management advises that there are approximately \$6,000 in post Filing Date accounts payable that have not yet been paid.
29. 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.
30. Management advises that all of the Debtor Companies' post Filing Date remittances relating to source deductions are up to date.

SALE OF ASSETS

31. The Debtor Companies have received an offer to purchase with respect to the property located at 6215 – 62 Street Taber, Alberta. The offer to purchase is for \$400,000 less a 4% agent commission, subject to Court approval, the consent of HSBC and certain conditions that must be satisfied by the buyer on or before December 21, 2008. The offer to purchase has not been accepted and the building is still being marketed to potential purchasers.
32. The Debtor Companies are in the process of soliciting offers from interested parties and auction companies with respect to the sale of most of its inventory and equipment.

EXTENSION OF STAY PERIOD

33. The initial period for the Debtor Companies to file its Proposal expires on November 26, 2008. The Trustee understands that the Debtor Companies will be applying for an extension of time to file its Proposal for a period of 45 days to January 10, 2009.
34. An extension is necessary for the Debtor Companies to facilitate a sale of its assets, continue negotiations and discussions with major stakeholders, and continue to develop a Proposal.

35. 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. The Debtor Companies are operating in a manner consistent with its Projected Cash Flow Forecast and there have been no material changes to its operations since the Filing Date.
36. The Trustee is of the view that no creditor would be materially prejudiced should an extension of the period for filing the Proposal be granted.
37. The Trustee is of the view that an extension of the period for filing the Proposal is appropriate in the circumstances and respectively recommends that the Court approve an extension of the period for filing the Proposal for a period of 45 days to January 10, 2009.

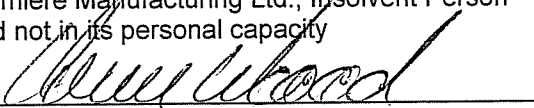
OTHER

38. Nothing has been brought to the attention of the Trustee that would indicate the existence of any fraudulent transactions as defined under subsections 91 to 101 of the *Bankruptcy and Insolvency Act*.
39. The Trustee does not require further advice, direction or assistance from the Court at this time.

Dated at Calgary, Alberta this 24th day of November 2008.

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., and
Premiere Manufacturing Ltd., Insolvent Person
And not in its personal capacity


Verne Wood, CA • CIRP
Senior Vice President

remiere Manufacturing Ltd
Balance Sheet As at 10/30/2008

ASSETS

Assets		
Petty Cash	86.30	
Petty Cash - Hat Bit	-1.91	
HSBC Operating Account	6,930.00	
HSBC Bank - Hat Bit	-3,455.99	
HSBC US\$ - Hat Bit	-17.16	
Scotiabank Operating Account	39,203.15	
A/P Clearing	<u>0.00</u>	
Total Cash		42,744.39
Accounts Receivable (CAD)	330,557.61	
Accounts Receivable	0.00	
Accounts Receivable (USD)	0.00	
Accounts Receivable	0.00	
Other Accounts Receivable	114,269.77	
Accounts Receivable (RRBIT)	0.00	
Advances Receivable	0.00	
Advances Receivable	0.00	
Employee Receivable - Ross Math	17,541.21	
Agents Clearing Account	0.00	
Agents Clearing Account-MH	0.00	
Agents Clearing Account-LL	-922.38	
Agents Clearing Account-GP	1,489.26	
Agents Clearing Account-RD	298.10	
Allowance for Doubtful Accounts	<u>0.00</u>	
Total Receivables		463,233.57
Deposits	0.00	
Deposits - Prepaid Orders	0.00	
Prepaid Insurance	1,636.00	
Prepaid Insurance - Hat Bit	18,105.57	
Prepaid W.B.C.	6,556.68	
Prepaid WCB - Hat Bit	-2,874.32	
Prepaid Accounting Services	0.00	
Prepaid Taxes	7,888.24	
Prepaid Other	5,415.97	
Prepaid Deposits	1,035.81	
Prepays - Hat Bit	<u>6,258.37</u>	
Total Prepaid Expenses		44,022.32
Mastercard Clearing Account		3,839.33
Inventory Raw Materials	488,264.00	
Inventory Bits-Tooth-Button	872,656.00	
Inventory--PDC Bits	434,501.14	
Inventory Other PDC Bits	0.00	
Inventory Out of Service Bits	179,900.00	
Inventory--Scrap Bits	0.00	
Inventory--W.I.P.	486,880.00	
Inventory--Stainless Steel	<u>0.00</u>	
Total Inventory		2,462,201.14
Due (to) from Renviron	-772,655.36	
Due (to) Dunn Trucking	0.00	
Due (to) from Renviron - Hat Bit	258,118.72	
Due (to) from DBC Int'l	184,535.89	
Due (to) from DBC Int'l - Hat Bit	-300,289.35	
Due (to) Hat Bit Supply Ltd.	11,066,515.74	
Due (to) Premiere - Hat Bit	-11,067,296.68	
Due (to) Diamond Bullet	-12,449,965.31	
Due (to) Diamond Bullet - Hat Bit	11,875,466.15	
Due (to) Shelby Recycling	0.00	
Due To Shelby Recycling - Hat Bit	1,072.00	
Due From/To Shelby Recycling	0.00	
Due from Sleawzone	<u>58.69</u>	
Total Current Assets		1,811,601.24
Property, Plant and Equipment		
Land	5,047.19	
Building	187,167.45	
Equipment	1,239,651.00	
Tools	201,466.18	
Computer Hardware	51,565.88	
Computer Software	0.00	

Premiere Manufacturing Ltd
Balance Sheet As at 10/30/2008

Furniture & Fixtures	38,736.51	
↳ 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	
Accum 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 Computer Software	0.00	
Accum Deprn Furniture	-38,108.23	
Accum Deprn PDC Rentals	-7,207,702.00	
Accum Deprn Other	-1,883,817.00	
Accum Deprn Tooth	-1,569,605.00	
Net Property, Plant and Equipment		<u>3,295,168.47</u>
Total Capital Assets		<u>3,295,168.47</u>
Investments		
Investments Marketabel		-1,670.58
Investment in Hat Bit		1,481,916.00
Investment in Premiere		0.00
Total Investments		<u>1,480,245.42</u>
TOTAL ASSETS		<u><u>6,597,015.13</u></u>
LIABILITIES		
Liabilities		
Accounts Payable Pre Oct 27, 2008	-24,342.23	
Accounts Payable	0.00	
Accounts Payable After Oct 27, 2008	484.00	
Accounts Payable US	0.00	
Accounts Payable- Hat Bit	0.00	
le Accounts Payable	566,709.43	
Accrued Payables	0.00	
Accrued Payables US	0.00	
Accrued Payroll	23,848.94	
Accrued Payables- Hat Bit	0.00	
Total Accounts payable		<u>566,700.14</u>
Asset Clearing Account		0.00
GST Charged on Sales	7,257.54	
GST Charged on Sales - Hat Bit	-348.96	
GST Purchases ITC Credits	-397.91	
GST Purchases ITC's - Hat Bit	990.86	
GST Clearing	-11,584.02	
Net GST Payable (Receivable)		<u>-4,082.49</u>
PST/Sask Payable		163.80
Vacation Payable		7,505.40
Vacation Payable		-3,578.11
Social Club & Safety Awards Payable		0.00
CPP Payable	16,617.25	
EI Payable	6,507.50	
Tax Payable (PAYROLL)	25,401.05	
Payroll remittance payable		48,525.80
Provincial Health Payable		-1,744.57
Health Insurance Payable		-2,165.66
Other Payable		-249.74
Future Income Tax payable		282,256.71
Corporate Tax Payable		0.00
M/C Payable R.Souther		1,953.16
M/C Payable J Boldt		2,364.64
M/C Payable C Daub		2,584.77
M/C Payable P Karl		1,696.13
Temp A/P		0.00
Total Current Liabilities		<u><u>901,929.98</u></u>
Long Term Debt		
Long Term Mortgage Payable		0.00
Long Term Equipment Loans		1,384,969.15
Bank Loan # 602 Former Shlder & Cas		0.00

Premiere Manufacturing Ltd
Balance Sheet As at 10/30/2008

Bank Loan # 600 - Vehicle	6,282.62
Bank Loan #701	53,508.59
GMAC Loan - Unit 843	0.00
GMAC Loan - Unit 917	0.00
Toyota Loan - Unit 102	3,363.26
Due (to) Dunn Trucking	13,175,155.50
Due (to) Dunn Trucking - Hat Bit	-36,100.14
Due (to) Three Cloud Properties	0.00
Due (to) Krellco	0.00
Shareholder Loan - Rick Souther	-7,478.63
Deferred Income Tax	0.00
Total Liabilities	<u>14,579,700.35</u>
TOTAL LIABILITIES	<u>15,481,630.33</u>
QUITY	
Owners Equity	
Common Shares	2.00
Common Shares - Hat Bit	190.00
Preferred Shares Class I	0.00
Class B - Common Shares	0.00
Class C - Common Shares	0.00
Class D- Common Shares	0.00
Class H - Common Shares	0.00
Retained Earnings	-11,349,003.79
Retained Earnings - Hat Bit	2,392,265.40
Current Earnings	71,931.19
Total Owners Equity	<u>-8,884,615.20</u>
TOTAL EQUITY	<u>-8,884,615.20</u>
LIABILITIES AND EQUITY	<u><u>6,597,015.13</u></u>

Diamond Bullet Corporation
Balance Sheet As at 10/30/2008

ASSETS

Assets	
Petty Cash	159.02
HSBC Operating Account	-1,650,147.81
HSBC Operating Acct US\$	0.00
Accounts Receivable (CAD)	1,777.71
Accounts Receivable (USD)	0.00
Accounts Receivable (RRBIT)	0.00
Advances Receivable	0.00
Agents Clearing Account	0.00
Agents Clearing Account-MH	0.00
Agents Clearing Account-LL	0.00
Agents Clearing Account-GP	0.00
Agents Clearing Account-PK	0.00
Allowance for Doubtful Accounts	0.00
Deposits	1,046.17
Deposits - Prepaid Orders	0.00
Prepaid Insurance	18,961.21
Prepaid W.B.C.	-262.97
Prepaid Accounting Services	0.00
Prepaid Taxes	0.00
Prepaid Other	0.00
Prepaid Deposits	0.00
Mastercard Clearing Account	0.00
Inventory Raw Materials	0.00
Inventory Bits-Tooth-Button	0.00
Inventory-PDC Bits	0.00
Inventory Other PDC Bits	0.00
Inventory Out of Service Bits	0.00
Inventory-Scrap Bits	0.00
Inventory-W.I.P.	0.00
Inventory-Stainless Steel	0.00
Due (to) from Renviron	688,764.59
Due (to) Dunn Trucking	0.00
Due (to) from DBC Int'l	-276,307.03
Due (to) Hat Bit Supply Ltd.	-11,897,516.15
Due (to) Premiere Manufacturing Ltd	12,476,947.57
Due (to) Diamond Bullet	0.00
Due (to) Shelby Recycling	0.00
Due From/To Shelby Recycling	0.00
Land	0.00
Building	0.00
Equipment	0.00
Vehicles	51,109.43
Computer Hardware	75,357.14
Computer Software	42,401.02
Furniture & Fixtures	16,921.19
PDC Rentals	0.00
Other PDC Rental Bits	0.00
Tooth & Button Bits	0.00
Accum Deprn Buildings	0.00
Accum Deprn Equipment	0.00
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
Accum Deprn PDC Rentals	0.00
Accum Deprn Other	0.00
Accum Deprn Tooth	0.00
Investment in Hat Bit	3,000,000.00
Investment in Premiere	3,000,000.00
Total Assets	<u>5,388,656.81</u>

TOTAL ASSETS

5,388,656.81

LIABILITIES

Liabilities	
Accounts Payable	7,884.58
Accounts Payable US	0.00

Diamond Bullet Corporation
Balance Sheet As at 10/30/2008

Accrued Payables	18,961.21
ued Payables US	0.00
Accrued Payroll	6,071.32
Asset Clearing Account	-6,071.32
GST Purchases on Sales	0.00
GST Purchases ITC Credits	-3,455.42
PST Sask Payable	0.00
Vacation Payable	3,092.53
Social Club & Saftey Awards Payable	0.00
CPP Payable	0.20
EI Payable	0.00
Tax Payable (PAYROLL)	0.00
Provincial Heath Payable	-348.52
Health Insurance Payable	1,316.44
Other Payable	0.00
Corporate Tax Payable	0.00
Long Term Mortgage Payable	0.00
Long Term Equipment Loans	0.00
Bank Loan # 602 Former Shlder & Cas	0.00
Bank Loan # 600 - Vehicle	0.00
GMAC Loan - Unit 643	0.00
GMAC Loan - Unit 917	9,450.54
Toyota Loan - Unit 102	0.00
Due (to) Dunn Trucking	255,076.53
Due (to) Three Cloud Properties	641,048.42
Due (to) Krelco	0.00
Shareholder Loan - Rick Souther	0.00
Deferred Income Tax	0.00
Total Liabilities	<u>933,026.51</u>
TOTAL LIABILITIES	<u>933,026.51</u>
EQUITY	
Owners Equity	
Common Shares	0.00
Preferred Shares Class I	0.00
Class B - Common Shares	0.00
Class C - Common Shares	100.00
Class D- Common Shares	100.00
Class H - Common Shares	3,000,000.00
Retained Earnings	1,455,430.30
Current Earnings	0.00
Total Owners Equity	<u>4,455,630.30</u>
TOTAL EQUITY	<u>4,455,630.30</u>
LIABILITIES AND EQUITY	<u><u>5,388,656.81</u></u>

at Bit Supply Ltd
Balance Sheet As at 10/30/2008

ASSETS	
Assets	
Petty Cash	-1.91
HSBC Operating Account	-4,069.85
HSBC Operating Acct US\$	-26.45
Accounts Receivable (CAD)	0.00
Accounts Receivable	655.95
Accounts Receivable (USD)	-655.95
Accounts Receivable (RRBIT)	0.00
Advances Receivable	0.00
Agents Clearing Account	0.00
Agents Clearing Account-MH	0.00
Agents Clearing Account-LL	0.00
Agents Clearing Account-GP	0.00
Agents Clearing Account-PK	0.00
Allowance for Doubtful Accounts	0.00
Deposits	0.00
Deposits - Prepaid Orders	18,105.57
Prepaid Insurance	-2,674.32
Prepaid W.B.C.	0.00
Prepaid Accounting Services	0.00
Prepaid Taxes	0.00
Prepaid Other	0.00
Prepaid Deposits	0.00
Mastercard Clearing Account	0.00
Inventory Raw Materials	0.00
Inventory Bits-Tooth-Button	0.00
Inventory-PDC Bits	0.00
Inventory Other PDC Bits	0.00
Inventory Out of Service Bits	0.00
Inventory-Scrap Bits	0.00
Inventory-W.I.P.	0.00
Inventory-Stainless Steel	258,118.72
Due (to) from Renviron	0.00
Due (to) Dunn Trucking	-300,289.35
Due (to) from DBC Int'l	0.00
Due (to) Hat Bit Supply Ltd.	-11,067,295.68
Due (to) Premiere Manufacturing Ltd	11,875,466.15
Due (to) Diamond Bullet	1,072.00
Due (to) Shelby Recycling	0.00
Due to/From Shelby Recycling	0.00
Land	0.00
Building	0.00
Equipment	0.00
Vehicles	0.00
Computer Hardware	0.00
Computer Software	0.00
Furniture & Fixtures	0.00
PDC Rentals	0.00
Other PDC Rental Bits	0.00
Tooth & Button Bits	0.00
Accum Deprn Buildings	-476.45
Accum Deprn Equipment	-499.58
Accum Deprn Vehicles	0.00
Accum Deprn Computers	0.00
Accum Deprn Computer Software	0.00
Accum Deprn Furniture	0.00
Accum Deprn PDC Rentals	0.00
Accum Deprn Other	0.00
Accum Deprn Tooth	1,491,916.00
Investment in Hat Bit	0.00
Investment in Premiere	2,269,143.85
Total Assets	<u>2,269,143.85</u>
TOTAL ASSETS	<u>2,269,143.85</u>
LIABILITIES	
Liabilities	
Accounts Payable	646.05

Lat Bit Supply Ltd
Balance Sheet As at 10/30/2008

Accounts Payable US	-18,486.70
Accrued Payables	-3,138.08
Accrued Payables US	0.00
Accrued Payroll	0.00
Asset Clearing Account	0.00
GST Charged on Sales	-348.96
GST Purchases ITC Credits	990.86
PST Sask Payable	0.00
Vacation Payable	0.00
Social Club & Safety Awards Payable	0.00
CPP Payable	0.00
EI Payable	0.00
Tax Payable (PAYROLL)	0.00
Provincial Health Payable	0.00
Health Insurance Payable	0.00
Other Payable	0.00
Corporate Tax Payable	0.00
Long Term Mortgage Payable	0.00
Long Term Equipment Loans	0.00
Bank Loan # 602 Former Shlder & Cas	0.00
Bank Loan # 600 - Vehicle	0.00
GMAC Loan - Unit 643	-4,295.70
GMAC Loan - Unit 917	-4,295.70
Toyota Loan - Unit 102	-3,799.88
Due (to) Dunn Trucking	-36,100.14
Due (to) Three Cloud Properties	0.00
Due (to) Krellco	0.00
Shareholder Loan - Rick Souther	0.00
Deferred Income Tax	0.00
Total Liabilities	<u>-68,828.25</u>
TOTAL LIABILITIES	<u>-68,828.25</u>
EQUITY	
Owners Equity and Retained Earnings	190.00
Common Shares	0.00
Preferred Shares Class I	0.00
Class B - Common Shares	0.00
Class C - Common Shares	0.00
Class D- Common Shares	0.00
Class H - Common Shares	0.00
Retained Earnings	2,337,782.10
Current Earnings	0.00
Total Owners Equity and Retained	<u>2,337,972.10</u>
TOTAL EQUITY	<u>2,337,972.10</u>
LIABILITIES AND EQUITY	<u><u>2,269,143.85</u></u>

In the Matter of the Notice of Intention to Make a Proposal of The Diamond Bullet Corporation, Hal Bit Supply Ltd., and Premiere Manufacturing Ltd., Insolvent Person
 Projected Statement of Cash Flow (Note 1)
 For the period October 27, 2008 to January 3, 2009

Week Beginning	Week 1 27-Oct-08 (Note 2)	Week 2 2-Nov-08	Week 3 9-Nov-08	Week 4 16-Nov-08	Week 5 23-Nov-08	Week 6 30-Nov-08	Week 7 7-Dec-08	Week 8 14-Dec-08	Week 9 21-Dec-08	Week 10 28-Dec-08	Total
Opening Cash Balance	50,710.01	65,557.32	83,976.58	97,628.52	50,775.63	43,482.89	38,769.37	27,132.04	2,122.66	16,288.15	50,710.01
Cash Receipts											
Collection of Accounts Receivable	33,302.53	29,149.50	25,410.00	19,844.00	43,487.00	-	28,508.00	10,374.00	2,487.00	86,177.00	278,749.03
Bit Repair and Rental Revenue (Note 3)	-	-	-	-	-	8,000.00	-	-	34,000.00	25,000.00	67,000.00
Total Cash Receipts	33,302.53	29,149.50	25,410.00	19,844.00	43,487.00	8,000.00	28,508.00	10,374.00	36,487.00	111,177.00	345,749.03
Cash Disbursements											
Freight and Brokerage Charges	-	100.00	100.00	100.00	100.00	100.00	100.00	100.00	100.00	100.00	800.00
Petty Cash Reimbursement	-	1,000.00	-	-	-	-	13,200.00	-	-	16,000.00	44,600.00
Materials and Supplies (Note 4)	-	-	15,400.00	-	-	-	4,800.00	-	-	-	8,000.00
Rent	-	-	4,000.00	-	30,000.00	-	-	-	-	90,000.00	120,000.00
Professional Fees	-	-	-	211.00	-	-	-	211.00	-	-	422.00
Answering Service and Security	-	200.00	200.00	200.00	200.00	200.00	200.00	200.00	200.00	200.00	1,800.00
Auto Repairs and Maintenance	-	20.00	-	-	-	20.00	-	-	-	20.00	60.00
Bank Charges	-	100.00	100.00	100.00	100.00	100.00	100.00	100.00	100.00	100.00	800.00
Buildings, Repair & Maintenance	-	-	30,000.00	-	-	-	-	30,000.00	-	-	60,000.00
Commissions	-	60.00	50.00	60.00	50.00	50.00	50.00	50.00	50.00	50.00	450.00
Computer	-	1,124.97	-	-	-	1,124.97	-	-	-	-	3,374.91
Equipment Lease, Repairs and Maintenance	-	1,000.00	1,000.00	1,000.00	800.00	600.00	800.00	800.00	800.00	800.00	7,800.00
Fuel and Oil	-	1,000.00	-	1,000.00	-	-	-	-	-	(10,000.00)	(10,000.00)
Net Goods and Services Tax	-	-	-	-	-	-	-	-	-	4,972.59	14,917.77
Insurance - Property and Vehicles	4,972.59	-	-	-	-	4,972.59	-	-	-	-	1,500.00
Insurance Life	-	1,500.00	-	-	-	-	-	-	-	-	150.00
Licences, Membership and Dues	-	150.00	-	-	-	-	-	-	-	-	600.00
Meals	-	100.00	100.00	100.00	100.00	100.00	100.00	100.00	100.00	100.00	2,480.00
Office	-	100.00	100.00	890.00	100.00	100.00	100.00	200.00	200.00	200.00	1,800.00
Shop Supplies and Uniforms	-	200.00	200.00	200.00	200.00	200.00	200.00	200.00	200.00	200.00	1,800.00
Telephone	-	1,000.00	1,000.00	1,000.00	1,000.00	1,000.00	1,000.00	1,000.00	1,000.00	1,000.00	9,000.00
Travel	-	200.00	200.00	200.00	200.00	200.00	200.00	200.00	200.00	200.00	1,800.00
Truck Lease & Expenses	1,517.70	1,221.27	916.08	1,895.88	-	1,517.70	2,139.33	342.39	1,563.50	1,517.70	12,623.54
Utilities	-	750.00	750.00	750.00	750.00	750.00	750.00	750.00	750.00	750.00	6,750.00
Salaries, Wages and Benefits	11,961.93	1,464.00	17,540.00	-	17,200.00	1,404.00	17,200.00	440.00	17,200.00	1,484.00	86,058.98
Total Cash Disbursements	18,453.22	10,730.24	71,758.08	6,286.89	50,800.00	12,688.26	40,139.33	35,263.39	22,353.50	100,008.06	377,824.55
Closing Cash Balance	85,557.32	83,976.58	37,828.52	50,775.63	43,482.63	38,769.37	27,132.04	2,122.66	16,288.15	16,834.49	16,834.49

NOTES:
 The Notes to the Projected Statement of Cash Flow (attached to the Report on Cash Flow Statement by the Person Making the Proposal) form an integral part of this cash-flow projection and must be read in conjunction with this projection.

The Projected Statement of Cash Flow for Premiere Manufacturing Ltd. was prepared in accordance with subsection 60.4(2) of the Bankruptcy and Insolvency Act and should be read in conjunction with the Trustee's Report on Cash-Flow Statement.

Represents the Company's actual cash receipts and disbursements.

Management projects that the Company will invoice approximately \$34,000 per month in November and December 2008, with respect to bit rental and repair. Management projects that K will collect the revenue invoiced in November by the end of the projection period.

The Company purchases materials and supplies from a related company, R Environmental Labs Ltd.

Meyers Norris Penny Limited
 in its capacity as Trustee of the Notice of Intention to Make a Proposal of
 Premiere Manufacturing Ltd., Insolvent Person
 And not in its personal capacity

Verne Wood, CA - CRIP
 Senior Vice President

The Diamond Bullet Corporation, Hal Bit Supply Ltd., and Premiere Manufacturing Ltd., Insolvent Person

Rick Souther
 President

The Diamond Bullet Corporation, Hat Bit Supply Ltd., and Premiere Manufacturing Ltd., Insolvent Person
 Summary of Actual Cash Receipts and Disbursements (Note 1)
 For the period October 27, 2008 to November 22, 2008

	Note	Week 1 October 27 - Nov 1			Week 2 November 2 - 8			Week 3 November 9 - 15			Week 4 November 16 - 22			Totals October 27 - November 22		
		Projected	Actual	Variance	Projected	Actual	Variance	Projected	Actual	Variance	Projected	Actual	Variance	Projected	Actual	Variance
Opening Cash Balance		50,710.01	50,710.01	-	65,487.29	52,911.33	(12,575.96)	83,906.55	61,433.08	(22,473.47)	37,558.49	46,969.89	9,411.40	50,710.01	50,710.01	-
Cash Receipts																
Collection of Accounts Receivable		33,232.50	15,820.03	(17,412.47)	29,149.50	19,057.50	(10,092.00)	25,410.00	16,222.50	(9,187.50)	19,844.00	49,087.50	29,243.50	107,636.00	100,187.53	(7,448.47)
Bit Repair and Rental Revenue		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Total Cash Receipts		33,232.50	15,820.03	(17,412.47)	29,149.50	19,057.50	(10,092.00)	25,410.00	16,222.50	(9,187.50)	19,844.00	49,087.50	29,243.50	107,636.00	100,187.53	(7,448.47)
Cash Disbursements																
Freight and Brokerage Charges		-	-	-	100.00	-	(100.00)	100.00	19.10	(80.90)	100.00	-	(100.00)	300.00	19.10	(280.90)
Net Petty Cash Reimbursement		-	-	-	1,000.00	886.97	(113.03)	-	1,851.54	1,851.54	-	1,106.24	1,106.24	1,000.00	3,844.75	2,844.75
Materials and Supplies	2	-	-	-	-	-	-	15,400.00	13,445.25	(1,954.75)	-	1,966.95	1,966.95	15,400.00	15,412.20	12.20
Rent	3	-	-	-	-	-	-	4,000.00	-	(4,000.00)	-	-	-	4,000.00	-	(4,000.00)
Professional Fees		-	-	-	-	-	-	-	10,000.00	10,000.00	-	-	-	-	10,000.00	10,000.00
Payroll Intercompany Loan to R Environmental		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Answering Service and Security		-	-	-	-	-	-	-	-	-	211.00	101.43	(109.57)	211.00	101.43	(109.57)
Auto Repairs and Maintenance		-	-	-	200.00	225.63	25.63	200.00	60.02	(139.98)	200.00	-	(200.00)	600.00	285.65	(314.35)
Bank Charges		-	14.75	14.75	20.00	-	(20.00)	-	-	-	-	-	-	20.00	14.75	(5.25)
Buildings, Repair & Maintenance		-	-	-	100.00	-	(100.00)	100.00	-	(100.00)	100.00	-	(100.00)	300.00	-	(300.00)
Commissions		-	-	-	-	-	-	30,000.00	-	(30,000.00)	-	23,299.52	23,299.52	30,000.00	23,299.52	(6,700.48)
Courier		-	-	-	50.00	26.87	(23.13)	50.00	13.89	(36.11)	50.00	-	(50.00)	150.00	40.76	(109.24)
Equipment Lease, Repairs and Maintenance		-	-	-	1,124.97	-	(1,124.97)	-	-	-	-	1,124.97	1,124.97	1,124.97	1,124.97	-
Fuel and Oil		-	-	-	1,000.00	66.15	(933.85)	1,000.00	470.00	(530.00)	1,000.00	436.07	(563.93)	3,000.00	972.22	(2,027.78)
Net Goods and Services Tax		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Insurance - Property and Vehicles		4,972.59	4,972.59	-	-	-	-	-	-	-	-	-	-	4,972.59	4,972.59	-
Insurance Life		-	-	-	1,950.00	-	(1,950.00)	-	-	-	-	-	-	1,950.00	-	(1,950.00)
Licences, Membership and Dues		-	-	-	150.00	-	(150.00)	-	-	-	-	289.90	289.90	150.00	289.90	139.90
Meals		-	-	-	100.00	49.29	(50.71)	100.00	20.35	(79.65)	100.00	24.25	(75.75)	300.00	93.89	(206.11)
Office		-	-	-	100.00	-	(100.00)	100.00	250.00	150.00	890.00	815.73	(74.27)	1,090.00	1,065.73	(24.27)
Shop Supplies and Uniforms		-	-	-	200.00	745.09	545.09	200.00	65.10	(134.90)	200.00	90.28	(109.72)	600.00	900.47	300.47
Telephone		-	-	-	1,000.00	-	(1,000.00)	1,000.00	-	(1,000.00)	1,000.00	365.43	(634.57)	3,000.00	365.43	(2,634.57)
Travel		-	-	-	200.00	-	(200.00)	200.00	-	(200.00)	200.00	-	(200.00)	600.00	-	(600.00)
Truck Lease & Expenses		1,517.70	1,517.70	-	1,221.27	1,221.27	-	918.06	918.06	-	1,895.89	2,634.25	738.36	5,552.92	6,291.28	738.36
Utilities		-	-	-	750.00	-	(750.00)	750.00	-	(750.00)	750.00	-	(750.00)	2,250.00	-	(2,250.00)
Salaries, Wages and Benefits		11,964.93	7,113.67	(4,851.26)	1,464.00	7,314.48	5,850.48	17,640.00	3,572.38	(14,067.62)	-	12,852.45	12,852.45	31,068.93	30,852.98	(215.95)
Total Cash Disbursements		18,455.22	13,618.71	(4,836.51)	10,730.24	10,535.75	(194.49)	71,758.06	30,685.69	(41,072.37)	6,696.89	45,107.47	38,410.58	107,640.41	99,947.62	(7,692.79)
Closing Cash Balance		65,487.29	52,911.33	(12,575.96)	83,906.55	61,433.08	(22,473.47)	37,558.49	46,969.89	9,411.40	50,705.60	50,949.92	244.32	50,705.60	50,949.92	244.32

NOTES:

- This document should be read in conjunction with the Projected Statement of Cash Flow, the Notes to the Projected Statement of Cash Flow (attached to the Report on Cash Flow Statement by the Person Making the Proposal) and the Trustee's Report on Cash Flow Statement. The Summary of Actual Cash Receipts and Disbursements was prepared solely from the information provided by Management. Meyers Norris Penny Limited has not audited or otherwise verified this information.
- Premiere Manufacturing Ltd. purchases most materials and supplies from a related company, R Environmental Labs Ltd.
- Premiere Manufacturing Ltd. rents shop facilities from a related company, R Environmental Labs Ltd.