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PLAINTIFF	HSBC BANK OF CANADA	
DEFENDANTS	KINETEX MULTI-COMPONENT SERVICES INC.; AND KINETEX RESOURCES CORPORATION	
DOCUMENT	**FIRST REPORT OF ERNST & YOUNG INC., IN ITS CAPACITY AS COURT-APPOINTED RECEIVER OF KINETEX MULTI-COMPONENT SERVICES INC. AND KINETEX RESOURCES CORPORATION**	
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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") (collectively, "Kinetex") pursuant to an Order (the "Appointment Order") of this Honourable Court dated December 20, 2010.

2. The Appointment Order authorized the Receiver, among other things, to carry on the business of the Kinetex, to sell, convey, transfer lease or assign the Property out of the normal course of business with 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 first report (the "First Report") of the Receiver is to advise this Honourable Court with respect to:

    a) the activities of the Receiver for the period of December 20, 2010 to February 10, 2100 (the "Receivership Period");

    b) a letter of intent (the "Colombian LOI") Kinetex entered into prior to these receivership proceedings with a potential purchaser to acquire Kinetex's Colombian operations and the Receiver's intended course of action with respect to the Colombian LOI;

    c) a request the Receiver has received from Life Sciences Institute Inc. ("LSI") to provide a no interest letter (the "No Interest Letter") stating the Receiver has no interest in certain oil and gas assets sold from Kinetex to LSI;

    d) the Receiver's request for the approval of the proposed sale and investor solicitation process (the "Proposed Sales Process") for Kinetex's North American Property (the "NA Property"); and

    e) the Receiver's recommendation.

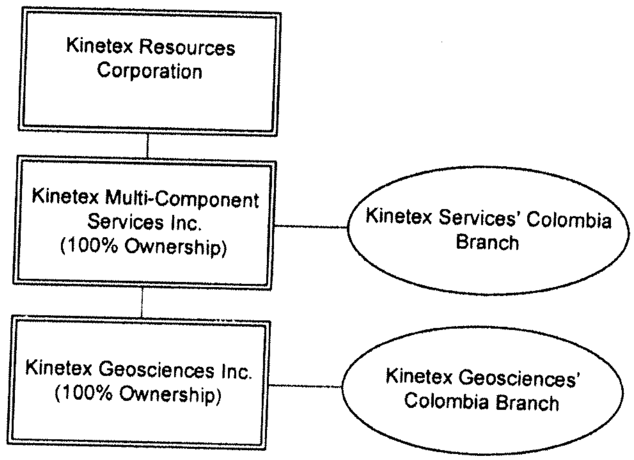
4. All references to currency in the First Report are in Canadian dollars.

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 besides certain accounts receivables and ownership of Kinetex Services.

6. A corporate organization chart is set out below:

Organization Chart of Kinetex



7. 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 remains operational.

8. Kinetex Services owns a 100% subsidiary, Kinetex Geosciences Inc. ("Kinetex Geosciences"), which was incorporated to take on 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. Kinextex Geosciences still has employees which are seconded to Kinetex Services' Colombia Branch.

9. The Kinextex 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".

10. At the date of the Receivership, Kinetex NA had no active seismic contracts and Kinetex Colombia was working on four contracts.

ACTIVITIES OF THE RECEIVER SINCE DECEMBER 20, 2010

Custody & Control

11. On December 20, 2010 the Receiver attended the Kinetex Services leased head office (the "Head Office") premises located at 125 – 61st Ave SE, Calgary, Alberta to meet with the President and employees of Kinetex in order to discuss the transition of operations from management to the Receiver. The Reciever entered into an agreement with the landlord of the Head Office to continue leasing the Head Office until May 31, 2011.

12. In accordance with the Appointment Order, the Receiver froze the bank accounts of Kinetex NA.

13. Kinetex's insurance provider (for both Canada and Colombia) was promptly notified of the Receiver's appointment. Kinetex had recently renewed its insurance policy on October 1, 2010 and the Receiver has been added as loss payee to Kinetex's insurance policy. The Receiver has reviewed the insurance policy and determined that the coverage provided under the existing policy is adequate.

14. The NA Property primarily consists of specialized seismic equipment (the "NA Seismic Equipment") located in multiple jurisdictions of Canada including Alberta, Saskatchewan, Quebec and the Northwest Territories as well as Houston, Texas.

15. The Receiver has changed the locks and the code to the security system at the Head Office. The Receiver had the employees of Kinetex NA move the NA Seismic Equipment located at the Head Office into a yard which is secured by a fence with barbed wire and the Receiver changed the padlock to the yard.

16. The Receiver had the employees of Kinetex NA perform a physical count of the inventory and NA Seismic Equipment located at the Head Office. The Receiver also had the employees provide the Receiver with a detailed inventory listing of the NA Seismic Equipment located off-site of the Head Office.

17. Certain of the NA Seismic Equipment located off-site of the Head Office is in storage at third party storage facilities ("Storage Facilities"). The Receiver has been in contact with the Storage Facilities and confirmed the existence of the NA Seismic Equipment stored with the Storage Facilities. The Receiver is in the process of evaluating whether to enter into agreements with the Storage Facilities to continue storing the NA Seismic Equipment at the Storage Facilities or transporting the NA Sesimic Equipment back to a central storage location to facilitate a sale of the NA Seismic Equipment, as described in further detail below.

18. Prior to the Receiver's appointment, the Receiver had personnel from its Bogota, Colombia office visit the Kinetex's Colombia office and take a physical inventory count of Kinetex's seismic equipment (the "Colombia Seismic Equipment") located in Colombia. The physical inventory count did exclude certain of the Colombian Seismic Equipment that was located in the field at the time. The Receiver understands that the majority of the Colombia Seismic Equipment is located in customs with the Colombian Government or bonded warehouses.

19. The majority of the books and records of Kinetex are located at the Head Office in the possession of the Receiver, the Receiver understands that only a small volume of books and records are located at the Kinetexs Resources office in Vancouver, British Colombia. The Receiver is in the process of arranging to have the books and records of Kinetex Resources shipped to the Receiver.

20. The Receiver is in the process of investigating and compiling records to support the outstanding accounts receivable owing to Kinetex and financial instruments held by Kinetex as at the date of the Receivership for the purposes of collecting on this Property.

Employees

21. On December 20, 2010 Kinetex NA employed 17 employees and Kinetex Colombia had 15 employees. The Receiver terminated the employment of 10 Kinetex NA employees on December 22, 2010 and retained 6 Kinetex NA employees until January 31, 2011 to assist in performing a

physical inventory count of the NA Seismic Equipment located at the Head Office. The Receiver continues to retain Kinetex's bookkeeper to update the accounting records and assist the Receiver with statutory tax filings. All of Kinetex's Colombian employees continue to be employed by Kinetex and the Kinetex's Colombian employee's payroll is being funded by the Potential Colombian Purchaser as defined and described in further detail below.

Funding of the Receivership

22. The Receiver was able to secure funding of the Receivership through the use of a $200,000 Receiver's Certificate ("Receiver's Certificate #1") which is set up to be a revolving borrowing facility. The funding for the Receiver's Certificate #1 was provided by HSBC Bank Canada. To date, the Receiver has borrowed approximately $130,000 on under the borrowing facility. In accordance with the Appointment Order, the Receiver was authorized to borrow $250,000 without further approval of the Court.

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

Statement of Receipts and Disbursement Period of December 20, 2010 to February 9, 2011	
Opening Cash	$ -
Receipts	$ -
Disbursements	
Salaries and Wages	$ (68,979)
Insurance	(30,130)
Office and Yard Lease	(19,131)
Appraisal Fee	(7,500)
Utilities	(944)
GST Paid	(814)
OSB Filing Fees	(70)
	$ (127,567)
Closing Deficit	$ (127,567)

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Disbursements

24. During the Reporting Period, the Receiver has disbursed $127,567 relating to the direct operations of Kinetex NA.

25. As described above, 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 appraising seismic equipment to provide a desktop appraisal (the "NA Desktop Appraisal") of the NA 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 transport NA Property located in NA remote locations to a central location to increase the recovery on the sale of the NA Property or whether the Receiver should sell the NA Property where is. The appraiser who prepared the NA Desktop Appraisal completed the NA Desktop Appraisal with information from Kinetex's management as well as Kinetex's records and the appraiser did not physically observe the NA Property. The Receiver intends to obtain a more formal valuation for the purposes of the Proposed Sales Process which would involve physical observation of the equipment

28. The Receiver has not provided a statement of Receipts and Disbursements for Kinetex Colombia as operations are being funded by the Potential Colombian Purchaser as defined and described in further detail below

COLOMBIAN LOI

29. As discussed, prior to the date of the Receivership, Kinetex had entered into the Colombian LOI to sell its Kinetex Services' Colombia Branch to an independent third party (the "Potential Colombian Purchaser").

30. The Colombian LOI proposes the sale of all of the Property located in Colombia with the exception of certain seismic equipment (the "Excluded Colombian Equipment") presently stored with Colombian customs in Bogota, Colombia which the Receiver expects to transport back to

Canada. The Excluded Colombian Equipment will be included in the sale pursuant to the Proposed Sales Process, described in further detail below.

31. Pursuant to the Colombian LOI, the Potential Colombian Purchaser assumes liabilities of the Kinetex Services Colombia Branch as at 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. To date the Potential Colombian Purchaser has provided the Kinetex Services Colombia Branch with approximately $350,000 to fund operations with a further $650,000 anticipated to be funded the week of February 7, 2011.

32. The Colombian LOI is attached as exhibit E to the affidavit of Mr. Leonard Van Betuw dated December 7, 2010. The terms of the LOI include the following:

   i. the Potential Colombian Purchaser will acquire all of the Kinetex Services' Colombian Branch's assets and liabilities for an aggregate purchase price (the "Purchase Price") of USD $8 million including a USD $4 million cash payment to Kinetex and the settlement of Kinetex Services' Colombian Branch's liabilities as at November 24, 2010 which are estimated to be USD $4 million;

   ii. Kinetex Services' Colombian Branch's liabilities are $4 million as at November 24, 2010. Should Kinetex Services' Colombian Branch's liabilities exceed $4 million as at November 24, 2010, the Purchase Price will be reduced by the value of liabilities above $4 million;

   iii. the Potential Colombian Purchaser has until January 31, 2011 to complete due diligence, negotiate any adjustment to the Purchase Price and communicate to Kinetex whether it will move forward to complete a purchase and sale agreement;

   iv. the Potential Colombian Purchaser and Kinetex are to execute a purchase and sale agreement no later than February 15, 2011;

   v. the Potential Colombian Purchaser is required to place the following funds in trust with its Canadian legal counsel for the purposes of funding the Purchase Price (the "Trust Funds") based on the following time line:

a. $500,000 on or before December 2, 2010;

b. $1,000,000 on or before December 31, 2010;

c. $1,000,000 on or before February 28, 2011;

d. $1,000,000 on or before March 31, 20111; and

e. $500,000 on or before April 30, 2011.

In the event that the Potential Colombian Purchaser does not proceed with the purchase as described in the Colombian LOI, the Trust Funds are to be returned to Potential Colombian Purchaser.

33. Subsequent to the date of the Receivership, two amendments (the "Colombian Amendments") have been executed between the Potential Colombian Purchaser and the Receiver. The Colombian Amendments extended the deadline for the Potiential Colombian Purchaser's due diligence until February 28, 2011 and requires that a purchase and sale agreement is executed no later than March 15, 2011.

34. The Colombian Amendments further extended the deadline for the Potential Colombian Purchasr to pay the Trust Funds as follows:

i. the December 31, 2010 payment of $1,000,000 has been deferred to February 22, 2011;

ii. the February 28, 2011 payment of $1,000,000 has been deferred to March 31 2011;

iii. the March 31, 2011 payment of $1,000,000 has been deferred to April 30, 2011; and

iv. the April 30, 2011 payment of $500,000 has been deferred to May 15, 2011.

35. The Receiver has held discussions with management of both the Potential Colombian Purchaser and the Kinetex Services Colombia Branch with respect to the Colombian LOI and the Receiver

understands that the Potential Colombian Purchaser has not identified any issues with its due diligence performed to date.

36. The Receiver will be attending in Bogota, Colombia the week of February 21, 2011 to meet with management of the Potential Colombian Purchaser and for the Receiver to complete a review of the books and records of Kinetex Services Colombia Branch.

37. The Receiver believes that it will be in a position to execute a purchase and sale agreement (the "Colombian PSA") with the Potential Colombian Purchaser in late February 2011. The Colombian PSA will be subject to Court approval and the Receiver expects that it will seek Court approval of the Colombian PSA in March 2011.

NO INTEREST LETTER FOR SALE OF OIL AND GAS PROPERTIES

38. In 2005, Kinetex Services sold certain oil and gas interests in Saskatchewan and Nova Scotia with associated seismic data (collectively, the "Oil and Gas Assets") to LSI pursuant to two letter agreements (collectively, the "Letter Agreements"). LSI may be a debtor of Kinetex for other transactions that the Receiver is currently investigating.

39. The Letter Agreements required Kinetex Services and LSI enter into formal purchase and sale agreements for the sale of the Oil and Gas Assets from Kinetex to LSI however the only documents provided to the Receiver evidencing the sale is the Letter Agreements.

40. The Letter Agreements were further amended on June 3, 2010 to amend the consideration LSI was required to pay Kinetex for the Oil and Gas Assets (the "June Amendments"). The June Amendments were executed on behalf of Kinetex Services by Leonard Van Betuw, President of Kinetex Services ("Mr. Van Betuw"). On June 3, 2010, Mr. Van Betuw was also voted by the shareholders of LSI as the proposed the President, Chief Executive Officer, and a Director of LSI upon the closing of a proposed change of business (the "COB") from a educational business to an oil and gas exploration business.

41. LSI has approached the Receiver to execute a No Interest Letter confirming that the Receiver has no interest in the Oil and Gas Assets sold to LSI.

42. Given the lack of documents, the non-arm length relationship of the parties and the June Amendments converting the outstanding cash consideration of the purchase price under the Letter Agreements to promissory notes payable in 24 months from the date of the closing of the COB, the Receiver is not prepared to execute a No Interest Letter when the Receiver is concerned that the purchase price is payable over a longer term and there will be issues as to collection. .

43. The Receiver is currently in negotiations with LSI to attempt to reach a settlement with LSI whereby the Receiver would receive cash consideration now as per the unamended Letter Agreements.

PROPOSED LEASE OF NA PROPERTY

44. The Receiver was approached by a former employee of Kinetex with an offer from a corporation (the "Rental Company") related to the former employee to lease certain of the NA Property from the Receiver for a period of apporoximately 3 months.

45. The Receiver entered into negotiations with the Rental Company however was unable to reach a satisfactory lease arrangement and therefore the Receiver will not be pursuing the option to lease certain of the NA Property.

PROPOSED SALES PROCESS FOR SALE OF NA PROPERTY

46. The Receiver is seeking approval from this Honourable Court to approve a Proposed Sales Process to solicit offers to market and sell the NA Property. The NA Property includes all of Kinetex's Property with the exception of Property included in the potential sale of Kinetex's Colombian operations as described above.

47. Prior to the Receivership, Kinetex's management ("Management") undertook a search for strategic alternatives (the "Strategic Alternatives") that would that would generate sufficient funds to pay down HSBC's credit facilities and provide Kinetex with working capital to revive its seismic business in North America. Management's Strategic Alternatives included entering into the Colombian LOI, as described above, as well as marketing Kinetex to parties interested in investing in Kinetex and lenders interested in financing Kinetex's equipment.

48. Management's search for Strategic Alternatives did not result in any binding Strategic Alternatives for the North American operations/assets, however, as a result that process, the Receiver has been contacted by multiple parties (the "Interested Parties") which have communicated their interest in possibly purchasing the NA Property *en bloc.*

49. On account of Kinetex not performing seismic work in North America for a considerable period of time prior to the date of the Receivership, Kinetex does not have existing customer relationships, contracts, employees and other characteristics that would require additional time for potential purchasers to evaluate..

50. Given the current state of Kinitex NA, the Receiver expects that the Interested Parties will only require a short period of time to complete due diligence. In addition, the Interested Parties include investors who had previously invested in Kinetex or provided Kinetex with debt and that certain of the Interested Parties commenced due diligence procedures prior to the date of the Receivership which will reduce the need for time to evaluate a purchase.

51. Due to the existence of Interested Parties and the Interested Parties familiarity with Kinetex, the Receiver is requesting a short period for the Receiver to market the NA Property *en bloc*. The Proposed Sales Process would require that Interested Parties submit a letter of intent ("NA LOI") along with a non-refundable deposit to the Receiver no later than March 15, 2011 to purchase the NA Property *en bloc*. The Receiver will contact the Interested Parties regarding the deadline to submit the NA LOI's and will assist in providing the Interested Parties with information requested. In addition, the Receiver will solicit interest from other parties that it identifies that may be interested in the NA Property.

52. The Receiver has also contacted equipment auctioneers (collectively, the "Auctioneers") as well as firms that specialize in the sale and leasing of seismic equipment (collectively, the "Equipment Brokers") to provide the Receiver with proposals (the "Equipment Proposals") describing how the respective Auctioneer or Equipment Broker would market the NA Seismic Equipment to provide the highest realization. The Receiver would require that Equipment Proposals be submitted to the Receiver no later than March 15, 2011, to coincide with the receipt of LOI's from Interested Parties.

53. The Receiver will review all of the NA LOI's and Equipment Proposals in order to select the course of action that will provide the highest realization for the NA Property.

54. The Receiver's timeline of the proposed Proposed Sales Process is as follows:

    i. The Receiver has already undertaken to obtain Equipment Proposals from Auctioneers and Equipment Brokers and the Receiver will continue to assist these parties by providing the information they require to complete their equipment proposals;

    ii. The Receiver will contact Interested Parties and issue teasers on or about February 17, 2011;

    iii. The Receiver will respond to requests for information, make equipment available for inspection and due diligence conference calls. In addition, all Interested Parties will conduct their own due diligence during this time period;

    iv. Interested Parties will submit a LOI and the Auctioneers and Equipment Brokers will submit a Equipment Proposal to the Receiver by no later than March 31, 2011;

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

    vi. Should the Receiver select a sale of the NA Property *en Bloc* to an Interested Party, the Receiver would enter into negotiations with the Interested Party to draft a purchase and sale agreement ("NA PSA");

    vii. Should the Receiver select a Equipment Proposal, the Receiver will enter into a formal contract (the "Equipment Contract") with the Auctioneer or Equipment Broker to realize upon the NA Seismic Equipment as described in the Equipment Proposal; and

    viii. Court approval will be required for either the NA PSA or Equipment Contract which would be expected in early April 2011.

RECOMMENDATION

55. The Receiver recommends that the Proposed Sales Process described above be approved by this Honourable Court.

All of which is respectfully submitted this 11th day of February, 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