



# Stateside Report



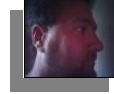
*“A Unique Report Service for the Intelligent Resource Investor”*



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**Introducing:**



*“Hitting their 2011 revenue projections in 2010 – a Colombia Resource Play”*

**2010 Sneak Peak Special**

**Name: Kinetex Resources**

**Trades on: Canada-TSX Venture KTX  
US – Over the Counter KTXRF**

**Issued Outstanding Shares: 33.8 million**

**Total Fully-Diluted Shares: 41.9 million**

**Current Share Price (12/22/09): \$.17/share CAD**

**Fully Diluted Market Cap: \$ 5.8 million**

**President: Gil Schneider**

**Email: [info@kinetex.ca](mailto:info@kinetex.ca)**

**Phone: 403-263-3330**

**Primary Region: Colombia, SA ;W. Canada**

**Primary Sector: Seismic acquisition**

**Web: <http://www.kinetex.ca>**

## Summary

The noise down south is deafening.....there is a major gold, oil, coal and potash exploration rush underway right now in Colombia South America. With all of the recent exciting news coming out of Colombia both from the gold sector (Ventana, Galway, Medoro, Colombia Mines, Greystar) and the oil sector (Gran Tierra, Alange, Petro America) and many exploration companies now joining in on the area plays (see write-up by Thom Calandra later in this report), I began the search for a company who would be the primary benefactor of all of the exploration dollars that will be spent during the current and upcoming exploration boom. If I was lucky enough to find such a company, I thought I would certainly be late to the party as surely analysts and investors would have figured out which companies with offices in Colombia would benefit most from this up and coming country exploration play. Then again, as so often happens in the junior sector, most investors aren't willing to put in the research required to uncover these types of situations. Luckily for me, investor laziness persists today and I've found just such a company. Better yet, nobody else has connected the dots and the price has not moved at all this year. You wouldn't have been able to connect the dots by reading just the headlines over the last few months but the clues have been disclosed for all to see buried in the press releases. The company has already booked contracts for the next 2 quarters that will exceed total 2009 sales and they are forecasting their 2010 revenues will be at the levels they had been projecting for 2011. Finally, they reached profitability for the first time ever during the second quarter this year and this continued into the third quarter. Their 2010 cash flow should far exceed their current market cap. I love to profit from lazy investors. I love Kinetex Resources (KTX).



These types of charts are sights for sore eyes considering the types of numbers Kinetex Resources will be putting up over the next 5 quarters. Somebody forgot to tell Kinetex that it's not October 2008 and their stock price shouldn't still be at 2008 crisis levels. Most profitable companies have come back 250-500% from October 2008 levels. Time for Kinetex to play catch up.





### **Why Kinetex?**

Ask Hathor and West Timmons Gold. Both used Kinetex services over the last few years to narrow down the drill targets to the most prospective locations at their properties in Canada and both can now claim to have two of the best resource discoveries in Canada in recent years (Hathor – Uranium, West Timmons – Gold). There are many other success stories such as these which makes Kinetex the “go-to” company for companies exploring for gold, oil & gas, coal and potash. In late 2008, Kinetex established (through its wholly owned Colombian subsidiary) a strong presence in Colombia where the Company is advantaged with key management personnel fluent in Spanish and familiar with local business culture. Columbia is expected to play a major role in driving accelerated revenues in the 4<sup>th</sup> quarter of 2009 and throughout 2010.

### **The Business (from the 3rdQ MD&A)**

Kinetex Resources trades on the TSX Venture Exchange, as a Tier 1 issuer, under the symbol “KTX”. The Company’s 100% owned subsidiary, Kinetex Multi-Component Services Inc. (“Kinetex”), is a technology-based geophysical service provider and provides digital seismic imaging, data acquisition, processing and archiving to the oil and gas and mining industries.

Seismic surveys, a technique in which sound waves are reflected by underground rock structures to reveal possible oil- and gas-bearing formations, are a standard exploration tool for the modern petroleum industry. Typically, a seismic survey uses an artificial energy source – in most cases, explosive charges or heavy mobile vibration generators on the surface to radiate out shock waves that are reflected back from underground rock structures and collected by adjacent ground sensors. By studying the reflected data, petroleum geologists can calculate the depth and outlines of underground formations. Conventional seismic surveys generally only detect one type of shock wave – the compression or “P” wave. While “P” waves are adequate for locating “structural traps”, where faults or folds in the underground rock have created zones where oil can become trapped, it is generally incapable of detecting the more elusive “stratigraphic traps” where oil can accumulate due to changes in the rock’s character, such as its porosity and permeability.

In the past, when oil & gas was relatively easy to find, the data generated by conventional seismic technology proved adequate to task, with drilling success rates averaging 50-70%. As most of the “low hanging fruit” has been found, the industry increasingly requires more sophisticated technology to detect and optimally extract the hydrocarbon deposits of tomorrow from complex subsurface geologies such as tar sands, oil and gas formations, and unconventional deposits.

The digital sensors used by Kinetex offer unparalleled sensor fidelity and greater frequency bandwidth, and detect the “P” wave plus two other major types of shock waves – the horizontal and vertical shear waves (“S” waves). When combined, the converted shear wave (a “P-S” wave) “paints” a richer and much more revealing portrait of the underground rock formations and can assist petroleum geologists in locating stratigraphic traps as well as reveal fractures that are required for enhanced commercial flow rates.

Kinetex has also been able to successfully adapt this technology to mining-specific situations and applications. While hard rock environments present unique acquisition and interpretation challenges, the Company has had considerable success in identifying and imaging diamondiferous kimberlite formations, uranium-bearing structural unconformities, and VMS base metals deposits. With drilling costs to an exploration company averaging \$1,000 per meter, considerable cost savings can be achieved through target selection and refinement based on a high resolution subsurface seismic map.

It is the Company’s stated objective to continue to maximize the organic growth of its subsidiary. The Company is also on the lookout for acquisitions that are accretive to its core business or that may provide operational or other synergistic benefits.

On November 6, 2008 the Company changed its name from “FirstGrowth Exploration & Development Services Corp.” to “Kinetex Resources Corporation” in order to better identify its business and brand. At the same time its subsidiary “Kinetex Inc.” changed its name to “Kinetex Multi-Component Services Inc.”

During 2008 (note – and continuing into 2009) approximately 41% of Kinetex’s business was from the mining sector and 59% from oil and gas. Going forward it is expected that revenues will be weighted 50/50 between the two sectors. Kinetex’s current capacity and high value services have enabled it to maintain its revenue despite the economic downturn and the general slowdown in resource exploration.

### **Why has Kinetex Under-Performed?**

Kinetex has underperformed due to a variety of reasons. In 2007 and 2008, they spent \$12 million on equipment and training personnel in anticipation of increased exploration activity and their expenses rose accordingly. The financial crisis in 2008 put a halt to most exploration budgets and revenues have suffered in 2009 (usually there is a 6 month lag between exploration companies raising capital and the subsequent seismic exploration taking place). In 2008, revenues averaged \$ 4 million per quarter but the expenses of expanding the business cut into profitability and Kinetex showed losses each quarter. In the first three quarters of 2009, revenues have averaged only \$3.4 million as the capital markets only started coming back this Summer. Even though Kinetex has cut expenses to the point where they were profitable for the first time ever in the 2<sup>nd</sup> and 3<sup>rd</sup> quarters (\$.1 million and \$.3 million) and they are averaging 45% gross profit margins (much higher than their 30-40% average), their revenue has not accelerated yet and the market hasn't paid attention to the underlying fundamentals. Kinetex has done a fairly good job of downplaying expectations but the signs of rapid revenue increases are evident for those who care to take the time to research the Kinetex press releases.

## Why will Kinetex Dramatically Out-Perform in 2010?

### *The fundamentals story*

The following below was written by Thom Calandra (subscribe at <http://www.tickertrax.com/>) and was posted on his Stockhouse Blog in mid-December. He talks about his visit to Columbia recently and all of the exploration activity. The key phrase that jumped out at me was.....”**Some 40 percent of Colombia has not been geologically mapped, Bob Carrington at CMJ tells me over a pickaxe at one of the camino reales across his Yuramalito property.....**” Guess who is in line for a good portion of this business?

### **Colombia:** *Land grab like Mongolia ‘02*

*Just back and planning the next trip to Colombia by year’s end. Each time I tour the country’s gold, copper and energy projects, I am reminded of Mongolia 2002, when **Ivanhoe Mines’** (TSX: T.IVN, [Stock Forum](#)) **Oyu Tolgoi** copper and gold porphyry caught the fancy of a nation ... and the mining industry worldwide.*

*Colombia is mystifying. There are so many purchases, land swaps, political palanca [lever –ed] shifts and strategy sessions going on with so many properties/regions/districts, that I spend most weekday mornings on the telephone and the Skype, trying to sort it all out.*

*Keeping track of what Bob Allen’s **Bullet** (and **Continental Gold**/halted-security **Cronus Resources** from Colossus-man Ari Sussman in Toronto) owns in the country ... and what the Carringtons, Bob and Gloria at **Colombian Mines** (TSX: V.CMJ, [Stock Forum](#)), are assembling there ... and how Rahim Jivraj’s private **MercerGold** from Vancouver, B.C., is cultivating **Guayabales** next to Marmato (with Canadian Shield’s **Keith Laskowski** as consultant) ... oh yes, and soon-to-be potent **Medoro Resources** (TSX: V.MRS, [Stock Forum](#)), which I long have owned, and which looks to control the entire Marmato mountain, loopy wildcatters and all, and then perhaps take a run at trustee-held **Frontino Mine** ... and yes, we have not even mentioned Georges Julliard’s **Titiribi** ... and **Zancudo** in Antioquia ... and all of the other long-held properties in Colombia that are controlled by European mining aficionado Georges Juillard.*

*Titiribi on-site operator **Phil O’Neill**, on his way to a small holiday on the Mayan Riviera, tells me the Sunward group controlling the historic mine and concession there has had discussions with the owners of the old Zancudo mine. Phil adds, “It is not currently part of our Titiribi property package; however, at the right price it would make sense to more of the area. Things in Colombia have gone nuts of late and the issue I believe will be what the right price is.”*

*Right price right now. Adrian Hobkirk’s **Caerus Resources** (TSX: V.CA, [Stock Forum](#)) looks so cheap, it might be scraping rock like a caveman’s knuckles in Bucaramanga, where it is assembling concessions. So does CMJ, even with its massive appreciation of late. Colombian Mines is only a \$20 million company. Less even.*

*Some 40 percent of Colombia has not been geologically mapped, **Bob Carrington** at CMJ tells me over a pickaxe at one of the camino reales across his Yuramalito property.*

*On the private front, 32-year-old **Rahim Jivraj** in Vancouver is putting together what he hopes is a **MercerGold** package of (for now privately held) properties that lead pony the Antioquia/Caldas parade with Guayabales. This gold-dusted wonder and active cooperative I have seen, courtesy of **Keith Laskowski** and the Carringtons at CMJ. This one, as yet not public, is without a doubt in my frame of mind the best (and cheapest) Marmato area play in Caldas and Antioquia departments. Non-trading, that is.*

Once the folks at Medoro – among them NYU-trained Venezuelan ex-pat **Vicente Mendoza** – take their Marmato efforts to Wall Street and your street – and possibly purchase the **Frontino Mine** at Segovia, the value of privately-held Guayabales and Mercer vehicle likely will quintuple overnight. Ditto for CMJ and several other Marmato-area prospects in and around Antioquia and Caldas departments.

In the category of “area plays & road shows,” I also expect Bob Allen and Ari Sussman and Stuart Moller’s **Continental Gold** (Buritica, Berlin and other properties) to arouse interest in separately owned Colombia concessions when Mr. Sussman of Toronto and his team take their reverse-takeover financing and stock market debut on the road in January.

On the **Guayabales** front, I learn this week that several financiers are seeking to parcel promising Marmato-area properties into something larger. Medoro perhaps? Bob Allen’s **Bullet** portfolio of more than 30 Colombian properties and mines? Georges Juilland’s Titiribi?

“In essence, Medoro bought one side of the Marmato mountain (via now defunct Colombia Gold Fields) for \$90 million and Mercer bought the other side,” Rahim Jivraj in Vancouver tells me, “for just \$4 million.” The Guayabales payment to private surface rights owners is \$4 million over four years.

“I’m working hard to ensure we are trading by no later than April,” Rahim tells me from a break from skiing in British Columbia today (Monday). “Medoro has 2.3m oz Au measured and indicated with another 1.1m inferred on the Colombia Goldfields land parcel; I understand that there’s another 2.5m in a non compliant report on the Colombia Gold parcel; I haven’t heard what resource exists in the ‘zona baja’ where Mineros Nacionales produces a reported 25,000 oz a year but understand that they are within 100 meters of the (Guayabales) property boundary.”

Rahim continues, “We have the same rocks, geology and know that gold is there because of the artisanal production on our side. The major differences are that we don’t have several parties to deal with to consolidate the area and we don’t have a town on our side so we’re open-pit amenable.”

Thus, Stockhouse audience, the attraction is the same that is luring scores of miners to assemble makeshift mills and operations in these rolling hills: Guayabales is 100 to 300 meters from the Northwest corner of Medoro’s Marmato underground complex. Medoro hopes to consummate purchase of the lower half of Marmato from **Mineros Nacionales** sometime in the next three months, Medoro VP of Exploration **Vicente Mendoza** tells me during a December tour of the property. (Photo of Mr. Mendoza at Marmato above.)

Upper Marmato, controlled by **Medoro Resources** ([TSX: VMRS](#), [Stock Forum](#)), is showing that with a cutoff grade of 0.30 g/t Au, the wildcat zone of this politically conflicted and overrun mountain almost surely will have not less than 3 million ounces of measured and indicated gold resources. This is according to data and other logs in my possession.

Boosting Medoro’s efforts on the Marmato and Frontino fronts are Mr. Mendoza, a Venezuelan with an NYU pedigree and longstanding ties to Colombian government and some of the best native geologists in the region, among them one who was at the Frontino Mine in the 1970s.

The Medoro team is also allied with the multi-billion-dollar success of **Pacific Rubiales** ([TSX: T.PRE](#), [Stock Forum](#)), a Colombian energy company whose newfound oil projects were engineered with the financing and political pull of several Canada and Bogota executives. These include **Frank Giustra** (mentioned today in a [Vancouver Sun article](#)), **Sally Eyre** of **Endeavour Financial** ([TSX: T.EDV](#), [Stock Forum](#)) in Vancouver and Serafino Iacono of Bogota and Cartagena.

As for historic Titiribi (gorgeous little town) 90 minutes outside the city of Medellin that I hope to visit later this month or early next. Says operator **Phil O'Neill**, "We have some very good news. We just secured **La Muriel Mining** from the Juilland brothers while in Asia with Michel Juilland. This is the company that is the underlying owner of the Murindo copper/gold prospect in Colombia. It is part of a JV with Rio Tinto. It is certainly one of the world's best un-drilled copper prospects and the gem of Colombia."

**More notes: Candente Gold** now has the cash backing of **Frank Holmes's** U.S. Global firm in San Antonio, Texas. A hard-hitting and ultra-skeptical geologist/analyst also appears to be on board El Oro's gold train. **Candente Gold** and its El Oro project in Mexico are raising as much as \$10 million in two loads, or tranches.

On a cheap basis, Candente also promises a post-holiday present – one share of the new gold company for every five Candente Resource (DNT) shares owned. Candente Resource, active on the copper and gold fronts in Peru, is one of 12 **Ticker Trax Planetary Prospects**.

Bob and Gloria Carrington's and Nate Tewalt's **Colombian Mines** ([TSX: V.CMJ](#), [Stock Forum](#)) was the company that essentially handed over the Guayabales property to **MercerGold** some months ago. CMJ let its option to purchase the property lapse so that it perform new drilling at La Escuela portion of its **Yuramalito Gold Project**.

**Colombian Mines' Yuramalito Project** is one of four Colombia properties and is not more than 15 km as the crow flies from El Marmato. Geologist Bob Carrington has been assembling and managing Colombia gold, coal and other properties as a geologist and a CEO since 1993. Colombian Mines (CMJ) is one of just a handful of companies **DECLINING** at present to raise additional shareholder-dilutive money in the Colombia land grab.

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So as you can see, Colombia is the hot bed for exploration plays and 40% of the country has not been geologically mapped. The fundamentals are certainly in place for Kinetex to capitalize on this secular trend. Let's see what they have reported over the last 5 months (some in fine print) that shows they are ready to execute.

**July 06, 2009**

### **Press Release**

#### **Kinetex Announces Award and Commencement of Coal Exploration Contract with MPX Energia S.A**

Kinetex Resources Corp. (TSXV: KTX) (the "Company" or "Kinetex") is pleased to announce that its branch in South America has finalized negotiations with MPX Energia S.A. ("MPX", or the "Client"), a subsidiary of the EBX Group of Companies, for the supply of integrated seismic imaging and associated exploration services. MPX is headquartered in Rio de Janeiro, Brazil, and has offices in Colombia and Chile.

**The contract, valued at USD \$6 million, is to provide exploration services over MPX's La Guajira mining permit in Colombia**, South America, with initial field work scheduled to commence immediately. The contract will proceed through successive stages over a projected three year exploration period with a minimum commitment of \$2 million in the first year, open to extension of size and scope. Services will

*initially consist of the program management, collection, processing and interpretation of a series of high resolution 2D seismic profiles. Upon completion of the initial field operations, Kinetex will assist in the analysis of the survey results and the development of further exploration and development plans.*

*The objective of the contract is to provide a high-resolution map of structural and stratigraphic features in the subsurface, to delineate coal seam thickness and direction, and to identify possible lithology or fault hazards in preparation for long wall- or open-cut coal mine planning and development.*

*MPX's mining rights comprise an area of over 78,000 hectares located in two thermal coal producing regions of Colombia - Cesar and La Guajira. The coal from these regions, having proven geological resources estimated at over 150 million tons, is recognized for its outstanding quality with high calorific values and low percentages of ash and sulfur.*

*"We are very proud to be working with MPX on this project", said Gil Schneider, CEO of Kinetex. "It is the stated objective of MPX to advance the properties to the resource certification and mine development stage as rapidly as possible. The application of multi-component seismic data, correlated and validated by MPX's aggressive drill program, will lay the foundation for a cost-effective and timely exploration program and provide a geological model that will form the basis for decisions made with confidence by MPX's geologists and mining engineers."*

Then we have their announcement of a PP in November. Buried down in the press release it states...**"We continue to enjoy strong growth in activity in both North and South America," said Gil Schneider, President and CEO of Kinetex. "The additional capital provided by this placement offering will help us accelerate our sales and operations efforts. Our order book for the next four quarters is shaping up very strongly and holds the potential for revenues to grow at a pace that may allow us to achieve our forecasted 2011 revenue targets in 2010." ....**

*November 19, 2009*

## ***Press Release***

### ***Kinetex Announces Private Placement of Units***

*Kinetex Resources Corp. (TSX VENTURE:KTX) (the "Company" or "Kinetex") is pleased to announce that it has arranged, subject to regulatory approval, a non-brokered private placement consisting of up to 10,000,000 units (the "Units") to qualified investors for gross proceeds of up to \$1,500,000 (the "Offering").*

*The terms of the Offering will be for Units at a price of 15 cents per Unit. Each Unit will consist of one common share and one common share purchase warrant, exercisable to acquire one additional common share of the Company at a price of 25 cents per share for a period of two years from the closing of the private placement. The warrant expiry may be accelerated if the share price of the Company trades at a price equal to or higher than 40% of the warrant exercise price for a period of 21 consecutive days. All securities issued in the Offering will be subject to a 4-month hold period.*

*The offering is subject to certain conditions including, but not limited to, the receipt of all necessary regulatory approvals, including the approval of the TSX Venture Exchange.*

*A finders' fee will be paid in the form of a cash commission equal to 7% of the gross proceeds of the Offering; and issue to the Finder non-transferable share purchase warrants ("Finder's Warrants") equal to 7% of the number of Common Shares sold under the Offering. Each Finder's Warrant will entitle the Finder to purchase one common share of the Company at a price of 25 cents for a period of 12 months after the Closing Date.*

*Proceeds of the offering will be used to advance development of the Company's business and for general working capital.*

***"We continue to enjoy strong growth in activity in both North and South America," said Gil Schneider, President and CEO of Kinetex. "The additional capital provided by this placement offering will help us accelerate our sales and operations efforts. Our order book for the next four quarters is shaping up very strongly and holds the potential for revenues to grow at a pace that may allow us to achieve our forecasted 2011 revenue targets in 2010."***

Most recently, Kinetex issued a press release in December on their 3<sup>rd</sup> quarter results. The pertinent highlights of the release are highlighted as shown below:

***December 02, 2009***

### ***Press Release***

#### ***Kinetex Announces Third Quarter Financial Results***

*Kinetex Resources Corp. (TSXV: KTX) (the "Company" or "Kinetex") is pleased to announce its consolidated operating and financial results for the third quarter ended September 30, 2009.*

*Readers are encouraged to view the Company's Interim Financial Statements and accompanying Management Discussion and Analysis on the Company's website and SEDAR at [www.sedar.com](http://www.sedar.com).*

#### ***Highlights of Third Quarter activity***

*The Company continued to make steady progress during the quarter ended September 30, 2009. As Kinetex executes upon its business plan, the Company is expanding its contract base by capitalizing on the efforts of its South American operations and on Kinetex's market position in Canada. During the period management made a conscious shift to focus on the reduction of third party billing. This shift enables Kinetex to manage its customer base more efficiently and improve its cash flow and profit margins. The Company continues to attract a significant amount of business. As per the Company's June 4, 2009 announcement, Kinetex announced a record amount of committed work contracts in excess of \$20 million. **The Company commenced said work programs during the quarter which are scheduled to be completed in the first quarter of 2010.***

Revenue for the quarter was \$3,026,873 compared to \$4,209,973 for the quarter ended September 30, 2008, representing a decrease of 28.1% and revenue for the corresponding nine month period was \$10,175,796 compared to \$11,040,357 for the prior year, representing a decrease of 7.8%. Revenue was significantly lower than the prior year (primarily due to the reduction in third party billing) while the requirement to complete extensive environmental assessments and permitting prior to commencement of field operations **has shifted the recognition of a significant portion of revenues into the fourth quarter of 2009.**

While energy and resource exploration and development activity in Western Canada is well below historical levels, the Company's performance to date has not been adversely affected largely due to a strong presence in South America where activity remains high along with a diversified mix of services across the spectrum of commodities; notably, uranium, coal and potash in addition to Oil and Gas. **The Company has established through its wholly owned Colombian subsidiary, a strong presence in Colombia where the Company is advantaged with key management personnel fluent in Spanish and familiar with local business culture.**

As a result of efforts to manage its business more effectively the Company has been able to improve its gross margin and overall profitability on less revenue for both the quarter and year to date. **The Company is pleased to announce positive net income of \$306,950 (\$0.01 basic and diluted per share) for the quarter** (compared to a loss of \$185,416 in 2008) and \$287,704 (\$0.01 basic and diluted per share) for the year to date (compared to a loss of \$1,381,333 in 2008). Profitability was maintained through strategic focus on cost reduction, optimization of the Company's resources and customer management. Management believes these changes are positioning the Company for ongoing profitable operations and expansion in the future.

**The Company's cash flow situation has improved substantially since last quarter as it has completed the build up of its operating foundation and capacity.** As profitability continues to improve (and the rate of cash burn declines) the Company continues to rely on available bank financings and equity offerings in order to take advantage of the growing opportunities available to it. The Company has made new arrangements with its lenders during the quarter and on November 19, 2009 announced a \$1,500,000 private placement share offering.

"We continue to be cautiously optimistic in the headwinds of the current downturn and are confident our leadership in adopting new technologies will continue to produce positive results", said Leonard Van Betuw, CEO of Kinetex Multi-Component Services. "Colombia continues to see strong activity, as reported by our South American branch offices, Kinetex Sursucusal and Kinetex Geosciences headquartered in Bogota.

**Under the direction of Andres Hernandez, VP of Operations, sales revenue from South America accounts for 40% of revenues year to date, up from 35% last year.** The Board joins me in congratulating our management and field personnel on their achievements and thanks them for their continuing efforts; we look forward to their growing contribution to the company's revenue as we continue to expand our capacity in the region. "

### **Outlook for 2009**

Kinetex Resources Corporation is pleased to provide an overview of its activities and plans for expansion in 2009 for its subsidiary, Kinetex. **The Company reports excellent progress in the third quarter, traditionally a seasonally slow activity period. Kinetex currently has 3 crews in the field. As previously announced, the bid book remains strong with over \$50 million in active solicitations, while we continue to carry a signed order book of over \$ 25 million into the 4th quarter of 2009.**

*(Shareholders are cautioned that, while management remains optimistic pertaining to future awarded prospects, there can be no guarantee or assurance that the Company will be the successful bidder respecting any or all of the active solicitations.)*

*A key strength of the Company is its use of digital 3C multi-component services – the superiority of this multi-component seismic data continues to be apparent as demonstrated by the results and the continuing demand by our array of both energy and metals exploration and development contracts underway.*

***The expansion of infrastructure over the past three years is now providing a solid foundation for future growth and has increased revenue generation opportunities previously unavailable to the Company. The Company is able to bid on larger projects which gives the Company the opportunity to address (among other things) requests from senior petroleum clients for large capacity surveys and the ongoing growth seen in both the domestic and international markets. The Company notes that its geographic and industrial diversity is providing opportunities for growth despite the economic challenges being felt across the board all by energy services companies worldwide.***

***The recent successes and discoveries enjoyed by a number of our mining clientele are very exciting to see and it is encouraging to know that we played a part in their successes.***

***Kinetex's presence in South America (through its subsidiary, Kinetex Surcusal Colombia Inc.) provides the Company with a new market and geographical diversification. The Company established a regional office in Bogota, Colombia in late 2008 to identify and seize business opportunities in both Colombia and other parts of South America, and enjoys strong growth with an expanding list of clientele.***

*Looking forward, the Company sees opportunity for growth at an accelerated rate once overall confidence returns to the world markets. The Company very cautiously is extremely encouraged by the reported developments associated with our strategic long term investments; ***“Our appropriately conservative treatment of recognizing these items at a modest discount to cost represent an area of unbudgeted earnings in 2010.”*** We caution there remain hurdles to be overcome, but progress achieved year to date provide us growing confidence that we will be potentially rewarding our shareholders in the future with additional strong returns on the most significant asset: ***The collectively growing intellectual capacity of Kinetex.****

*In conclusion, the Company has continued to execute its business plan throughout the past year and current quarter. While the Company's growth rate has slowed somewhat due to the delay and or postponement of some projects, the Company remains confident that its business strategy and projections remain intact. Management is looking forward to a busy year and is confident that the Company will be able to take advantage of the opportunities available to it.*



## Key Risks

Even though the stock price is at the crisis-depressed levels of 2008, there are certain risks including:

- \$8 million of debt – However, with the drastic improvement in cash flows during the 3<sup>rd</sup> quarter and the anticipated cash flows over the next 5 quarters, debt and interest payments are not expected to be a limiting factor
- Earlier this year, a cease trade order was issued in May 2009 as the 2008 financial statements were filed late. Although not likely to occur again, no investor likes to see their stock halted due to reasons such as this.
- Exploration requires open capital markets. If the capital markets were to revert to the crisis levels of 2008, 2011 revenues may suffer but 2010 revenues should remain at elevated levels.

## Share Structure

Kinetex has 34 million shares issued and outstanding; 4 million warrants (\$1.00) and 4 million options (\$.60 average). Prior to the current private placement announced in November 2009, Kinetex had not done a placement since 2007 making the share structure relatively tight with no warrant overhang.

## Hiring Plans

On December 21<sup>st</sup>, Kinetex posted the following help wanted ad indicating they are building their business in Western Canada as oil & gas exploration comes back from the crisis levels of 2008:

<http://alberta.jobs-open.ca/jobs/ab-calgary-south-west-alberta-kinetex-multi-component-services-labourer-oil-field-2azcc.php>

### ***Kinetex Multi-Component Services***

[www.kinetex.ca](http://www.kinetex.ca)

*is looking for  
a*

***Labourer, oil field***

*(3d Seismic Survey Field Coordinator)*

*in*

*Calgary South West, Alberta*

*to start as soon as possible*

***Terms:*** *This is a permanent, full time job, which requires working days, evenings, nights, and weekends.*

***Salary:*** *will be negotiated and depends on the skills and experience of the applicant.*

***Experience:*** *is an asset.*

***Credentials required:*** *The applicant should have Standard First Aid Certificate, Driver's licence, Workplace Hazardous Materials Information System (WHMIS) Certificate, Hydrogen Sulphide Awareness (H2S)*

*Certificate.*

**Weight Handling:** *Up to 23 kg (50 lbs)*

**Additional Skills:** *Write daily basic progress reports*

**Work Conditions and Physical Capabilities:** *Fast-paced environment, Repetitive tasks, Attention to detail, Combination of sitting, standing, walking, Bending, crouching, kneeling*

**Work Site Environment:** *Outdoors*

**Transportation/Travel Information:** *Valid driver's licence, Willing to travel regularly*

**Essential Skills:** *Reading text, Document use, Numeracy, Writing, Oral communication, Working with others, Problem solving, Decision making, Critical thinking, Job task planning and organizing, Finding information, Computer use, Continuous learning*

**Profile:** *for Kinetex Multi-Component Services*

*Kinetex MCS is a Seismic acquisition company, that works through out Canada. Work is performed for Oil and Gas companies as well as Mining companies.*

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## **Competitor Activities**

The market for seismic acquisition is heating up and consolidation is beginning to occur in the sector as shown below. As a point of reference, Kinetex had 3 crews in the field during the 3<sup>rd</sup> quarter with the capability to ramp to 4 crews this quarter. Plans are in the works to mobilize a 5<sup>th</sup> crew as contracts dictate.

### **GEOKINETICS TO ACQUIRE THE GLOBAL ONSHORE SEISMIC BUSINESS OF PETROLEUM GEO-SERVICES**

***Strategic acquisition creates second largest provider of onshore seismic data acquisition services in the world and largest in Western Hemisphere***

***Includes extensive North American multi-client data library***

***Expected pro-forma combined 2009 revenues of over \$700 million***

***Transaction expected to be highly accretive to 2010 earnings***

***Conference call scheduled for Thursday, December 3 at 11:00 a.m. Eastern Time***

**HOUSTON, TEXAS and OSLO, NORWAY - December 3, 2009** - Geokinetics Inc. (NYSE Amex: GOK) and Petroleum Geo-Services ("PGS") (OSE: PGS) today announced that they have signed a definitive agreement under which Geokinetics ("the Company"), a leading provider of seismic data acquisition, processing and interpretation services, will acquire the onshore seismic data acquisition and multi-client data library business of PGS ("PGS Onshore") in a cash and stock transaction valued at approximately \$210 million, on a cash free, debt free basis, which includes net working capital of \$37.5 million. The final purchase price is subject to certain customary post-closing adjustments. The transaction is expected to close in the first quarter of 2010 and is subject to normal closing conditions and regulatory approvals; there is no financing condition.

The combination of Geokinetics and PGS Onshore will create the second largest provider of onshore seismic data acquisition services in the world in terms of crew count and the largest based in the Western Hemisphere. The combined company will have the assets and technical capabilities to support up to 38 crews and carry in excess of 207,000 equipment channels and over 150 vibroseis units; and possess in excess of 6,240 square miles of multi-client library data upon completion of current projects in progress. Empowered by a broad range of technologies that include transition zone ("TZ"), ocean bottom cable ("OBC") and land vibroseis, the new Geokinetics will be able to compete more effectively within the entire seismic value-chain of planning, proprietary and multi-client acquisition, processing and interpretation services. Furthermore, this acquisition will propel Geokinetics into new markets including Alaska and Mexico, as well as certain new countries in the Middle East and North Africa. As a result, Geokinetics will have a greater geographic reach overall, with a more significant presence in Africa and Asia and a leadership position in the Americas.

In 2008, PGS Onshore generated \$71.9 million in EBITDA (a non-GAAP financial measure defined below) on revenues of \$278.8 million. In the first nine months of 2009, it generated \$9.2 million in EBITDA on revenues of \$141.6 million. The 2009 decline in revenues and EBITDA is primarily due to a substantial drop in multi-client revenues as a result of lower natural gas prices in North America and a lack of new projects initiated in 2009. On a pro-forma basis, the new Geokinetics would be expected to generate in excess of \$700 million in revenues for 2009. PGS Onshore had backlog of \$196 million as of September 30, 2009, which combined with Geokinetics represents \$455 million of pro-forma combined backlog at September 30, 2009. Geokinetics anticipates the transaction will be highly accretive to 2010 earnings.

Richard F. Miles, President and Chief Executive Officer of Geokinetics, said, "We are extremely pleased to enter into this agreement with PGS as it solidifies Geokinetics' position as the clear leader in the onshore seismic data acquisition business. With the addition of PGS Onshore's technologies; its broad international operations capable of working in diverse climate conditions; its extensive multi-client library providing multi-year potential and a focus on high-impact drilling areas or areas of high lease turnover, we will be able to expand our services, accelerate our entrance into the multi-client business and enhance our position within the seismic contractor industry.

"We expect the combined company to be better positioned to serve our expanded customer base as we will have an enhanced ability to redeploy assets into more attractive markets. Our increased number of crews should also provide longer term contract opportunities with fewer mobilizations which should result in better utilization and profitability. In addition, PGS has invested over \$130 million over the last three years in their 5,500 square miles of multi-client library data and multi-client technical capabilities, and we believe this high quality resource will place us in an important segment of the market in which we have not previously participated in a meaningful way.

"Finally, we look forward to PGS becoming a large shareholder in Geokinetics, as we believe this will provide numerous opportunities going forward and should benefit both companies. We are eager to welcome the PGS Onshore employees into Geokinetics, and look forward to building a stronger, more competitive business," concluded Mr. Miles.

Jon Erik Reinhardsen, President and Chief Executive Officer of Petroleum Geo-Services commented, "The combination of PGS' and Geokinetics' competence and market presence will create a new force in the onshore seismic industry. As a future key shareholder, we are excited about the growth potential and leading market position of the new Geokinetics. This transaction adds value for our shareholders, our employees and our customers."

Mr. Reinhardsen continues, "At the same time, this transaction establishes PGS as a focused marine geophysical company. The strengthened financial position of PGS will further allow us to continue to develop the most efficient fleet and leading edge technology in the industry."

Following the closing of the transaction, PGS will become Geokinetics' second-largest shareholder after Avista Capital Partners. The acquisition is expected to provide annual synergies in excess of \$10 million, driven mainly by organizational streamlining and cost reductions. There may be additional synergies via cross-selling opportunities and additional opportunities for processing behind Geokinetics' expanded number of crews. Geokinetics expects to begin to capitalize on these synergies in mid-2010 as the Company starts to benefit from the integration of the two businesses.

Geokinetics has agreed to finance this acquisition through a combination of cash and common stock. At closing, Geokinetics will issue PGS approximately 2.15 million shares, which represents 19.9% of Geokinetics current number of shares outstanding prior to this issuance, valued for purposes of the transaction at \$12.11 per share or \$26.1 million. The remainder of the purchase price or \$183.9 million will be paid in cash. The Company will have until February 15, 2010 to close the transaction.

## **Management**

In August 2009, Kinetex strengthened their board with the following announcement:

### ***Kinetex Announces Board Changes and Appointments***

*August 11, 2009*

*Kinetex Resources Corp. (TSX VENTURE:KTX) (the "Company" or "Kinetex") is pleased to announce the appointments of the Honorable John D. Reynolds and Dr. Sayed-Amr ("Sisso") El-Hamamsy to the Board of Directors.*

*Mr. Reynolds has had a distinguished 25 year career as an elected member for both the B.C. Provincial Assembly and Federal Parliament. In B.C., he served as the provincial Minister of Environment during his 1987 term. He was elected by the caucus as the Leader of the Official Opposition in the Canadian Parliament in 2004, and co-chaired the successful conservative campaign in 2006 when Stephen Harper was elected Prime Minister. He retired from political service in 2006, and joined Lang Michener LLP as a Senior Strategic Advisor. Mr. Reynolds has a strong interest in international business and serves on the Boards of several public and private companies including ARA Safety Inc., Calibre Mining Corp., Cathay Forest Products Corp., Encanto Potash Corp., Rusoro Mining Ltd., Svit Gold Corp. and Terrane Metals Corp.*

*Dr. El-Hamamsy received his PhD from the California Institute of Technology in EE and Computer Science in 1986. He worked at the GE Corporate Research and Development Center for 15 years in the areas of Lighting, Magnetic Resonance Imaging and Enterprise Software. He then joined Wi-LAN as Chief Operating Officer and was promoted to President and CEO. Under his guidance Wi-LAN became a founding member of the WiMAX Forum, changed the US FCC regulations in the 2.4GHz band which enabled the introduction of WiFi 802.11g products and was the leader in developing the standard for future broadband wireless access. During that period, Wi-LAN introduced many new products and demonstrated non-line of sight and mobile communications capabilities that were well ahead of the industry's capabilities. He also achieved the first quarters of positive cash flow in the history of the company. After he left Wi-LAN he co-founded Innovative Products for Life, a company dedicated to marketing, selling and developing innovative consumer products. He also founded SRD Innovations which is developing wireless broadband products for the Oil and Gas Industry. Dr. El-Hamamsy has numerous publications, has received 43 US patents and has led the development of many products from concept to production, in Lighting, MRI, and Wireless Broadband Technology.*

*Both Mr. Reynolds and Dr. El-Hamasy will serve as independent members of the Board.*

In addition to these positions, management includes:

## **Management & Directors**

### ***Gil G. Schneider***

*President, Chief Executive Officer and Director, Member of the Audit Committee*

*Mr. Schneider began a career in management consulting in 1977 as Regional Sales Manager of Versa Services, one of Canada's largest service management organizations. Mr. Schneider left Versa Services, a Toronto Stock Exchange listed company with revenues in excess of \$500,000,000 and 15,000 employees, in 1992 as the Vice President of Western Canada Sales. In 1992 Mr. Schneider pursued a consulting career and was Vice President of Operations of Restauronics, a national food service management company owned by the former President and Chief Executive Officer of Versa Services. In*

*1993 Mr. Schneider negotiated the purchase of the Community Care Purchasing Group and assumed the position of General Manager. This group was a network of health care agencies in the Province of British Columbia partnering to share their best strategies for improving service quality and cost performance. In 2000 Mr. Schneider sold his interest in the Community Care Purchasing Group to ARAMARK Corporation and signed onto a five year consulting contract as Manager, New Business Development, which has now concluded. While at ARAMARK Mr. Schneider was instrumental in negotiating a contract with the Vancouver Coastal Health Authority valued at over \$100,000,000. In 1999 Mr. Schneider became President of VentureCorp Capital Inc., a venture capital pool corporation listed on the then CDNX, which was subsequently transformed into Bioteq Environmental Technologies Inc (TSX-V: BQE) ("Bioteq"). Mr. Schneider has subsequently resigned from that position but retains an equity position in Bioteq.*

*\*ARAMARK Corporation has annual revenues in excess of \$10 Billion dollars. It has recently been taken over by a group of investor funds, prior it was a publicly traded company on the New York Stock Exchange. The Company has over 280,000 employees & does business in 19 countries*

### ***Richard W. DeVries***

*Director*

*Mr. DeVries serves as a director and officer of numerous companies (public and private) worldwide including two publicly traded oil and gas companies; one of which is focused on Canadian oil and gas opportunities and other being focused on oil and gas opportunities worldwide.*

*Mr. DeVries holds a Bachelor of Commerce Degree (1974) as well as a Bachelor of Law Degree (1977), both from the University of Alberta. Mr. DeVries was admitted as a member of the Law Society of Alberta in 1978. In addition to being an active member in good standing of the Law Society of Alberta, Mr. DeVries is also a member of the International Society of Tax and Estate Practitioners.*

### ***Leonard Van Betuw***

*Director, CEO Kinetex Multi-Component Services Inc.*

*Mr. Van Betuw has extensive geophysics experience over a period of 16 years with a focus based approach on providing exploration economics and management. After graduating with a BSc in Geophysics from the University of Saskatchewan in 1987, he began his career as a field service technician with Veritas Geophysical, currently known as CGGVeritas. Later he joined Western Geophysical in Western Canada and South America where he was part of a regional management team in Venezuela with Pioneer Exploration. He also held a senior management position with Airborne Resource Development. From his management experience gained at Veritas, Western Geophysical, and Airborne, he founded NRG Services and served as President and COO for five years before selling the business to his partners. In 1998 he co-founded Kinetex Inc. Mr. Van Betuw has extensive field experience in over one hundred projects in numerous locations around the world. His technical background includes integrated quality control, 3D seismic survey design, data processing and seismic modeling. His extensive practical experience in economics and management provide a strong basis for Kinetex Inc.*

## **Key Management & Operations Personnel**

### **Andres Hernandez**

*Mr. Hernandez possesses extensive experience in the geophysical industry with the past 5 years being focused on crew management and project development. Andres's background is founded on his five years at Western Atlas International of Houston, Texas. During this time he underwent extensive training in the areas of Management and safety. His practical experience began in Venezuela his country of origin and expanded to Argentina, the United Emirates, Algeria, Mozambique, and Canada. Cofounder of Kinetex Inc. Andres holds the position of General Manager. Prior to his appointment at Kinetex Inc. he was providing contract services to NRG Services International where he was the key to the project management for Scimitar Hydrocarbons in Mozambique and its other international projects. He was also Project Manager for Pebercan in Cuba. His extensive oral and written command of both English and Spanish provide him with an ability to make clear and concise operational recommendations and decisions.*

### **Dale Harrison**

*Mr. Harrison heads up technical support. He has 10 years of field experience as an instrument operator while conducting crew supervision provide us with a high level of confidence with regards to Dale's dedication and capabilities. Dale has extensive Vibroseis experience and presently holds the position of Crew Manager. He was trained by Geo-X Systems and has worked both in Canada and internationally. Kinetex is confident in providing consistent quality crew support in the areas of crew supervision, instruments and electronics. Dale presently is continuing his training in the areas of management theory and conducting language courses in Spanish.*

### **Darryl Armstrong**

*Mr. Armstrong is the Senior Instrument Operator, principle in charge of the execution of data acquisition services with Crew 101. Darryl is an electronics graduate with additional extensive industry training. He has attended training from Input Output Inc. of Houston, Texas as well as Pelton Company of Ponka City, Oklahoma. His 7 years of experience provides a strong foundation while he continues to develop his skills in the areas of digital theory as well as practical knowledge of seismic theory and quality analysis.*

### **Hermes Martinez**

*Mr. Martinez is the Chief Technician in charge of heavy equipment. Hermes has over 25 years experience in the Geophysical Industry. He is trained as a diesel mechanic and has extensive background and training in the areas of hydraulics, vibroseis theory and electronics, as well as the scheduling and maintenance of heavy equipment. Hermes for the past 5 years has worked in Canada, the United States, and Venezuela. He provides Kinetex with a strong foundation in the area of short hole drilling operations and vibroseis operations with a hands on leadership approach and commands a working knowledge both written and spoken of Spanish.*



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