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COURT	COURT OF QUEEN'S BENCH OF ALBERTA
JUDICIAL CENTRE	CALGARY
PLAINTIFF	HSBC BANK CANADA
DEFENDANTS	KINETEX MULTI-COMPONENT SERVICES INC. AND KINETEX RESOURCES CORPORATION

Clerk's Stamp

DOCUMENT	**SECOND REPORT OF ERNST & YOUNG INC., IN ITS CAPACITY AS COURT-APPOINTED RECEIVER AND MANAGER OF KINETEX MULTI-COMPONENT SERVICES INC. AND KINETEX RESOURCES CORPORATION**

ADDRESS FOR SERVICE AND CONTACT INFORMATION OF PARTY FILING THIS DOCUMENT

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APPENDICIES TO THE SECOND REPORT OF THE RECEIVER

INTRODUCTION

1. Ernst & Young Inc. was appointed receiver and manager (the "Receiver") of the property, assets and undertakings (the "Property") of Kinetex Multi-Component Services Inc. ("Kinetex Services") and Kinetex Resources Corporation ("Kinetex Resources") (together, "Kinetex") pursuant to an Order (the "Appointment Order") of the Alberta Court of Queen's Bench (the "Court") dated December 20, 2010 ("Appointment Date").

2. The Appointment Order authorized the Receiver, amongst other things, to carry on the business of Kinetex, to sell, convey, transfer, lease or assign the Property out of the normal course of business without first obtaining either the Defendant's consent or Court approval of a sale and investor process, and to make such arrangements or agreements as deemed necessary by the Receiver.

3. The purpose of this second report (the "Second Report") of the Receiver is to advise the Court with respect to:

   a) the activities of the Receiver for the period between the first report of the receiver dated February 11, 2011 (the "First Report") and May 29, 2011 (the "Reporting Period") and statement of receipts and disbursements for the period of December 20, 2010 to May 29, 2011 (the "Receivership Period");

   b) the status of the Receiver's efforts to enter into an asset purchase agreement with the potential purchaser (the "Potential Colombian Purchaser") to acquire Kinetex's Colombian operations per the letter of intent (the "Colombian LOI") that Kinetex entered into prior to the Appointment Order;

   c) a description of the results of the Kinetex NA sales process as described in the First Report and approved by an Order of theCourt dated February 17, 2011;

   d) a description of the asset purchase agreement (the "SES Asset Purchase Agreement") between the Receiver and Seismic Equipment Solutions II, LP ("SES") for the sale of Kinetex's Services' seismic recording equipment located in North America and certain seismic recording equipment located in Colombia, excluded from the Colombian LOI;

e) a description of the agreement to purchase and sell (the "Ritchie Bros. Purchase Agreement") and agreement to participate in sales proceeds (the "Ritchie Bros. Auction Agreement") executed between the Receiver and Ritchie Bros. Auctions ("Ritchie Bros.") for the sale and auction of certain of Kinetex Services equipment located in North America (the "Remaining Kinetex NA Vehicles and Equipment"); and

f) the Receiver's recommendations with respect to the next steps in these proceedings.

4. All references to currency in the Second Report are in Canadian dollars.

BACKGROUND

5. Kinetex Resources is a public company listed on the TSX Venture Exchange and owns 100% of the operating subsidiary, Kinetex Services. Kinetex Resources has no other assets other than besides certain accounts receivables and the shares of Kinetex Services.

6. Kinetex Services provides seismic planning, acquisition, processing and interpretation services to the oil and gas and mining industries. The head office of Kinetex Services is located in Calgary, Alberta. Kinetex Services has a branch ("Kinetex Services' Colombia Branch") registered in Colombia, South America and that branch has an office located in Bogota, Colombia. Kinetex Services' Colombia Branch currently remains in operation.

7. Kinetex Services owns a 100% subsidiary, Kinetex Geosciences Inc. ("Kinetex Geosciences"), which was incorporated to facilitate Kinetex's expansion into providing seismic services for mineral exploration and development corporations. Kinetex Geosciences has a branch registered in Colombia, South America. The Receiver understands that Kinetex Geosciences is inactive and has no material assets. Kinetex

Geosciences continues to have 15 employees who are seconded to Kinetex Services' Colombia Branch.

8. The Kinetex Colombian operations (i.e. Kinetex Services' Colombia Branch and Kinetex Geosciences) are collectively referred to as "Kinetex Colombia". The Kinetex Canadian and U.S. (i.e. North America or "NA") operations are collectively referred to as "Kinetex NA".

9. At the date of the Appointment Date, Kinetex NA had no active seismic contracts and Kinetex Colombia was working under four customer contracts.

ACTIVITIES OF THE RECEIVER

Retention of Seismic Consultant

10. The Receiver engaged a local seismic consultant (the "Seismic Consultant") to: a) determine what proprietary seismic software and data ("Seismic Data") is owned by Kinetex; b) appraise the value of the Seismic Data, and; c) advise the Receiver on the best method to realize upon the Seismic Data.

11. The Seismic Consultant has been able to compile and appraise multiple sets of data which the Receiver understands is proprietary Seismic Data of Kinetex.

12. The Seismic Consultant is presently in the process of contacting parties it believes may be interested in purchasing certain of the Seismic Data. Therefore, the Receiver will not be revealing the appraised value of the Seismic Data in the Second Report.

13. The Seismic Consultant advised that it could take at least 2 months to find a buyer or buyers for the Seismic Data.

SES's Artisan's Lien

14. SES has alleged that they hold an artisan's lien over 300 VSRS recording boxes owned by Kinetex in SES's possession in Houston, Texas, which they repaired and upgraded at a cost of US $464,630. SES has provided supporting invoices and documentation to support the artisan's lien.

15. The Receiver's legal counsel has retained counsel in Houston, Texas, who has reviewed the supporting documentation and believes that SES has a valid artisan's lien in the state of Texas over the 300 VSRS recording boxes. If it was determined that SES did not have a valid artisan's lien over the 300 VSRS Recording boxes, the offer from SES still results in the highest realization on the Kinetex Services' seismic recording equipment.

Return of Leased Vehicles and Equipment

16. Based on searches at the Alberta Personal Property Registry, the Receiver understands that not all vehicles in the possession of Kinetex as at the Appointment Date are owned by Kinetex. The Receiver has requested supporting documents in respect of the leased vehicles from Kinetex, and with the assistance of the Receiver's legal counsel, the Receiver has been determining whether the lessors have a valid claim over certain vehicles. The Receiver has returned several vehicles to certain lessors where it was determined that the lessor has a valid and enforceable lease and there is no equity in the lease. For the Kinetex NA Vehicles and Equipment that are subject to leases, if it is determined that the leases are valid and enforceable and there is no equity in these leases, these vehicles will be released to the respective lessors and excluded from the proposed auction with Ritchie Bros.

Funding of the Receivership

17. In accordance with the Appointment Order, the Receiver was authorized to borrow $250,000. The Receiver was able to secure funding of the Receivership through the use of a $200,000 Receiver's Certificate ("Receiver's Certificate #1") and a subsequent $50,000 Receiver's Certificate ("Receiver's Certificate #2") which is set up to be a revolving borrowing facility. The funding for Receiver's Certificate #1 and Receiver's Certificate #2

was provided by the Plaintiff, HSBC Bank Canada ("HSBC"). To date, the Receiver has borrowed approximately $240,000 under the borrowing facility.

18. The statement of receipts and disbursements for Kinetex NA for the Receivership Period (i.e. excluding Kinetex's Colombia operations) is described in the table below.

Statement of Receipts and Disbursement Period of December 20, 2010 to May 29, 2011			
Opening Cash	*a*	$	-
Receipts			
Sale of Securities		$	44,806
Sale of Equipment		$	15,541
Collection of Refund		$	7,279
Collection of Accounts Receivable		$	630
	b	$	68,256
Disbursements			
Salaries and Wages		$	(130,526)
Insurance			(75,887)
Office and Yard Lease			(44,401)
Appraisal Fee			(9,450)
Utilities			(4,385)
Storage			(460)
Interest			(1,464)
Bank Charges			(19)
OSB Filing Fees			(140)
	c	$	(266,732)
Closing Deficit	*a+b+c*	**$**	**(198,476)**

Receipts

19. During the Receivership Period, the Receiver has collected approximately $70,000.

20. During the Receivership Period, the Receiver identified an investment account of Kinetex which held cash and investments in two corporations publicly listed on the TSX Venture

Exchange (the "Investment Account"). The Receiver instructed the financial institution holding the Investment Account to dispose of the investments on the open market and transfer all funds in the Investment Account to the Receiver. The Receiver received total net funds of $44,401 from the Investment Account.

21. The Receiver has collected $15,541 from the sale of seismic equipment and old office furniture located in North America to Datum Exploration Ltd. ("Datum").

22. During the Receivership Period, the Receiver collected a refund of a deposit that was held by the Workers' Compensation Board of Manitoba of approximately $7,300 and collected a small receivable ($630) outstanding on the Appointment Date.

Disbursements

23. During the Receivership Period, the Receiver has disbursed approximately $270,000 relating to the direct operations of Kinetex NA and insurance for Kinetex's equipment located in Colombia.

24. Salaries and wages of approximately $130,000 relate to the retention of former employees to complete a physical inventory count of Kinetex Services' Property, retention of Kinetex Services' former bookkeeper and the Kinetex Services' former Vice President of Colombian Operations. The receiver retained 4 former employees of Kinetex Services in Calgary, Alberta for the period of December 20, 2010 to January 31, 2011 to complete an inventory of Kinetex Services' Property and provide assistance to the Receiver with respect to a method to realize upon the Property. The Receiver retained Kinetex Services' former bookkeeper for the period of December 20, 2010 until March 31, 2011 to assist with updating the accounting records of Kinetex and to complete statutory tax filings. The Receiver retained Kinetex Services' Vice President of Colombian Operations (the "Vice President – Colombia") for the period of December 20, 2010 to February 28, 2011 to complete the proposed sale of Kinetex Colombia. The Vice President – Colombia continues to be employed by Kinetex Services; however, pursuant to the proposed sale of the Kinetex Services' Colombia Branch, his salary is being funded by the potential purchaser as described in further detail below.

25. The Receiver has assumed Kinetex's insurance policy and is continuing to pay the premiums on a monthly basis. The insurance policy provides coverage for a number of items including Kinetex's seismic equipment located in both North America and South America.

26. The Receiver engaged the services of a local appraiser with experience in the appraisal of seismic equipment to provide a desktop appraisal (the "NA Desktop Appraisal") of the NA Seismic Equipment and a desktop appraisal (the "Colombian Desktop Appraisal") of the Colombian Seismic Equipment.

27. The Receiver obtained the NA Desktop Appraisal to obtain a general value of the NA Property and for the purposes of evaluating whether it is economical to ship NA Property located in remote locations in North America to a central location to increase the recovery on the sale of the NA Property, or in the alternative, selling the NA Property on an as is where is basis. The appraiser completed the NA Desktop Appraisal with information from Kinetex's management and records, and the appraiser did not physically observe the NA Property.

28. The Colombian Desktop Appraisal was obtained for the Receiver to evaluate whether the offer set out in the Colombian LOI represented at least the fair market value of the equipment owned by Kinetex Services' in Colombia.

29. The Receiver continues to occupy the Kinetex Services' office and equipment yard located in Calgary, Alberta (the "Kinetex Calgary Office") and anticipates occupying the Kinetex Calgary Office until July 31, 2011. The purpose of the extended period that the Receiver is intending to occupy the Kinetex Calgary Office is to facilitate the process by which equipment subject to purchase agreements is to be picked up by potential purchasers, and for equipment to be auctioned by Ritchie Bros. to be shipped to the Ritchie Bros. auction yard outside of Edmonton, Alberta.

30. Pursuant to the Colombian LOI, the Potential Colombian Purchaser assumes the liabilities of the Kinetex Services Colombia Branch as at and after November 24, 2010, and as such, the Potential Colombian Purchaser has been funding the operations of the Kinetex Services

Colombia Branch including payroll since that date. The Receiver will report on the Kinetex Colombia receipts and disbursements during the Receivership Period in a subsequent report to this Court.

COLOMBIAN LOI

31. During the week of February 21, 2011, the Receiver attended in Bogotá, Colombia to meet with management of Kinetex Colombia and the Potential Colombian Purchaser and to review the books and records of Kinetex Colombia with the intention of determining the method to best realize on the property used by Kinetex Colombia.

32. Based upon the results of the Colombian Desktop Appraisal, discussions with Kinetex Colombia's management and Kinetex Colombia's current financial position, the Receiver has negotiated an amended draft of the Colombia LOI with the Potential Colombian Purchaser.

33. The Receiver is continuing to negotiate with the Potential Colombian Purchaser, with the intent to enter into an asset purchase agreement (the "Colombian Asset Purchase Agreement") for the sale of the Kinetex Colombia Property to the Potential Colombian Purchaser, such sale subject to the approval of this Court. The Receiver anticipates executing the Colombian Asset Purchase Agreement by the middle of June 2011.

RESULTS OF THE SALES PROCESS FOR THE KINETEX NA PROPERTY

Background to the sale process for the Kinetex NA Property

34. Pursuant to an Order dated February 17, 2011 (the "Sales Process Order"), the Court approved the sales process (the "Kinetex NA Sales Process") for the Kinetex North American Property as set out in Paragraphs 51 through 54, inclusive, of the First Report of the Receiver.

35. In the First Report, the Kinetex NA Property was defined as encompassing all of Kinetex's Property with the exception of Property included in the potential sale of Kinetex's Colombian Operations.

36. The Kinetex NA Sales Process included the following steps to be taken by the Receiver:

a. the Receiver soliciting interested parties (the "Interested Parties", each an "Interested Party") to request letters of intent (the "LOIs", each an "LOI") to purchase the Kinetex NA Property *en bloc* to be submitted to the Receiver no later than March 31, 2011 (the "Bid Deadline");

b. the Receiver soliciting proposals ("Equipment Proposals", each an "Equipment Proposal") from equipment auctioneers ("Auctioneers") and firms ("Equipment Brokers") that specialize in the sale and leasing of seismic equipment describing how the respective Auctioneer or Equipment Broker would market the equipment or seismic equipment portion of the Kinetex NA Property to be submitted to the Receiver no later than the Bid Deadline;

c. upon receipt of all LOIs and Equipment Proposals, a fulsome review would be completed by the Receiver, in order to select a definitive LOI or Equipment Proposal; and

d. if an LOI was selected, the Receiver would enter into negotiations with the Interested Party in order to agree on the terms of a purchase and sale agreement ("NA PSA"). If an Equipment Proposal was selected, the Receiver would enter into an equipment contract (the "Equipment Contract") for the respect Auctioneer or Equipment Broker to realize upon the equipment as described in the Equipment Contract. Either the NA PSA or Equipment Contract would be subject to Court approval.

37. Following the granting of the Sales Process Order, the Receiver drafted a marketing teaser (the "Marketing Teaser"), a copy of which is attached as Appendix "A" hereto, describing the opportunity to purchase the Kinetex NA Property. The Marketing Teaser was sent to 25 parties ("Solicited Parties") which the Receiver believed may be interested in purchasing the Kinetex NA Property either *en bloc* or on a piecemeal basis. The marketing process included contacting the various parties who had expressed interest to Kinetex's

management prior to the Appointment Order and parties in the seismic industry which the Receiver believed may want to acquire some or all of the Kinetex NA Property.

38. The Marketing Teaser was also sent to two Auctioneers and two Equipment Brokers who the Receiver had been in discussions with prior to granting of the Sales Process Order.

39. The Receiver met with several of the Solicited Parties and allowed these parties to observe and inspect the Kinetex NA Property. In addition, the Receiver assisted certain of the Solicited Parties with performing due diligence with respect to accounts receivable and a promissory note held by Kinetex Services' from SRD Innovations Inc. ("SRD").

Results of the Kinetex NA Sales Process

40. The Kinetex NA Sales Process (resulted in the following being received:

a. an LOI ("Shares and Property En-Bloc LOI") on the Kinetex NA Property *en bloc*, including the common shares of Kinetex Services free and clear of all encumbrances;

b. an LOI ("Property En-Bloc LOI") on the Kinetex NA Property *en bloc* ,excluding accounts receivable;

c. an Equipment Proposal for the Kinetex NA Seismic Equipment from an Equipment Broker;

d. two Equipment Proposals from certain Auctioneers;

e. an LOI for the Kinetex NA Seismic Equipment from an Interested Party, as defined in the First Report; [

f. three offers for specific pieces of the Kinetex NA Equipment from Interested Parties; and

g. three offers on a promissory note issued from SRD to Kinetex Services'.

41. The Receiver's analysis, in consultation with HSBC as the first secured creditor over the Kinetex NA Property, of all of the bids received from the NA Marketing Process was that a combination of several of the offers received and discussed above would provide the most beneficial outcome to Kinetex's creditors and other stakeholders.

42. The Receiver had entered into a LOI with an Interested Party for the purchase of the SRD Promissory Note; however, after performing its due diligence the Interested Party reduced the purchase price and the Receiver determined that it would be preferable to re-market the SRD Promissory Note to the other two parties who expressed interest.

43. The following table summarizes the offers from certain parties with whom the Receiver entered into asset purchase agreements ("APAs").

Summary of Kinetex NA Sales Process

Purchaser	Description of Equipment	Location	Price Per Unit	# of Units		Accepted Offers
Seismic Equipment Solutions II, LP (Note 1)						
	VSRS Recording Boxes	Calgary, AB	$ 1,000	444		$ 444,000
	MRX Recording Boxes	Calgary, AB	76	50		3,810
	Solar Battery Packs	Calgary, AB	10	90		857
	3C Digital Sensors	Calgary, AB	288	520		149,562
	3C Digital Sensors	Calgary, AB	50	240		11,880
	VRSR Recording Boxes (Note 1)	Houston, TX	300	1,600		15,369
	3C Digital Sensors	Bogata, Co	301	1,880		564,990
	GMC Topkick Recording Truck	Calgary, AB	23,819	1		25,010
					a	1,215,478
Datum Exploration Ltd.		Calgary, AB				
	Cable Spiders	Calgary, AB	50	2		100
	Geophone racks	Calgary, AB	250	2		500
	HP Design Jet wide bed plotter.	Calgary, AB	75	1		75
	Yellow Boom box electronics modules	Calgary, AB	2,500	4		10,000
	Pelton Shot Pro II electronic units	Calgary, AB	3,000	1		3,000
					a	13,675
Grupo Pegasus S.A.						
	Morooka IVI - Mini Vibrator	Calgary, Ab	$ 250,000	1	a	250,000
Ritchie Bros. Auctioneers						
	Purchase Price for remaining vehicles and equipment (Note 2)				a	454,000
Individual Investors						
	SRD Promissory Note	Calgary, Ab			a	25,000
Total Estimated Proceeds for Kinetex NA Property					**Σa**	**$ 1,958,153**

Notes:

1. The purchase price of $15,369 for the 300 VSRS Recording Boxes located in Houston, Texas is net of a $464,630 valid Artisan's lien that Seismic Equipment Solution II, LP is claiming over the units for work that SES performed on the units. SES is presently in possession of the 300 VSRS recording boxes.

2. The purchase and sale agreement with Ritchie Bros. is for the sale of all remaining vehicles and equipment (excluding leased vehicles and certain office equipment and inventory) to Ritchie Bros. for $454,000 however the Receiver will receive 80% of all proceeds earned above $530,000 on the auction of these vehicles and equipment.

44. All sales are on an "as is, where is" basis with the exception of the sale of the seismic recording equipment to SES which involves an escrow agreement and mechanism for testing of the equipment. The Receiver is responsible for paying costs associated with transporting equipment and inventory to the Ritchie Bros. auction site (the "Auction Site") outside of Edmonton, Alberta. Based upon the NA Desktop Appraisal, the proceeds

received from the sale will likely be in excess of \$530,000 ("Excess Auction Proceeds"). Therefore, the Receiver's portion of the Excess Auction Proceeds will likely off-set transportation costs associated with transporting the vehicles and equipment to the Auction Site.

45. The Receiver was unable to accept the Shares and Property En-Bloc LOI as the Receiver is unable to sell the shares of Kinextex Services' free and clear of all liens and encumbrances, which was a condition of that offer.

46. The next highest realization would have been realized by accepting the Property En-Bloc LOI; however, the net value of that offer was inferior to the combination of offers above.

47. The Receiver believes that the Property has been adequately exposed to the marketplace through the efforts completed under the NA Sales Process as detailed in the First Report and summarized above. The Receiver further believes that the transaction contemplated in the APAs will provide the best and highest realization.

48. Furthermore, the Receiver understands that the first secured creditor over the Kinetex NA Property, HSBC, supports the APAs.

APAs for the Kinetex NA Property

49. The Receiver has executed the following APAs:

SES

50. The Receiver has executed the SES APA, subject to the approval of this Honourable Court on May 25, 2011. A copy of the SES APA is attached as Appendix "B". The material terms of the SES APA include:

   a. the purchase price is U.S. \$1,215,478 for the seismic recording equipment;

   b. the sale of the equipment is on an "as is, where is" basis, with the exception of the 1,880 3C Digital sensors ("Colombian Sensors") in Colombia which have to be delivered by the Receiver to SES's receiving agent in the free trade zone of Bogotá, Colombia. SES will be responsible for transporting the Colombian Sensors to Houston, Texas for testing;

c. the purchase price is subject to an escrow agreement where the funds will be held in escrow by the Receiver's legal counsel until the equipment is tested by SES. The Receiver will have an independent observer, who has experience with this type of equipment, present to oversee SES's testing. There is a price adjustment mechanism within the SES APA that reduces the purchase price will be reduced: a) on a pro-rata basis for equipment other than the Colombian Sensors that cannot be delivered to SES's receiving agents; b) for the quantity and age of the Colombian Sensors, to be determined using the equipment serial numbers, and; c) based on the results of the testing of the Colombian Sensors; and

d. the closing date (the "Closing Date") is 2 business days following the expiration of any appeal periods with respect to the granting of the Sale Approval and Vesting Order (as defined therein), unless otherwise agreed upon in writing between the Receiver and SES. The testing of the Colombian Sensors is to occur within 20 days of the Closing Date and therefore, the Receiver anticipates receiving the final proceeds of the SES APA by late July 2011.

Datum

51. The Receiver has executed and closed the asset purchase agreement with Datum for $14,420. The increased purchase price is a result of Datum including some additional spare parts and signage in their offer when they came to pick up the equipment that they purchased. Due to the quantum of the purchase price for the minor equipment, the Receiver closed this sale in May 2011 without approval of the Court.

Grupo Pegasus S.A. ("Grupo Pegasus")

52. The Receiver has negotiated an asset purchase agreement ("GP APA"), subject to the approval of the Court, with Grupo Pegasus for the sale of a Morooka IVI - Mini Vibe located in Calgary, Alberta. A copy of the GP APA is attached as Appendix "C".

Ritchie Bros.

53. The Receiver has executed the Ritchie Bros. Auction Purchase Agreement and Ritchie Bros. Auction Agreement, subject to the approval of this Court. If approved, the Remaining Kinetex NA Vehicles and Equipment would be included in Ritchie Bros.'s next large auction in September 2011. A copy of the Ritchie Bros. Purchase Agreement is attached as Appendix "D" and a copy of the Ritchie Bros. Auction Agreement is attached as Appendix "E".

54. Significant terms of the Ritchie Bros. Auction Purchase Agreement include:

    a. the guaranteed purchase price for the Remaining Kinetex NA Vehicles and Equipment is $454,000;

    b. the Receiver will receive 80% of proceeds in excess of $530,000 realized from the auction proceeds of the Remaining Kinetex NA Vehicles and Equipment; and

    c. the closing date for the Ritchie Bros. Auction Purchase Agreement is June 15, 2011 however Ritchie Bros. has agreed to extend the date to September 7, 2011 and the Receiver is in the process of amending the Ritchies Bros. Auction Agreement to reflect the closing date of September 7, 2011.

Individual Investors

55. The Receiver accepted an offer from certain individual investors ("Individual Investors") for the sale of the SRD Promissory Note for $25,000 and the Receiver is in the process of executing and closing the asset purchase agreement. Due to the quantum of the purchase

price for the SRD Promissory Note the Receiver will not be obtaining Court approval for the sale, the Receiver anticipates closing this sale on June 3, 2011.

RECOMMENDATIONS

56. The Receiver recommends the approval of:

a. the SES APA;

b. the Ritchie Bros. Auction Purchase Agreement; and

c. the GP APA.

All of which is respectfully submitted this 3rd day of June, 2011.

ERNST & YOUNG INC.
in its capacity as receiver and manager of
Kinetex Multi-Component Services Inc.
and Kinetex Resources Corporation

Neil Narfason, CA•CIRP, CBV
Senior Vice-President

Peter Chisholm, CA
Manager