

pulse seismic

# OUR LANDSCAPE

**Q3 INTERIM REPORT**

For the three and nine months ended September 30, 2015

## SELECTED FINANCIAL AND OPERATING INFORMATION

| *(thousands of dollars except per share data, number of shares and kilometres of seismic data)* | Three months ended September 30, **2015** | 2014 (unaudited) | Nine months ended September 30, **2015** | 2014 (unaudited) | Year ended December 31, 2014 |
|---|---|---|---|---|---|
| Revenue | | | | | |
| Data library sales | **4,678** | 14,531 | **12,455** | 27,358 | 35,743 |
| Participation surveys | **-** | - | **3,220** | - | - |
| Total revenue | **4,678** | 14,531 | **15,675** | 27,358 | 35,743 |
| Amortization of seismic data library | **5,262** | 5,554 | **17,857** | 17,228 | 22,507 |
| Net earnings (loss) | **(1,579)** | 5,086 | **(5,966)** | 2,654 | 3,478 |
| Per share basic and diluted | **(0.03)** | 0.09 | **(0.10)** | 0.04 | 0.06 |
| Cash provided by operating activities | **7,832** | 6,580 | **14,193** | 14,865 | 27,985 |
| Per share basic and diluted | **0.14** | 0.11 | **0.25** | 0.25 | 0.47 |
| Cash EBITDA [(a)] | **3,332** | 12,724 | **8,078** | 21,954 | 28,615 |
| Per share basic and diluted [(a)] | **0.06** | 0.21 | **0.14** | 0.37 | 0.49 |
| Shareholder free cash flow [(a)] | **3,249** | 12,547 | **7,773** | 21,343 | 27,858 |
| Per share basic and diluted [(a)] | **0.06** | 0.21 | **0.14** | 0.36 | 0.47 |
| Capital expenditures | | | | | |
| Participation surveys (cost reduction) | **(9)** | - | **3,959** | - | 36 |
| Seismic data digitization and related costs | **-** | 183 | **183** | 550 | 733 |
| Property and equipment additions | **-** | - | **14** | 21 | 64 |
| Total capital expenditures | **(9)** | 183 | **4,156** | 571 | 833 |
| Weighted average shares outstanding | | | | | |
| Basic and diluted | **56,618,252** | 59,314,120 | **56,826,409** | 59,324,779 | 58,957,072 |
| Shares outstanding at period end | | | **56,352,989** | 59,314,120 | 57,247,843 |
| Seismic library | | | | | |
| 2D in kilometres | | | **339,991** | 339,991 | 339,991 |
| 3D in square kilometres | | | **28,409** | 28,284 | 28,284 |

## FINANCIAL POSITION AND RATIOS

| *(thousands of dollars except ratios)* | **September 30, 2015** | September 30, 2014 | December 31, 2014 |
|---|---|---|---|
| Working capital | **1,988** | 12,396 | 5,296 |
| Working capital ratio | **2.76:1** | 5.19:1 | 2.79:1 |
| Total assets | **56,496** | 87,655 | 75,482 |
| Long-term debt | **1,456** | 11,338 | 5,367 |
| TTM cash EBITDA | **14,739** | 24,916 | 28,615 |
| Shareholders' equity | **46,396** | 64,782 | 58,401 |
| Long-term debt to TTM cash EBITDA ratio | **0.10:1** | 0.46:1 | 0.19:1 |
| Long-term debt to equity ratio | **0.03:1** | 0.18:1 | 0.09:1 |

*(a) These non-GAAP financial measures are defined in the Management's Discussion and Analysis.*

# MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

**THREE AND NINE MONTHS ENDED SEPTEMBER 30, 2015**

The following Management's Discussion and Analysis (MD&A) of the financial condition and results of operations of Pulse Seismic Inc. ("Pulse" or "the Company") for the three and nine months ended September 30, 2015 was prepared taking into consideration information available to November 4, 2015 and should be read with the unaudited condensed consolidated interim financial statements and related notes for the three and nine months ended September 30, 2015. This MD&A is supplemental to the MD&A, audited consolidated financial statements and related notes for the year ended December 31, 2014.

The unaudited condensed consolidated interim financial statements were prepared in accordance with International Accounting Standard (IAS) 34 *Interim Financial Reporting* and, along with the MD&A for the three and nine months ended September 30, 2015, were reviewed by Pulse's Audit Committee and approved by Pulse's Board of Directors. All financial information is reported in Canadian dollars. This MD&A discusses matters which Pulse's management considers material. Management determines whether information is material based on whether it believes a reasonable investor's decision whether or not to buy, sell or hold shares in the Company would likely be influenced or changed if the information were omitted or misstated. Readers should also read the cautionary statement in "Forward-Looking Information".


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## OVERVIEW

### ABOUT PULSE

Pulse is a market leader in the acquisition, marketing and licensing of two-dimensional (2D) and three-dimensional (3D) seismic data for the energy sector in Western Canada. Seismic data is used by oil and natural gas exploration and development companies to identify portions of geological formations that have the potential to hold hydrocarbons. Seismic data is used in conjunction with well logging data, well core comparisons, geological mapping and surface outcrops to create a detailed map of the Earth's subsurface at various depths.

Pulse owns the second-largest licensable seismic data library in Canada, currently consisting of approximately 28,600 net square kilometres of 3D seismic and 340,000 net kilometres of 2D seismic. The library extensively covers the Western Canada Sedimentary Basin (WCSB), where most of Canada's oil and natural gas exploration and development occur.

Pulse calculates net square kilometres of 3D data and net kilometres of 2D data by multiplying the number of square kilometres of seismic data in each individual 3D seismic dataset and the number of kilometres of seismic data in each 2D line by Pulse's percentage of ownership in each.

### MISSION, VISION AND STRATEGY

Pulse is a pure-play seismic data library company focused on the acquisition, marketing and licensing of seismic data to the western Canadian energy sector. The Company's business model is designed to generate a growing stream of cash flow by repeatedly licensing the data in its seismic data library to oil and natural gas companies. Pulse's strategy is to pursue growth opportunities that meet its financial and technical criteria while maintaining a low cost structure.

## KEY PERFORMANCE INDICATORS

The key performance indicators used by Pulse's management to analyze business results are seismic revenue, in total and broken down between data library sales and participation survey revenue, net earnings, cash provided by operating activities, cash EBITDA, shareholder free cash flow and the long-term debt to trailing twelve-month (TTM) cash EBITDA ratio. The definitions of cash EBITDA and shareholder free cash flow are provided in "Non-GAAP Financial Measures and Reconciliations". The calculation of TTM cash EBITDA and long-term debt to TTM cash EBITDA ratio are provided in "Liquidity, Capital Resources and Capital Requirements".

Results for the key performance indicators as at and for the three and nine months ended September 30, 2015, with comparative figures for 2014, are set out in the following table:

| | Three months ended September 30, | | | Nine months ended September 30, | | |
|---|---|---|---|---|---|---|
| (thousands of dollars except per share data and ratios) | **2015** | 2014 | Variance | **2015** | 2014 | Variance |
| Data library sales | **4,678** | 14,531 | (9,853) | **12,455** | 27,358 | (14,903) |
| Participation survey revenue | **-** | - | - | **3,220** | - | 3,220 |
| Total seismic revenue | **4,678** | 14,531 | (9,853) | **15,675** | 27,358 | (11,683) |
| Net earnings (loss) | **(1,579)** | 5,086 | (6,665) | **(5,966)** | 2,654 | (8,620) |
| Per share basic and diluted | **(0.03)** | 0.09 | (0.12) | **(0.10)** | 0.04 | (0.14) |
| Cash provided by operating activities | **7,832** | 6,580 | 1,252 | **14,193** | 14,865 | (672) |
| Per share basic and diluted | **0.14** | 0.11 | 0.03 | **0.25** | 0.25 | - |
| Cash EBITDA | **3,332** | 12,724 | (9,392) | **8,078** | 21,954 | (13,876) |
| Per share basic and diluted | **0.06** | 0.21 | (0.15) | **0.14** | 0.37 | (0.23) |
| Shareholder free cash flow | **3,249** | 12,547 | (9,298) | **7,773** | 21,343 | (13,570) |
| Per share basic and diluted | **0.06** | 0.21 | (0.15) | **0.14** | 0.36 | (0.22) |
| Long-term debt to TTM cash EBITDA ratio | | | | **0.10:1** | 0.46:1 | (0.36):1 |

The significant reductions in data library sales for both the three and nine months ended September 30, 2015 is the main factor contributing to the decline in almost all the Company's key performance metrics from the prior year's periods. The Company experienced low data library sales for both the three and nine months periods of 2015 due to drastic cutbacks in the energy-producing sector's capital spending.

The cash provided by operating activities for the three months ended September 30, 2015 slightly increased compared to the same period of 2014 due to higher collection of accounts receivable during the third quarter of 2015 compared to the same period of 2014.

The Company added 136 square kilometres of new high-quality 3D seismic data to the library through the completion of the Peco South 3D survey in west central Alberta, which commenced in January 2015 and was completed in March 2015. The Company recognized 100 percent of the survey revenue and the initial amortization expense related to this survey in the first quarter of 2015.

## SEISMIC INDUSTRY CYCLES AND SEASONALITY

Revenue fluctuations are a normal part of the seismic data library business and data library sales can vary significantly from quarter to quarter. Traditional data library sales in the fourth quarter have often been stronger than in other quarters, with seismic data sales being triggered as oil and natural gas companies finalize capital expenditures near year-end. Third-quarter traditional data library sales are often lower than in other quarters due to slower business conditions during the summer months. Both traditional and transaction-based data library sales can, however, occur at any time during any quarter. This is due to the nearly continual changes in general oil and natural gas industry conditions, increased demand for seismic data covering a specific area or play, timing of public offerings of petroleum and natural gas rights (land sales), as well as corporate merger-and-acquisition, joint venture and asset disposition activity by Pulse's clients.

Participation survey revenue also varies significantly from quarter to quarter. The majority of new 3D seismic data is typically acquired under frozen ground conditions from November to March. Summer seismic programs

can only be completed in certain areas that have drier ground conditions and can be easily accessed without environmental harm. In addition, the size and pre-funding levels of individual participation surveys can vary significantly.

## OUTLOOK

With repayment of the remaining $1.5 million in its long-term debt on October 6, 2015, Pulse is even better positioned to withstand a potential prolonged downturn. Data library sales in the first half of 2015 having more than covered the year's estimated operating expenses, third quarter sales ensure a modest level of shareholder free cash flow for 2015. A modest level of further sales in the fourth quarter will be accretive to 2015 shareholder free cash flow.

Concurrently, Pulse has made further cost reductions, enabling it to generate higher quarterly shareholder free cash flow at an even lower level of data library sales. With all debt repaid and the suspension of the dividend, shareholder free cash flow can be deployed to buying back shares and accumulating cash reserves for future data library growth opportunities and weathering any potential periods of negative cash flow.

The outlook for the remainder of 2015 and into 2016 remains weak. The downturn that began with the fall in crude oil prices in the second half of 2014 is continuing. The WTI benchmark crude oil price was only US$46.32 per bbl as of November 4, while the AECO spot gas price was only Cdn$2.55 per mcf.

According to the Canadian Association of Oilwell Drilling Contractors (CAODC), drilling rig utilization in western Canada was 23 percent in September, approximately half the ratio of a year earlier. The number of rigs actively drilling was the lowest in more than 15 years, lower even than during the 2009 downturn. The CAODC previously reduced its 2015 drilling rig operating day forecast by 49 percent from 2014. The Petroleum Services Association of Canada's (PSAC) November drilling forecast update is for 5,340 oil and natural gas wells to be drilled across Canada this year, a 47 percent decline from PSAC's original 2015 forecast. Additionally, the PSAC forecast for 2016 is even less, with 5,150 wells expected to be drilled.

In consequence, the outlook for traditional seismic data library sales is weak for the foreseeable future. The Company continues to anticipate future opportunities to generate further transaction-based sales, although their timing and amount are uncertain. Capital scarcity in the oil and natural gas producing sector, along with declining cash flows and increasing corporate debt servicing challenges, all encourage asset sales, bringing in of partners and corporate mergers and acquisitions.

The pace of such transactions has been lower than expected in 2015 owing to the typically large spreads between bid and asking prices for oil and natural gas assets. With low commodity prices and capital scarcity continuing, Pulse anticipates a narrowing of bid-ask spreads in 2016, which could accelerate the pace of transactions.

In addition, Pulse continues to believe that the North America-wide combination of continued low commodity prices and very low field activity is not sustainable. As of mid-October fewer than 800 rigs were drilling in the United States, including fewer than 200 rigs focused on natural gas, according to Baker Hughes Inc. These were further declines from summertime levels. This extended trend continues to be suggestive of falling North American oil and natural gas production, followed by a draw-down in inventories and storage levels.

Although U.S. natural gas in storage during the early fall once again climbed to the upper end of its five-year weekly average, according to the Energy Information Administration, after nearly 18 months at or below the five-year weekly average, the recently observed plateauing in shale gas production at approximately 42 bcf per day is continuing and shale gas production may be starting to decline.

Pulse perceives continuing uncertainty surrounding development of liquefied natural gas (LNG) export facilities on Canada's West Coast. The timing and strength of a North American rebalancing of field activity and commodity pricing, and the effects on Pulse's business, remain unpredictable. In the meantime, the poor overall conditions will encourage further reductions in costs for oil and natural gas drilling, completion and energy services.

Throughout what may become an extended period of weaker sales, Pulse will continue to rely on its advantages of a very strong balance sheet, low costs and minimal capital spending commitments.

## DISCUSSION OF OPERATING RESULTS

### SUMMARY FOR THE THREE AND NINE MONTHS ENDED SEPTEMBER 30, 2015

#### Earnings (Loss) Before Income Taxes

For the three months ended September 30, 2015, the Company incurred a loss before income taxes of $2.2 million ($0.04 loss per share basic and diluted) compared to earnings before income taxes of $6.8 million ($0.11 per share basic and diluted) for the comparable period of 2014.

For the nine months ended September 30, 2015, the Company incurred a loss before income taxes of $7.2 million ($0.13 loss per share basic and diluted) compared to earnings before income taxes of $3.5 million ($0.06 per share basic and diluted) for the comparable period of 2014.

The primary reason for the three-month period-over-period decrease was a $9.9 million reduction in data library sales. The primary reason for the period-over-period increased loss for the nine months ended September 30, 2015 was the $11.7 million decrease in total seismic revenue.

#### Revenue

Total revenue, which includes data library sales and participation survey revenue, for the three months ended September 30, 2015 was $4.7 million compared to $14.5 million for the three months ended September 30, 2014.

Total revenue for the nine months ended September 30, 2015 was $15.7 million compared to $27.4 million for the nine months ended September 30, 2014.

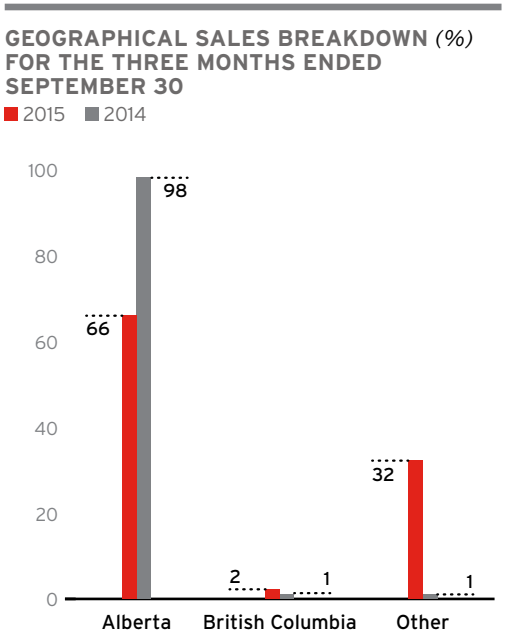
#### Data Library Sales

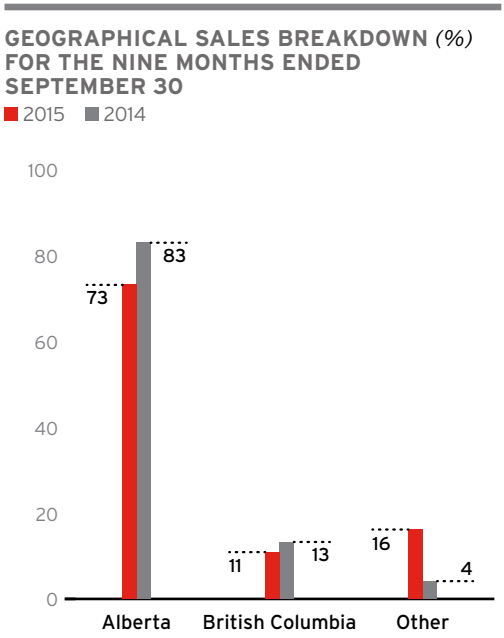
Data library sales consist of traditional sales and transaction-based sales. There are three main types of transaction-based sale: partnership or joint venture sales, corporate merger or acquisition sales and asset disposition-related sales. For further information on transaction-based sales, see "Transaction-based vs. Traditional Sales" in the MD&A for the year ended December 31, 2014.

In the third quarter of 2015, data library sales were $4.7 million. This brought seismic data library sales to $12.5 million for the nine months ended September 30, 2015. In comparison, for the three and nine months ended September 30, 2014, data library sales were $14.5 million, and $27.4 million respectively.

#### Geographical Sales Breakdown

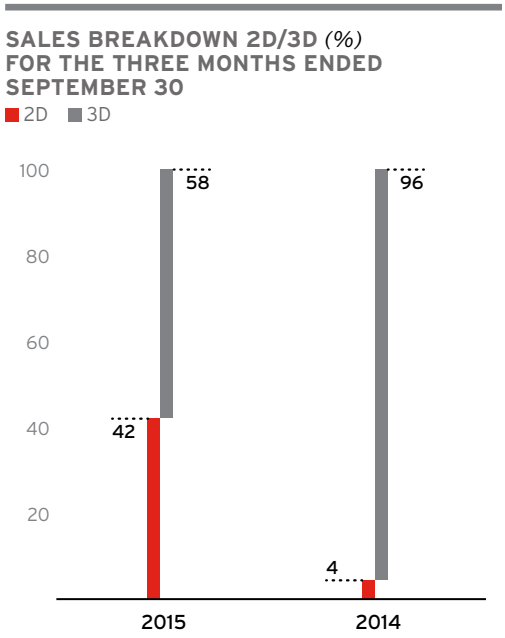
The Company's customers are generally focusing on liquids-rich natural gas and oil reservoirs found primarily in a broad corridor running from northwest of Calgary, Alberta, along the Foothills of the Rocky Mountains to the British Columbia border, as compared to "dry" natural gas more often found in British Columbia and on Alberta's eastern prairies. The pricing of natural gas liquids (such as propane, butane and condensate) is linked to crude oil, improving the economics of developing liquids-rich gas targets over "dry" gas, as long as crude oil prices remain above a certain level and natural gas liquids markets operate efficiently. Natural gas has suffered from very low pricing for several years, which has dampened Pulse's traditional sales. The decline in oil prices over the past year further decreased traditional sales due to the deteriorating economics of unconventional light oil and liquids-rich gas plays. In addition, natural gas liquids markets have experienced very low pricing for some commodities. Some oil and gas companies are, however, engaged in a modest level of exploration to develop prospects in anticipation of higher future commodity prices. In the third quarter of 2015, the Company licensed 2D data located in Saskatchewan and Manitoba, in addition to Alberta.

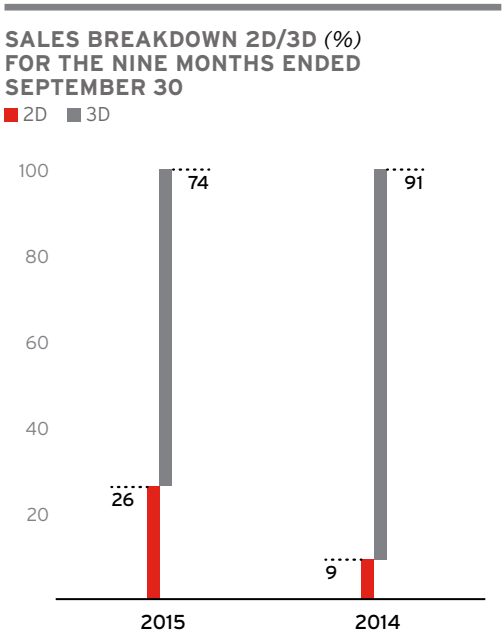



### 2D/3D SALES BREAKDOWN

As 3D seismic licence contracts are generally larger than 2D seismic licence contracts, the percentage of seismic data library revenues generated from 2D and 3D seismic data fluctuates significantly depending on the number of 3D seismic sale contracts signed during a given period.




#### Participation Survey Revenue

The Company partners with customers on participation surveys; the data becomes the Company's property, including the right to re-license the data. Participating customers are provided a licensed copy.

Participation survey revenue is recognized in the financial statements in proportion to the project's stage of completion. This is assessed using the proportion of the total estimated contract cost that has been incurred for work performed to the period-end.

There was no survey activity in the three months ended September 30, 2015. In the first quarter of 2015, the Company completed and recognized $3.2 million of revenue from a participation survey. By comparison, there were no participation surveys conducted during the comparable periods in 2014.

### Amortization of Seismic Data Library

Seismic data library amortization expense was $5.3 million for the third quarter of 2015 compared to $5.6 million in the third quarter of 2014. For the first nine months of 2015, the Company recognized $17.9 million in seismic data library amortization expense, compared to $17.2 million during the comparable period of 2014.

The amortization for the three months ended September 30, 2015 is lower than in the comparable period for 2014, as some data sets are now fully amortized. The increase in seismic data library amortization expense for the nine months ended September 30, 2015 is due to the initial 50 percent amortization of $2.0 million recorded by the Company upon completion of the 3D participation survey during the first quarter of 2015. As stated, there were no surveys completed in 2014.

Amortization of seismic data library is described further under "Critical Accounting Estimates".

### Salaries, Internal Commissions and Benefits (SCB)

SCB includes salaries, related benefits, incentive compensation and internal commissions. For the three months ended September 30, 2015, SCB was $925,000, compared to $1.3 million in the comparable period of 2014. During the nine months ended September 30, 2015 SCB was $2.7 million, compared to $3.6 million in the comparable period in 2014.

The factors contributing to the decrease in SCB are lower internal selling commissions and incentive plan accruals due to lower data library sales, as well as reduced salaries and benefits as the number of employees has decreased year-over-year.

### Other Selling, General and Administrative Costs (SG&A)

SG&A includes external sales commissions, occupancy costs, office and general costs, information technology expenses, mapping, drafting and data storage expenses, directors' fees and corporate costs, consulting fees and professional fees.

SG&A for the three months ended September 30, 2015 was $492,000 compared to $601,000 for the three months ended September 30, 2014. SG&A for the nine months ended September 30, 2015 was $1.8 million compared to $2.1 million during the comparable period in 2014. The reduction during both periods was across the board in most areas, with external sales commissions, professional fees, travel and equipment leasing costs realizing some of the biggest savings. All discretionary spending has been analyzed and cost-reduction strategies have been implemented where appropriate.

### Net Financing Costs

Net financing costs for the three months ended September 30, 2015 were $112,000, compared to $207,000 for the comparable period in 2014. For the nine months ended June 30, 2015 net financing costs decreased to $393,000 from $700,000 for the comparable period in 2014.

The decreases period-over-period were due to lower long-term debt than in 2014.

### Income Taxes

The income tax reduction for the three months ended September 30, 2015 was $581,000 compared to income tax expense of $1.7 million for the comparable 2014 period. The income tax reduction for the nine months ended September 30, 2015 was $1.3 million, reflecting an effective tax rate of 17.6 percent, compared to the income tax expense of $862,000 and an effective tax rate of 24.5 percent for the comparable 2014 period.

On June 15, 2015 the Government of Alberta announced that the general corporate income tax rate would increase from 10 percent to 12 percent effective July 1, 2015. The impact of this rate change was recognized in the second and third quarters of 2015.

## REVIEW OF FINANCIAL POSITION

### AS AT SEPTEMBER 30, 2015

#### Seismic Data Library and Participation Surveys in Progress

The Company completed the seismic data digitization project during the first quarter of 2015. Pulse had been auditing the seismic data remaining on magnetic and analog tape storage and converted it to digital electronic format.

Pulse conducted one participation survey during the 2014-2015 winter season and added 136 square kilometres of high-quality 3D data to its data library in the first quarter. Pulse did not conduct any participation surveys during the 2013-2014 winter season.

The Company continues to evaluate new opportunities to partner with customers on potential future participation surveys.

The Company conducted an assessment of potential impairment indicators for its data library at September 30, 2015. The result of the assessment was that there were macro indicators present in the external environment, which suggested that impairment indicators were present. An enterprise level assessment for impairment was conducted and the conclusion was that there was no impairment in the seismic data library at September 30, 2015.

On October 16, 2015 the Company acquired, from an oil and gas company, 146 square kilometres of high-quality 3D data located in west central Alberta.

#### Other Long-Term Payable

Included in the other long-term payable is the long-term portion of the cash-settled liability related to the long-term incentive plan.

#### Share Capital Summary

The Company's authorized share capital consists of an unlimited number of common shares and an unlimited number of preferred shares, issuable in series.

The following table provides details of the Company's outstanding share capital:

| | Three months ended September 30, | | Nine months ended September 30, | |
|---|---|---|---|---|
| | **2015** | 2014 | **2015** | 2014 |
| Weighted average shares outstanding: | | | | |
| Basic and diluted | **56,618,252** | 59,314,120 | **56,826,409** | 59,324,779 |
| Shares outstanding at period-end | | | **56,352,989** | 59,314,120 |
| Shares outstanding at November 4, 2015 | | | **56,333,289** | |

#### Long-term Incentive Plan (LTIP)

On March 31, 2015 one-third of the LTIP awards which were eligible to vest were RSUs and two-thirds were PSUs. Based on the Company's performance in 2014 and the predetermined performance measures, 4 percent or 10,910 of the eligible PSUs vested. RSUs vest automatically based upon time and, consequently, all of the eligible RSUs vested automatically on March 31, 2015.

To satisfy its obligation, in April 2015 the Company provided $350,000 to the plan's trustee to purchase common shares on the open market for the total after-tax number of cash- and equity-settled RSUs and PSUs that vested on March 31, 2015. The related payroll taxes of $211,000 were paid in May 2015 to settle the fully accrued cash-settled portion of the share-based payment liabilities.

At September 30, 2015 and November 4, 2015 there were 383,535 RSUs and 576,093 PSUs outstanding. Details of the LTIP are disclosed in the Company's MD&A and audited financial statements for the year ended December 31, 2014.

### Deficit

The September 30, 2015 deficit of $33.3 million was $10.5 million higher than at December 31, 2014, due to a net loss of $6.0 million for the nine months ended September 30, 2015, dividends paid of $3.4 million in the period, and the normal course issuer bid adjustment of $1.2 million.

### Dividends

On March 3, 2015, the Company declared a quarterly dividend of $0.02 per common share. The dividend was paid on April 10, 2015 to shareholders of record at the close of business on March 27, 2015.

On May 6, 2015, the Company declared a quarterly dividend of $0.02 per common share. The dividend was paid on June 19, 2015 to shareholders of record at the close of business on June 5, 2015.

On July 29, 2015, the Company declared a quarterly dividend of $0.02 per common share. The dividend was paid on September 18, 2015 to shareholders of record at the close of business on September 4, 2015.

Pulse confirms that all dividends paid to shareholders in 2015 are designated as "eligible dividends" entitling Canadian resident individuals to a higher gross-up and dividend tax credit. For non-resident shareholders, Pulse's dividends are subject to Canadian withholding tax.

With lower period-over-period seismic data library sales and the strong possibility of an extended downturn, Pulse's Board of Directors has deemed it financially prudent and in the long-term interests of shareholders to suspend the Company's quarterly dividend of $0.02 per share. Suspension of the dividend will assist the Company to maintain a strong financial position and be positioned for future potential opportunities.

### Deferred Tax Liability

The net deferred income tax liability was $7.4 million at September 30, 2015 compared to $8.6 million at December 31, 2014. The decrease in the deferred income tax liability is mainly due to the increase in the non-capital tax loss carried forward and the decrease in the difference between the tax base of the seismic data library and the carrying amount on the statement of financial position.

The deferred income tax liability consists mainly of taxable temporary differences between the tax base of the seismic data library and the carrying amount on the statement of financial position, offset by non-capital tax losses carried forward.

## FINANCIAL SUMMARY OF QUARTERLY RESULTS

| | | **2015** | | | 2014 | | | 2013 |
|---|---|---|---|---|---|---|---|---|
| (thousands of dollars, except per share data) | **Q3** | **Q2** | **Q1** | Q4 | Q3 | Q2 | Q1 | Q4 |
| Data library sales | **4,678** | **6,461** | **1,316** | 8,385 | 14,531 | 7,321 | 5,506 | 4,565 |
| Participation surveys revenue | **-** | **-** | **3,220** | - | - | - | - | - |
| Total revenue | **4,678** | **6,461** | **4,536** | 8,385 | 14,531 | 7,321 | 5,506 | 4,565 |
| Amortization of seismic data library | **5,262** | **5,303** | **7,292** | 5,279 | 5,554 | 5,842 | 5,832 | 6,215 |
| Net earnings (loss) | **(1,579)** | **(1,040)** | **(3,347)** | 824 | 5,086 | (612) | (1,820) | (2,572) |
| Per share - basic and diluted | **(0.03)** | **(0.02)** | **(0.06)** | 0.01 | 0.09 | (0.01) | (0.03) | (0.04) |

The revenue streams generated by Pulse's operations are data library sales and participation survey revenue. Data library sales consist of traditional sales and transaction-based sales. There are three main types of transaction-based sale: partnership or joint venture sales, corporate merger or acquisition sales and asset disposition-related sales. For further information on transaction-based sales, see "Transaction-based vs. Traditional Sales" in the MD&A for the year ended December 31, 2014.

Pulse recognizes its participation survey revenue using the percentage-of-completion method. Under this method, participation survey revenue is recognized proportionately with the degree of each project's completion.

In addition to the revenue fluctuations described in "Seismic Industry Cycles and Seasonality", during the first, second and third quarters of 2014 as well as the second and third quarters of 2015, transaction-based sales contributed to data library sales to varying degrees. Very little transaction-based sales revenue was generated in the other three quarters included in the above table.

Seismic data library amortization is greater in quarters when participation surveys are completed, as each participation survey is amortized at 50 percent immediately upon delivery of data to the participant, with the remainder amortized equally over seven years.

During the past eight fiscal quarters, the fluctuations in net earnings or loss have largely been a function of revenue and data library amortization. Increases in data library sales have a highly positive impact on earnings, as the operating costs associated with licensing seismic data from the library fluctuate little from period to period.

All financial data included in the above table is presented in Canadian dollars, the Company's functional currency, and was prepared using the latest International Financial Reporting Standards (IFRS).

## CONTRACTUAL OBLIGATIONS

There have been no material changes to Pulse's contractual obligations from those discussed in the Company's MD&A for the three and six months ended June 30, 2015, other than a $4.0 million reduction in long-term debt. Also, on October 6, 2015 the $1.5 million balance on the credit facility was repaid.

## LIQUIDITY, CAPITAL RESOURCES AND CAPITAL REQUIREMENTS

At September 30, 2015 Pulse had working capital of $2.0 million, including cash and cash equivalents of $845,000, compared to working capital of $5.3 million, including cash and cash equivalents of $901,000, at December 31, 2014. There is no current portion of long-term debt under the current credit facility, as it is an interest only revolving facility. The June 30, 2015 $2.5 million operating line of credit was repaid in early July 2015, upon collection of accounts receivable.

Given the flexibility of drawing and paying down debt, without penalty, on the revolving credit facility described below, and in order to reduce net financing costs, the Company generally maintains a minimal cash balance as required for operations.

Cash provided by operating activities for the three months ended September 30, 2015 was $7.8 million ($0.14 per share basic and diluted) compared to $6.6 million ($0.11 per share basic and diluted) for the comparable period in 2014.

Cash provided by operating activities for the nine months ended September 30, 2015 was $14.2 million ($0.25 per share basic and diluted) compared to $14.9 million ($0.25 per share basic and diluted) for the comparable period in 2014.

The Company utilized cash on hand and cash provided by operating activities totaling $15.1 million during the nine months ended September 30, 2015 for the following:

- To repay $4.0 million of long-term debt;
- To pay dividends of $3.4 million;
- To purchase and cancel 865,100 common shares through its normal course issuer bid (NCIB) for a total of $2.4 million at an average price of $2.72 per common share including commissions;
- To purchase shares to settle the 2014 LTIP obligation for $325,000;
- To conduct a participation survey at a cost of $4.0 million; and
- To complete the seismic data digitization project and purchase equipment for $197,000.

The Company has a $50.0 million revolving term credit facility of which up to $5.0 million can be used as an operating line of credit.

The credit facility is secured by a charge on all of the assets of the Company and its material subsidiaries.

The credit facility also includes the following two financial covenants:

- Total debt to adjusted EBITDA not to exceed a ratio of 2.50:1. Total debt is equal to the sum of, without limitation, debts and liabilities for borrowed money (including the negative mark-to-market exposure of hedging obligations), bankers' acceptances, letters of credit, and letters of guarantee, capital leases and contingent guarantees.

  Adjusted EBITDA is calculated on a trailing 12-month basis and is defined as earnings or loss before interest, income taxes, depreciation and amortization, plus extraordinary losses, non-cash losses and expense charges, and any other unusual or non-recurring cash charges, expenses or losses consented to by the lenders, less participation survey revenue, extraordinary gains and non-cash gains and income. Adjusted EBITDA is adjusted for acquisitions or dispositions to reflect such acquisition or disposition as if it occurred on the first day of such calculation period; and

- Interest coverage ratio is to be at least 3:1 at all times. The interest coverage ratio is equal to adjusted EBITDA divided by interest expense.

The covenants as of September 30, 2015 were calculated as follows:

**TOTAL DEBT TO ADJUSTED EBITDA RATIO**
(thousands of dollars except ratio)

| | |
|---|---|
| Total debt | 1,500 |
| Divided by: | |
| Adjusted EBITDA | 14,739 |
| Total debt to adjusted EBITDA ratio (not to exceed 2.50:1) | 0.10 |

| | |
|---|---|
| Total debt was calculated as follows: | |
| Long-term debt | 1,456 |
| Add: deferred financing charges | 44 |
| Total debt | 1,500 |

| | |
|---|---|
| Adjusted EBITDA was calculated as follows: | |
| Cash EBITDA for the twelve months ended December 31, 2014 | 28,615 |
| Less: cash EBITDA for the Nine months ended September 30, 2014 | 21,954 |
| Add: cash EBITDA for the Nine months ended September 30, 2015 | 8,078 |
| TTM cash EBITDA | 14,739 |
| Adjustment for acquisitions or dispositions | - |
| Adjusted EBIDTA | 14,739 |

**INTEREST COVERAGE RATIO (ICR)**
(thousands of dollars except ratio)

| | |
|---|---|
| Adjusted EBITDA | 14,739 |
| Divided by: | |
| Interest expense | 332 |
| ICR (to be at least 3:1) | 44:1 |

| | |
|---|---|
| Interest expense was calculated as follows: | |
| Interest paid for the twelve months ended December 31, 2014 | 625 |
| Less: interest paid for the Nine months ended September 30, 2014 | 544 |
| Add: interest paid for the Nine months ended September 30, 2015 | 251 |
| TTM interest paid | 332 |
| Adjustments | - |
| Interest expense | 332 |

The Company was in compliance with the credit facility's covenants at September 30, 2015.

At September 30, 2015, the floating interest rate on the syndicated revolving credit facility was 3.2 percent, which is based on a combination of the bankers' acceptance rate and an applicable margin tied to the Company's total debt to adjusted EBITDA ratio. The Company pays a standby fee based on the daily undrawn balance of the credit facility and its total debt to adjusted EBITDA ratio. The interest and standby fee rates are adjusted two business days after the covenant's calculation for the previous fiscal quarter is received and approved by the lenders. For the fourth quarter of 2015, the applicable margin and standby fee will be set at the lowest rates available under the facility.

The applicable margin and standby fee rate are determined as follows:

| Total Debt to Adjusted EBITDA Ratio | Applicable Margin for Canadian Prime Rate Loans | Applicable Margin for Bankers' Acceptances | Standby Fee Rate |
|---|---|---|---|
| Less than or equal to 1:1 | 0.50% | 1.75% | 0.35000% |
| Greater than 1:1 but less than or equal to 1.5:1 | 0.75% | 2.00% | 0.45000% |
| Greater than 1.5:1 but less than or equal to 2:1 | 1.00% | 2.25% | 0.50625% |
| Greater than 2:1 but less than or equal to 2.5:1 | 1.50% | 2.75% | 0.61875% |

Toronto Stock Exchange (TSX) rules determine the number of shares the Company is permitted to purchase through its NCIB. On December 15, 2014, the Company renewed its NCIB. The Company may purchase, for cancellation, up to a maximum of 4,282,902 common shares, equal to 10 percent of the public float of 42,829,022 common shares as at December 12, 2014. The Company is limited under the NCIB to purchasing up to 23,470 common shares in any one day, subject to the block purchase exemption under TSX rules. The NCIB will continue until December 16, 2015. Purchases will be made on the open market through the TSX at the market price of such shares. All shares purchased under the NCIB will be cancelled.

During the third quarter, the Company bought 443,700 shares at an average price of $2.53 per common share including commissions. For the nine months ended September 30, 2015 the Company bought 865,100 shares at an average price of $2.72 per common share including commission. Purchases were made on the open market through the TSX at the market price of such shares. All shares purchased under the NCIB are cancelled.

Funding for Pulse's future capital expenditures will generally depend on the level of future data library sales. Pulse's management believes that the Company's capital resources will be sufficient to finance future operations and carry out the necessary capital expenditures through the remainder of 2015. The Company anticipates

that future capital expenditures will be financed through customer pre-funding, cash on hand, available credit facilities, and cash provided by operating activities. The Company has a $50.0 million revolving credit facility, with $48.5 million available at September 30, 2015 ($50.0 million at November 4, 2015) for future draws, and an accordion feature allowing Pulse to increase the facility's size by up to $20.0 million, subject to the consent of the lenders. If deemed appropriate by management and the Board of Directors, Pulse can also issue common or preferred shares.

Pulse requires flexibility in managing its capital structure, including raising additional capital where required to take advantage of opportunities for seismic data acquisitions or participation surveys. Historically, the Company has used a combination of debt and equity to finance growth initiatives, and it continues to rely on key internal measures such as the long-term debt to TTM cash EBITDA ratio and long-term debt to equity ratio, to structure and forecast its capital requirements. Pulse's management considers the current capital structure appropriate.

### LONG-TERM DEBT TO TTM CASH EBITDA RATIO

| | As of September 30, | |
|---|---|---|
| (thousands of dollars except ratio) | **2015** | 2014 |
| Long-term debt | **1,456** | 11,338 |
| Divided by: | | |
| TTM cash EBITDA | **14,739** | 24,916 |
| Long-term debt to TTM cash EBITDA ratio | **0.10:1** | 0.46:1 |

The improvement to the long-term debt to TTM cash EBITDA ratio is due to the reduction in the long-term debt.

TTM cash EBITDA is defined as the sum of the trailing 12 months' cash EBITDA and is calculated as follows:

| | As of September 30, | |
|---|---|---|
| (thousands of dollars) | **2015** | 2014 |
| Cash EBITDA for the twelve months ended December 31, 2014 and 2013 | **28,615** | 19,145 |
| Less: cash EBITDA for the nine months ended September 30, 2014 and 2013 | **21,954** | 16,183 |
| Add: cash EBITDA for the nine months ended September 30, 2015 and 2014 | **8,078** | 21,954 |
| TTM cash EBITDA | **14,739** | 24,916 |

### LONG-TERM DEBT TO EQUITY RATIO

| | As of September 30, | |
|---|---|---|
| (thousands of dollars except ratio) | **2015** | 2014 |
| Long-term debt | **1,456** | 11,338 |
| Divided by: equity | **46,396** | 64,782 |
| Long-term debt to equity ratio | **0.03:1** | 0.18:1 |

The improvement to the long-term debt to equity ratio is due to the reduction in the long-term debt.

This discussion on liquidity, capital resources and capital requirements contains forward-looking information; users of this information are cautioned that actual results may vary and are encouraged to review the discussions of risk factors and forward-looking statements below.

## NON-CAPITAL RESOURCES

The Company's main non-capital resource is its key management and staff. The Company has an experienced team with extensive knowledge about the seismic industry. Pulse's management understands industry cycles and how to manage the business in the downturn and recovery phases. Pulse has built strong operations, sales, financial, and information technology departments. Key management and staff are eligible to participate in the short-term and long-term incentive plans, which are tied to the Company's shareholder free cash flow per share.

## NON-GAAP FINANCIAL MEASURES AND RECONCILIATIONS

This MD&A and the Company's continuous disclosure documents provide discussion and analysis of cash EBITDA and shareholder free cash flow. IFRS do not include standard definitions for these measures and, therefore, Pulse's use may not be comparable to similar measures used and disclosed by other companies. As IFRS have been incorporated into Canadian GAAP, these non-IFRS measures are also non-GAAP measures. The Company has included these non-GAAP financial measures because management, investors, analysts and others use them to evaluate the Company's financial performance.

Cash EBITDA and shareholder free cash flow are not calculations based on IFRS and should not be considered in isolation or as a substitute for IFRS performance measures, nor should they be used as an exclusive measure of cash flow, because they do not consider working capital changes, capital expenditures, long-term debt repayments and other sources and uses of cash which are disclosed in the consolidated annual and interim statements of cash flows.

### CASH EBITDA AND SHAREHOLDER FREE CASH FLOW

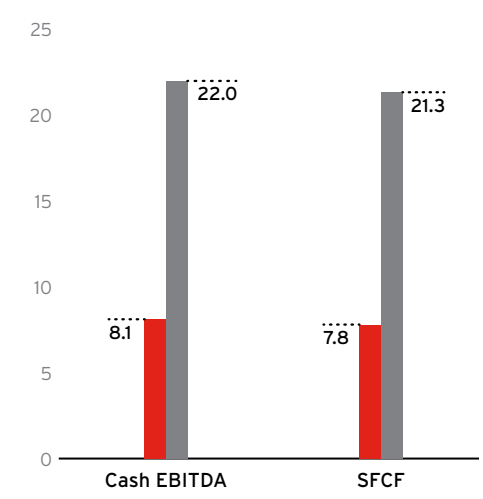
Cash EBITDA represents the cash available for interest payments, cash taxes if applicable, repayment of debt, purchase of its shares, discretionary capital expenditures and the payment of dividends when declared. Cash EBITDA is calculated as earnings or loss from operations before interest, taxes, depreciation and amortization less participation survey revenue, plus non-cash and non-recurring expenses. Cash EBITDA excludes participation survey revenue as this revenue is used directly to fund specific participation surveys and is unavailable for discretionary expenditures. The Company believes cash EBITDA helps investors compare Pulse's results on a consistent basis without regard to participation survey revenue and non-cash items, such as depreciation and amortization, which can vary significantly depending on accounting methods or non-operating factors such as historical cost.

Shareholder free cash flow further refines the calculation of capital available to invest by deducting non-discretionary expenditures from cash EBITDA. Non-discretionary expenditures are defined as debt financing costs (net of deferred financing expenses amortized in the current period) and current tax provisions.

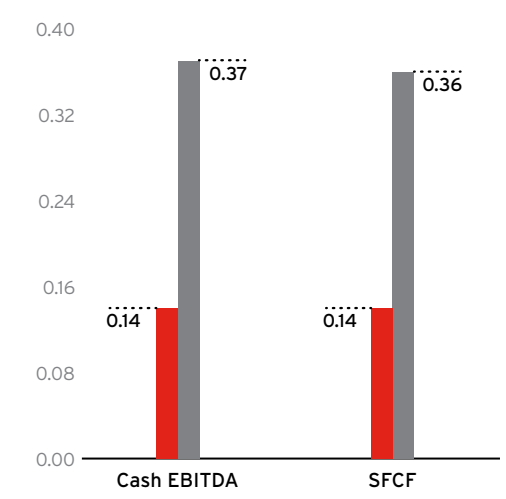
A reconciliation of net earnings (loss) to EBITDA, cash EBITDA and shareholder free cash flow follows:

| | Three months ended September 30, | | Nine months ended September 30, | |
|---|---|---|---|---|
| (thousands of dollars except per share data) | **2015** | 2014 | **2015** | 2014 |
| **Net earnings (loss)** | **(1,579)** | 5,086 | **(5,966)** | 2,654 |
| Add: | | | | |
| Amortization of seismic data library | **5,262** | 5,554 | **17,857** | 17,228 |
| Net financing costs | **112** | 207 | **393** | 700 |
| Income tax expense (reduction) | **(581)** | 1,687 | **(1,270)** | 862 |
| Depreciation | **47** | 61 | **139** | 186 |
| **EBITDA** | **3,261** | 12,595 | **11,153** | 21,630 |
| Deduct: | | | | |
| Participation survey revenue | **-** | - | **(3,220)** | - |
| Add: | | | | |
| Non-cash expenses | **71** | 129 | **145** | 324 |
| Non-recurring expenses | **-** | - | **-** | - |
| **Cash EBITDA** | **3,332** | 12,724 | **8,078** | 21,954 |
| Deduct: | | | | |
| Net financing costs | **(112)** | (207) | **(393)** | (700) |
| Current income tax expense | **-** | - | **-** | - |
| Add: | | | | |
| Non-cash deferred financing charges | **29** | 30 | **88** | 89 |
| Current income tax | **-** | - | **-** | - |
| **Shareholder free cash flow (SFCF)** | **3,249** | 12,547 | **7,773** | 21,343 |
| Cash EBITDA per share (basic and diluted) | **0.06** | 0.21 | **0.14** | 0.37 |
| SFCF per share (basic and diluted) | **0.06** | 0.21 | **0.14** | 0.36 |

**CASH EBITDA AND SFCF FOR THE NINE MONTHS ENDED SEPTEMBER 30**
*($ millions)*




**CASH EBITDA AND SFCF PER SHARE (BASIC AND DILUTED) FOR THE NINE MONTHS ENDED SEPTEMBER 30**
*($)*



## FINANCIAL INSTRUMENTS

A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another entity. Financial instruments are recognized on the statement of financial position when the Company becomes a party to the instrument's contractual obligations. The Company's financial assets include cash and cash equivalents, trade and other receivables. Its financial liabilities mainly comprise accounts payable and the revolving term credit facility.

### FAIR VALUE

The fair values of cash and cash equivalents, accounts receivable and accounts payable approximate their carrying amounts largely due to the short-term maturities of these instruments. The fair value of the long-term debt approximates the carrying value because interest charges under the bank loan are based on current Canadian bankers' acceptance rates and margins.

### CREDIT RISK

There have been no significant changes in Pulse's credit risk as disclosed in the Company's MD&A for the year ended December 31, 2014.

At September 30, 2015, 96 percent of the total accounts receivable were due from two customers. Both accounts receivable were collected subsequent to quarter-end.

### INTEREST RATE RISK

There have been no significant changes in Pulse's interest rate risk as disclosed in the Company's MD&A for the year ended December 31, 2014.

### LIQUIDITY RISK

There have been no significant changes in Pulse's liquidity risk as disclosed in the Company's MD&A for the year ended December 31, 2014.

### COMMODITY PRICE RISK

The description of the commodity price risk as disclosed in the Company's MD&A for the year ended December 31, 2014 has not changed. The Company has however been affected by both the decrease in the price of oil and the low natural gas prices in 2014 and 2015. The direct impact to our clients of the decreased commodity prices has resulted in severe reductions to their budgets. As a result, we have licensed less seismic data than in prior years.

## NEW IFRS STANDARDS

A number of new standards, amendments and interpretations have been issued by the International Accounting Standards Board but are not yet effective for the year ended December 31, 2015. They were not applied in preparing the condensed consolidated interim financial statements. None is expected to have a significant effect on the consolidated financial statements, except for:

- IFRS 15, *Revenue from Contracts with Customers*, which provides guidance on revenue recognition and relevant disclosures. The standard provides a single, principles-based five-step model to be applied to all contracts with customers. IFRS 15 was issued in May 2014 and applies to annual reporting periods beginning on or after January 1, 2018, with early adoption permitted. The new standard will also enhance revenue disclosure.

  After review, Pulse's management concluded that IFRS 15 would affect the Company's policy for recognizing participation survey revenue. Pulse currently recognizes revenue on participation surveys based on percentage of completion. With the amended standard, participation survey revenue can only be recognized in the financial statements when the survey is complete in all respects, meaning the risks and rewards of the final product have been passed on to the customer. Pulse will therefore have to adjust its revenue recognition policy accordingly and may choose to adopt these provisions before January 2018. With this adjustment, the lag between the progressive recognition of participation survey revenue and initial amortization upon survey completion will disappear.

## CRITICAL ACCOUNTING ESTIMATES

There have been no significant changes in Pulse's critical accounting estimates as disclosed in the Company's MD&A for the year ended December 31, 2014.

## DISCLOSURE CONTROLS AND PROCEDURES (DC&P) AND INTERNAL CONTROLS OVER FINANCIAL REPORTING (ICFR)

The Company applies the COSO Internal Control — Integrated Framework (2013 Framework). There were no changes in the ICFR that occurred during the period beginning on July 1, 2015 and ending on September 30, 2015 that materially affected, or are reasonably likely to materially affect, the Company's ICFR. There were no material weaknesses relating to the design of the ICFR identified. As well, there were no limitations on the scope of the design of the DC&P or the ICFR.

## RISK FACTORS

There have been no significant changes in Pulse's risk factors as described in the Company's MD&A for the year ended December 31, 2014.

## ADDITIONAL INFORMATION

You may find additional information relating to Pulse, including the Company's Annual Information Form, on SEDAR at www.sedar.com.

## FORWARD-LOOKING INFORMATION

This document contains information that constitutes "forward-looking information" or "forward-looking statements" (collectively, "forward-looking information") within the meaning of applicable securities legislation.

The Outlook and the Liquidity, Capital Resources and Capital Requirements sections contain forward-looking information which includes, among other things, statements regarding:

- The outlook for the remainder of 2015 and into 2016 remains weak;
- The outlook for traditional seismic data library sales is weak for the foreseable future;
- The Company continues to anticipate future opportunities to generate further transaction-based sales, although their timing and amount are uncertain;

- Pulse anticipates a narrowing of bid-ask prices in oil and gas transactions, which could accelerate the pace of transactions;
- Pulse continues to believe that the North America-wide combination of continued low commodity prices and very low field activity is not sustainable;
- Pulse perceives continuing uncertainty surrounding development of LNG export facilities on Canada's West Coast;
- The timing and strength of a North American rebalancing of activity and commodity pricing, and the effects on Pulse's business, remain unpredictable;
- Pulse's management believes that the Company's capital resources will be sufficient to finance future operations and carry out the necessary capital expenditures through 2015;
- General economic and industry outlook;
- Pulse's capital allocation strategy;
- Pulse's dividend policy;
- Industry activity levels and capital spending;
- Forecast commodity prices;
- Forecast oil and natural gas drilling activity;
- Forecast oil and natural gas company capital budgets;
- Forecast horizontal drilling activity in unconventional oil and natural gas plays;
- Estimated future demand for seismic data;
- Estimated future seismic data sales;
- Estimated future demand for participation surveys;
- Pulse's business and growth strategy; and
- Other expectations, beliefs, plans, goals, objectives, assumptions, information and statements about possible future events, conditions, results and performance.

Sources for the forecasts and the material assumptions underlying this forward-looking information are, where applicable, noted in the relevant sections of this MD&A.

Undue reliance should not be placed on forward-looking information. Forward-looking information is based on current expectations, estimates and projections that involve a number of risks and uncertainties, which could cause actual results to vary and in some instances to differ materially from those anticipated in the forward-looking information. Pulse does not publish specific financial goals or otherwise provide guidance, due to the inherently poor visibility of seismic revenue.

The material risk factors include, without limitation:

- Oil and natural gas prices;
- Seismic industry cycles and seasonality;
- The demand for seismic data and participation surveys;
- The pricing of data library licensing sales;
- Relicensing (change-of-control) fees, partner copy sales and asset disposition-related sales;
- The level of pre-funding of participation surveys, and the Company's ability to make subsequent data library sales from such participation surveys;

- The Company's ability to complete participation surveys on time and within budget;
- Environmental, health and safety risks;
- The effect of seasonality and weather conditions on participation surveys;
- Federal and provincial government laws and regulations, including those pertaining to taxation, royalty rates, environmental protection and safety;
- Competition;
- Dependence on qualified seismic field contractors;
- Dependence on key management, operations and marketing personnel;
- The loss of seismic data;
- Protection of intellectual property rights; and
- The introduction of new products.

The foregoing list is not exhaustive. Additional information on these risks and other factors which could affect the Company's operations and financial results is included under "Risk Factors" in the Company's most recent MD&A for the year ended December 31, 2014. Forward-looking information is based on the assumptions, expectations, estimates and opinions of the Company's management at the time the information is presented.