INDEPENDENT AUDITORS' REPORT

TO THE SHAREHOLDERS OF PULSE SEISMIC INC.

We have audited the accompanying consolidated financial statements of Pulse Seismic Inc., which comprise the consolidated statements of financial position as at December 31, 2015 and 2014, the consolidated statements of comprehensive income (loss), changes in equity and cash flows for the years then ended, and notes, comprising a summary of significant accounting policies and other explanatory information.

MANAGEMENT'S RESPONSIBILITY FOR THE CONSOLIDATED FINANCIAL STATEMENTS

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with International Financial Reporting Standards and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

AUDITORS' RESPONSIBILITY

Our responsibility is to express an opinion on these consolidated financial statements based on our audits. We conducted our audits in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on our judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, we consider internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained in our audits is sufficient and appropriate to provide a basis for our audit opinion.

OPINION

In our opinion, the consolidated financial statements present fairly, in all material respects, the consolidated financial position of Pulse Seismic Inc. as at December 31, 2015 and 2014 and its consolidated financial performance and its consolidated cash flows for the years then ended in accordance with International Financial Reporting Standards.

KPMG LLP

Chartered Professional Accountants

March 2, 2016

Calgary, Canada

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

(thousands of Canadian dollars) As at	Note	**December 31, 2015**	December 31, 2014
Assets			
Cash and cash equivalents		**-**	901
Trade and other receivables	*5*	**6,158**	7,083
Prepaid expenses		**292**	275
Total current assets		**6,450**	8,259
Participation surveys in progress	*6*	**-**	36
Seismic data library	*7*	**47,623**	66,468
Property and equipment		**489**	663
Other		**56**	56
Total non-current assets		**48,168**	67,223
Total assets		**54,618**	75,482
Liabilities and Shareholders' Equity			
Operating line of credit	8	**222**	-
Accounts payable and accrued liabilities		**809**	1,772
Deferred revenue		**423**	1,191
Total current liabilities		**1,454**	2,963
Long-term debt	*8*	**-**	5,367
Deferred income tax liabilities	*9*	**7,699**	8,574
Other long-term payable		**76**	177
Total non-current liabilities		**7,775**	14,118
Total liabilities		**9,229**	17,081
Shareholders' Equity			
Share capital	*10*	**76,504**	78,782
Contributed surplus		**2,184**	2,399
Deficit		**(33,299)**	(22,780)
Total shareholders' equity		**45,389**	58,401
Total liabilities and shareholders' equity		**54,618**	75,482

See accompanying notes to consolidated financial statements.

On behalf of the Board:

Robert Robotti
Chair of the Board

Daphne Corbett
Audit Committee Chair

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME (LOSS)

(thousands of Canadian dollars, except per share data)

For the years ended December 31	Note	2015	2014
Revenue			
Data library sales		**21,214**	35,743
Participation surveys		**3,220**	-
Total revenue		**24,434**	35,743
Operating expenses			
Amortization of seismic data library	*7*	**22,836**	22,507
Impairment loss	*7*	**937**	-
Salaries, internal commissions and benefits	*13*	**3,989**	4,772
Other selling, general and administrative costs	*14*	**2,327**	2,735
Depreciation		**185**	248
Total operating expenses		**30,274**	30,262
Results from operating activities		**(5,840)**	5,481
Financing costs			
Financing expenses		**495**	889
Interest income		**(1)**	(14)
Net financing costs		**494**	875
Earnings (loss) before income taxes		**(6,334)**	4,606
Current income tax		**-**	-
Deferred income tax (reduction)	*9*	**(1,026)**	1,128
Income tax expense (reduction)		**(1,026)**	1,128
Net earnings (loss) and comprehensive income (loss)		**(5,308)**	3,478
Net earnings (loss) per share, basic and diluted	*12*	**(0.09)**	0.06

See accompanying notes to consolidated financial statements.

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

(thousands of Canadian dollars, except number of shares)	Note	Number of shares issued (repurchased)	Share capital	Contributed surplus	Deficit	Total equity
Balance at January 1, 2014		59,349,120	81,673	2,399	(18,110)	65,962
Net earnings for the year		-	-	-	3,478	3,478
Share-based compensation		-	-	377	-	377
Settlement of vested long-term incentive plan award		-	-	(397)	-	(397)
Tax effect of equity-settled share-based compensation		-	-	20	-	20
Normal course issuer bid		(2,101,277)	(2,891)	-	(3,436)	(6,327)
Dividends paid	*10*	-	-	-	(4,712)	(4,712)
Balance at December 31, 2014		57,247,843	78,782	2,399	(22,780)	58,401

	Note	**Number of shares issued (repurchased)**	**Share capital**	**Contributed surplus**	**Deficit**	**Total equity**
Balance at January 1, 2015		**57,247,843**	**78,782**	**2,399**	**(22,780)**	**58,401**
Net loss for the year		**-**	**-**	**-**	**(5,308)**	**(5,308)**
Share-based compensation		**-**	**-**	**220**	**-**	**220**
Settlement of vested long-term incentive plan award		**-**	**-**	**(325)**	**-**	**(325)**
Tax effect of equity-settled share-based compensation		**-**	**-**	**(151)**	**-**	**(151)**
Normal course issuer bid		**(1,625,400)**	**(2,237)**	**-**	**(1,831)**	**(4,068)**
Shares cancelled and related dividends		**(29,754)**	**(41)**	**41**	**28**	**28**
Dividends paid	*10*	**-**	**-**	**-**	**(3,408)**	**(3,408)**
Balance at December 31, 2015		**55,592,689**	**76,504**	**2,184**	**(33,299)**	**45,389**

See accompanying notes to consolidated financial statements.

CONSOLIDATED STATEMENTS OF CASH FLOWS

(thousands of Canadian dollars) For the years ended December 31	Note	**2015**	2014
Cash flows provided by (used in):			
Operating:			
Net earnings (loss) and comprehensive income (loss)		**(5,308)**	3,478
Adjustment for:			
Amortization of seismic data library		**22,836**	22,507
Impairment loss		**937**	-
Depreciation		**185**	248
Loss on disposition of capital assets		**3**	2
Income tax expense (reduction)		**(1,026)**	1,128
Equity-settled share-based compensation		**220**	377
Net financing costs		**494**	875
Interest paid		**(297)**	(625)
Interest received		**1**	14
Income tax received		**-**	3,576
		18,045	31,580
Net change in non-cash working capital	*15*	**(951)**	(3,595)
Cash provided by operating activities		**17,094**	27,985
Financing:			
Normal course issuer bid		**(4,068)**	(6,327)
Shares purchased for equity-settled share-based compensation		**(325)**	(393)
Proceeds from long-term debt		**-**	-
Repayment of long-term debt		**(5,500)**	(16,600)
Dividends paid		**(3,408)**	(4,712)
Dividend recovery from share cancellation		**28**	-
Cash used in financing activities		**(13,273)**	(28,032)
Investing:			
Additions to seismic data library through participation surveys		**(3,959)**	(36)
Seismic data purchases, digitization and related cost		**(933)**	(733)
Additions to property and equipment		**(14)**	(64)
Net change in non-cash working capital		**(38)**	36
Cash used in investing activities		**(4,944)**	(797)
Decrease in cash and cash equivalents		**(1,123)**	(844)
Cash and cash equivalents, beginning of year		**901**	1,745
Cash and cash equivalents (operating line of credit), end of year		**(222)**	901

See accompanying notes to consolidated financial statements.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Information as at December 31, 2015 and 2014 and for the years ended December 2015 and 2014.

(Tabular amounts in thousands of Canadian dollars, except per share data, numbers of shares and other exceptions as indicated)

1 | REPORTING ENTITY

Pulse Seismic Inc. (the Company) was incorporated under the Canada Business Corporations Act and is a publicly-listed company on the Toronto Stock Exchange (TSX) trading under the symbol PSD and on the OTCQX International trading under the symbol PLSDF. The Company's registered office is in Calgary, Alberta. The Company is a provider of seismic data to the energy sector in western Canada.

2 | BASIS OF PREPARATION

A) STATEMENT OF COMPLIANCE

The consolidated financial statements were prepared in accordance with International Financial Reporting Standards (IFRS).

The consolidated financial statements were prepared by the Company's management and were approved by the Board of Directors on March 2, 2016.

B) BASIS OF PRESENTATION

The consolidated financial statements include the accounts of the Company's wholly-owned subsidiaries.

C) BASIS OF MEASUREMENT

The consolidated financial statements were prepared on the historical cost basis.

D) FUNCTIONAL AND PRESENTATION CURRENCY

The consolidated financial statements are presented in Canadian dollars, which is the Company's functional currency. All financial information presented in Canadian dollars has been rounded to the nearest thousand, except per share data, number of shares and other exceptions as indicated.

E) BASIS OF CONSOLIDATION

i) Joint operations

Certain of the Company's seismic data library assets are jointly owned with others. The consolidated financial statements include the Company's share in the joint assets, joint liabilities, expenses incurred and income earned from the joint operations.

ii) Transactions eliminated on consolidation

Intra-group balances and transactions, and any unrealized income and expenses arising from intra-group transactions, are eliminated in preparing the consolidated financial statements.

F) USE OF ESTIMATES AND JUDGEMENTS

Preparing the consolidated financial statements in accordance with IFRS required management to make estimates and judgements that affected the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities at the date of the consolidated financial statements, and the amounts of revenue and expenses attributed to the reporting period. Actual results could differ from those estimates.

Management discussed the Company's critical accounting principles and estimates and the application of such principles and estimates with the Audit Committee of the Board of Directors. Estimates and underlying assumptions are reviewed at a minimum annually, as required by IFRS. Changes to accounting estimates are recognized in the year in which the estimates are revised and in any future years affected.

The following note provides information about critical judgements in applying accounting policies that have the most significant effect on the amounts recognized in the consolidated financial statements:

- Note 3(g) – The Company uses judgement in determining its cash-generating units (CGUs) for purposes of impairment testing. The determination was based on management's judgement in regards to the smallest identifiable group of seismic data that generates cash flows largely independent of the cash inflows from other data. Changes in the determination of CGUs could have a significant impact on the carrying value of the assets and could result in additional impairment charges or reversal of impairment in future periods.

The following notes provide information about assumptions and estimation uncertainties that pose a significant risk of a material adjustment within the next financial year:

- Note 3(a) (ii) – Participation survey revenue is recognized in the financial statements in proportion to the stage of project completion. Participation survey revenue is recognized when the total contract revenue, total contract costs, contract costs to completion and the stage of completion at the balance sheet date can be measured reliably, requiring management to make judgments regarding the total contract costs, contract costs to completion and stage of completion. These estimates are subject to uncertainty as they require assumptions about field conditions and are reviewed by management on a monthly basis. There was one participation survey completed in 2015 and none in 2014.
- Note 3(e) – Amortization of seismic data library is based on management's estimates of expected future sales, expected useful lives, market developments and experience. These estimates may change due to changes in market conditions, potential prospects, exploration licence periods, exploration and development in certain areas, government regulations and general economic conditions. Because of the inherent difficulty in estimating market developments and future sales, the amortization rates might not accurately reflect the useful life of the data library. The amortization rates are adjusted if it is determined that estimated useful lives have changed.
- Note 3(g) – Impairment tests, if required, involve the estimation of future cash flows, requiring management to make judgments regarding long-term forecasts of future revenues and costs related to the seismic data library and residual values. These forecasts are subject to uncertainty as they require assumptions about demand for seismic data and future market conditions. Significant changes in these assumptions could require a provision for impairment in a future period.
- Note 3(h) –Deferred tax assets are recognized for all unused tax losses to the extent that it is probable that taxable profit will be available against which the losses can be utilized. Significant management judgment is required to determine the amount of deferred tax assets that can be recognized, based upon the likely timing and level of future taxable profits. The estimates of projected future taxable profits are based on a variety of factors and assumptions, many of which are subjective and are outside of the Company's control. Accordingly, these estimates could differ significantly from year to year, and the Company might end up realizing more or less of the deferred tax assets than it has recognized in the consolidated financial statements.

  The Company is aware that the Canada Revenue Agency (CRA) may revise the way it assesses the income tax amortization of certain seismic data library costs. No policy document has been issued by the CRA and, therefore, the Company is not able to estimate the impact this change will have on its income tax calculations, carry-forward balances or consolidated financial statements.
- Note 3(k) – The number of Performance Share Units (PSUs) expected to vest is based on management's estimates of expected future results and vesting criteria in subsequent years. These forecasts are uncertain as they require assumptions about future market conditions, revenues, expenses and vesting criteria. Significant changes in the assumptions could require an adjustment to the amount of share-based compensation recognized.

G) NEW IFRS PRONOUNCEMENTS THAT APPLY TO THE COMPANY

A number of new standards, amendments to standards and interpretations have been issued by the IASB and are not yet effective for the year ended December 31, 2015. The new standards, amendments to standards and interpretations have not been applied in preparing these consolidated financial statements. None of these are 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 enhances 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 the standard before January 2018. With this adjustment, the lag between the progressive recognition of participation survey revenue and initial amortization upon survey completion will disappear.

- IFRS 16, *Leases*. IFRS 16 was issued in January 2016, significantly revising the way in which companies account for leases by requiring almost all leases to be included on the balance sheet of lessees. The standard provides a single lessee accounting model, requiring lessees to recognize assets and liabilities for all leases unless the lease term is 12 months or less or the underlying asset has a low value. IFRS 16 is effective for annual periods beginning on or after January 1, 2019, with early adoption permitted for companies that also apply IFRS 15, *Revenue from Contracts with Customers*. The Company continues to evaluate the potential impact of IFRS 16 on the financial statements and, therefore, the impact is unknown.

3 | SIGNIFICANT ACCOUNTING POLICIES

The accounting policies set out below have been applied consistently to all periods presented in these consolidated financial statements.

A) REVENUE RECOGNITION

Revenue is measured at the fair value of the consideration received or receivable, net of discounts and volume rebates.

i) Data library sales

Revenue is recognized when the customer executes a valid licence agreement, transfer of seismic data to the customer occurs and collection is reasonably assured. If it is probable that discounts will be granted and the amount can be measured reliably, then the discount is recognized as a reduction of revenue as the sales are recognized. The Company defers the unearned portion of the contract value for which the revenue recognition requirements have not been met. Deferred revenue consists of the difference between the total contract value and the amount of seismic data delivered.

ii) Participation surveys

The Company participates with customers in 3D seismic participation surveys from which the Company retains proprietary rights to the collected data, and from which participating customers receive a non-transferable licensed copy. Customers typically can direct or influence the project specifications and access data as it is being acquired.

Participation survey revenue is recognized in the financial statements in proportion to the project's stage of completion and when the total contract revenue, total contract costs, contract costs to completion and stage of completion at the date of the statement of financial position can be measured reliably. The stage of completion is assessed by calculating the cost incurred for work performed to the date of the statement of financial position as a percentage of the estimated total contract cost. The amount of revenue recognized is equal to the total contract revenue multiplied by the percentage of completion. Deferred revenue consists of the difference between the total value billed and the amount of revenue recognized.

B) FINANCIAL INSTRUMENTS

Financial assets of the Company include cash and cash equivalents and trade receivables. Financial liabilities of the Company mainly comprise trade payables and long-term debt.

Financial instruments are recognized on the consolidated statement of financial position when the Company becomes a party to the instrument's contractual obligations. All financial instruments are initially recognized at fair value. Measurement in subsequent periods depends on the instrument's classification.

Cash and cash equivalents and trade receivables are designated as loans and receivables. Accounts payable and long-term debt are designated as other financial liabilities. Loans and receivables and other financial liabilities, including related transaction costs, are measured initially at fair value and subsequently at amortized cost using the effective interest rate method, less any allowance for impairment.

A provision for impairment of loans and receivables is established when there is objective evidence that the Company will not be able to collect all amounts due according to the receivable's original terms. The amount of the provision is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the original effective interest rate. The carrying amount of the asset is reduced through the use of an allowance account and the amount of the loss is recognized in the income statement. When a receivable is uncollectible, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited to earnings or loss.

The fair value of accounts receivable is estimated as the present value of future cash flows, discounted at the market rate of interest at the reporting date. Fair value of financial liabilities, which is determined for disclosure purposes, is calculated based on the present value of future principal and interest cash flows, discounted at the market rate of interest at the reporting date.

C) CASH AND CASH EQUIVALENTS

Short-term investments with an original maturity of three months or less, net of the operating line of credit, are considered to be cash equivalents.

D) PARTICIPATION SURVEYS IN PROGRESS

Participation surveys in progress include all expenditures related directly to specific projects and an allocation of variable overheads.

Accrued participation survey revenue represents the gross unbilled amount expected to be collected from customers for participation survey work performed to date and is measured at the value of the contract recognized to date, based on the percentage of completion, less progress billings. If payments received from customers exceed the related income recognized, then the difference is presented as deferred revenue on the consolidated statement of financial position.

Preliminary costs during the research phase of participation surveys are recognized in earnings as incurred. Development expenditures related to participation surveys are capitalized only once the survey project is deemed technically feasible, which usually occurs when the participation survey contract is signed. The expenditures capitalized include the cost of materials, subcontractor fees and labour costs that are directly attributable to the survey.

E) SEISMIC DATA LIBRARY

The seismic data library has a finite useful life and is measured at cost less accumulated amortization and impairment losses. Additions to the seismic data library arise in two distinct ways: (i) participation surveys and (ii) the purchase of existing data. Costs directly incurred in acquiring, processing and otherwise completing seismic surveys are capitalized to the seismic data library.

Subsequent expenditures on data library assets, such as reprocessing, are capitalized only when the expenditure increases the asset's future economic benefits. All other expenditures are recognized in earnings as incurred.

Amortization is calculated over the cost of the asset less its residual value. Costs associated with participation surveys are amortized at 50 percent immediately on the delivery of the data to the participants, with the balance amortized on a straight-line basis over the seven-year period commencing at the end of the period of exclusivity (three to six months from data delivery), if there is one.

The assumptions behind the 50 percent immediate amortization on delivery are the following. The Company's historical average and target survey prefunding percentage is 70 percent of the cost of the seismic data shoot. Also, based on historical numbers, within seven years the Company usually recovers 70 percent of the total cost of the survey by selling the data acquired by the survey. After seven years the data sales are generally expected to decline.

Based on these numbers, the total return on investment (ROI) for a participation survey historically is 140 percent of cost. The 70 percent prefunding divided by the expected ROI of 140 percent equals 50 percent. This 50 percent initial amortization represents that approximately 50 percent of the expected return has been realized with the initial licensing of the data during the shoot.

The cost of purchased data are amortized on a straight line bases over seven years.

Amortization is based on management's estimates of expected future sales, expected useful lives, market developments and experience. These estimates may change due to changes in market conditions, potential prospects, exploration licence duration, exploration and development in certain areas, government regulations and general economic conditions. Amortization methods, useful lives and residual values are reviewed at each financial year-end and adjusted if appropriate.

F) PROPERTY AND EQUIPMENT

Property and equipment are recorded at cost less accumulated depreciation and impairment losses. Cost includes expenditures that are directly attributable to the acquisition of the asset.

Depreciation is calculated over the depreciable amount, which is the cost of an asset less its residual value. Depreciation is recognized in earnings over the estimated useful life of each significant component of an item of property and equipment. The half-year rule is applied to the first year of acquisition.

Depreciation is provided using the following methods:

	Declining Balance	Straight Line
Computer hardware and software	30%	
Office equipment	20%	
Leasehold improvements		Balance of lease

G) IMPAIRMENT OF LONG-LIVED ASSETS

The carrying amounts of the seismic data library, property and equipment, and intangible assets are reviewed at each reporting date by management to determine whether there is any indication of impairment. If so, the asset's recoverable amount is estimated and impairment recorded, if any.

Factors considered important by the Company that could trigger an impairment assessment include:

- Significant underperformance relative to expected operating results based on historical and/or projected data;
- Significant changes in the manner of the use of the asset or the strategy of the overall business; and
- Significant negative industry or economic trends.

The recoverable amount of tangible and intangible assets is the greater of value in use and fair value less costs to sell. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessment of the time value of money and the risks specific to the asset. For the purpose of impairment testing, assets are classified in the smallest grouping that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or groups (the CGU).

An impairment loss is recognized if the carrying amount of an asset or its CGU exceeds its estimated recoverable amount. Impairment losses are recognized in earnings or loss. Impairment losses recognized in respect of a CGU are allocated to the carrying amount of the assets in the unit on a pro-rata basis.

Impairment losses for assets recognized in prior periods are assessed at each reporting date for any indications that the loss has decreased. An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount and only to the extent that the assets' carrying value does not exceed the carrying amount that would be determined, net of amortization or depreciation, if no impairment loss had been recognized.

H) INCOME TAXES

Income tax expense comprises current and deferred tax. Income tax expense is recognized in earnings or loss except to the extent that it relates to items recognized directly in equity, in which case it is recognized in equity or in other comprehensive income.

Current tax is the expected tax payable or receivable on the taxable income or loss for the year, using tax rates enacted or substantively enacted at the reporting date, and any adjustment to taxes payable in respect of previous years.

Deferred tax is recognized in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Deferred tax is measured at the tax rates expected to be applied to the temporary differences when they are reversed, based on the laws enacted or substantively enacted by the reporting date. Deferred tax assets and liabilities are offset if there is a legally enforceable right to offset current tax liabilities and assets, and they relate to income taxes levied by the same tax authority on the same taxable entity, or on different tax entities, but they intend to settle current tax liabilities and assets on a net basis or their tax assets and liabilities will be realized simultaneously.

Deferred tax is not recognized for the following differences:

- The initial recognition of assets or liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable income or loss; and
- Differences relating to investments in subsidiaries and jointly controlled entities to the extent that it is probable they will not be reversed in the foreseeable future.

A deferred tax asset is recognized to the extent that it is probable that future taxable income will be available against which deductible temporary differences can be utilized. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable the related tax benefit will be realized.

I) PER SHARE AMOUNTS

Basic per share amounts are calculated using the weighted average number of shares outstanding during the period.

J) SHARE CAPITAL

Common shares are classified as equity. When shares are sold, the consideration received, including directly attributable costs, net of any tax effect, is recognized as a change in share capital. The Company purchases shares for cancellation under its normal course issuer bid. The cost of purchasing shares for cancellation is first charged to share capital to the extent of the average carrying value of the common shares purchased and the excess is charged to retained earnings. No gain or loss is recognized in the consolidated statements of comprehensive income (loss) on the purchase, sale, issuance or cancellation of the Company's own equity instruments.

K) SHARE-BASED PAYMENTS

In 2012, the Company implemented a new long-term incentive plan (LTIP) under which participants are granted restricted share units (RSUs) and performance share units (PSUs). LTIP award amounts are at the discretion of the Board of Directors. RSUs and PSUs have accompanying dividend-equivalent rights and, therefore, additional RSUs and PSUs are issued to reflect dividends declared on the common shares. The plan's trustee will purchase common shares on the open market for the after-tax number of RSUs and PSUs vested with funds provided by the Company. The RSUs and PSUs are treated as equity-settled share-based payments and the related payroll taxes are treated as cash-settled share-based payments.

The compensation expense is recognized over the vesting period. For equity-settled share-based payments, the compensation expense is based on the number of RSUs and PSUs expected to vest and the market value of a common share of the Company on the grant date, with a corresponding increase to contributed surplus. For cash-settled share-based payments, the compensation expense is measured initially at the fair market value of the Company's shares at the grant date and subsequently adjusted for the additional shares granted based on the reinvestment of notional dividends and the market value of the shares at the end of each reporting period, with a corresponding increase to liabilities.

L) EMPLOYEE BENEFITS

Short-term employee benefit obligations are calculated on an undiscounted basis and are expensed as the related services are provided.

A liability is recognized for the amount expected to be paid under short-term cash bonus or profit-sharing plans if the Company has a current legal or constructive obligation to pay this amount as a result of past service provided by the employee and the obligation can be estimated reliably.

M) LEASES

The determination of whether an arrangement is or contains a lease is based on the substance of the arrangement and requires an assessment of whether its fulfillment depends on the use of a specific asset or assets and the arrangement conveys a right to use the asset.

Payments made under operating leases are recognized in earnings or loss on a straight-line basis over the lease term.

N) NET FINANCING COSTS

Financing expenses consist of interest expense on long-term debt and amortization of the deferred financing costs. All borrowing costs are recognized in earnings or loss using the effective interest rate method. Interest income was earned from term deposits.

4 | 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. Fourth-quarter data library sales have frequently 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 data library sales are often lower than in other quarters due to slower business conditions during the summer months. 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

5 | TRADE AND OTHER RECEIVABLES

As at December 31,	**2015**	2014
Data library trade receivables	**6,155**	7,080
Other	**3**	3
	6,158	7,083

No bad debt expense was recorded in 2015 or 2014.

6 | PARTICIPATION SURVEYS IN PROGRESS

	2015	2014
Opening balance, January 1	**36**	-
Costs incurred	**3,959**	36
Transferred to seismic data library	**(3,995)**	-
Closing balance, December 31	**-**	36

No participation survey was in progress at December 31, 2015. At December 31, 2014, the Peco South 3D survey was in progress and was delivered during the first quarter of 2015.

7 | SEISMIC DATA LIBRARY

	2015	2014
Cost		
Opening balance, January 1	**434,527**	433,794
Acquisitions through purchases and related cost	**933**	733
Transferred from participation surveys in progress	**3,995**	-
Closing balance, December 31	**439,455**	434,527
Accumulated amortization		
Opening balance, January 1	**368,059**	345,552
Amortization for the year	**22,836**	22,507
Impairment loss for the year	**937**	-
Closing balance, December 31	**391,832**	368,059
Carrying amount, December 31	**47,623**	66,468

At December 31, 2015, the Company assessed its CGUs included in its seismic data library for indicators of impairment, as required under IFRS, and concluded there were such indicators. The principal indicator was the ongoing weakness of commodity prices along with uncertainty over the timing of any improvement. That indicator triggered an impairment test. As a result, the Company completed an impairment test. For the purpose of impairment testing, the recoverable amounts of the Company's CGUs is the greater of its value in use and its fair value less costs to sell. The recoverable amounts of the CGU's were determined based on a value in use calculation. The Company used the following assumptions to calculate the recoverable amount of each CGU:

- The estimated future cash flows for the next five years net of variable and fixed costs;
- The residual value of each CGU estimated to be 20 percent of the original cost for purchased data and 10 percent of the original cost for data shot in a participation survey;
- A pre-tax discount rate of 9.1 percent to calculate the net present value of future cash flows, which is the weighted average cost of capital calculated at December 31, 2015; and
- A combined federal-provincial income tax rate of 27 percent.

Based on these assumptions and the Company's calculations, an impairment loss of $937,000 was recognized in the fourth quarter of 2015. The impairment specifically related to two CGUs, Altares 3D ($323,000) and Simon East 3D ($614,000), and was the result of less activity in the areas due to commodity prices and capital budgets. The total remaining net book value of Altares 3D and Simon East 3D was $826,000 at December 31, 2015.

At December 31, 2014, no indicators of impairment were identified and accordingly, an impairment test was not required.

Subsequent to the end of the year, on January 26, 2016, the Company acquired approximately 107,000 net kilometres of 2D seismic data and 58 net square kilometres of 3D seismic data, increasing Pulse's 2D seismic data library by 31.5 percent to approximately 447,000 net kilometres. The acquisition includes data spread throughout the Western Canada Sedimentary Basin and is complementary to the Company's existing data. The purchase price of $3.65 million was funded through the issuance of 669,643 common shares, plus $2.15 million in cash.

8 | LONG-TERM DEBT

As at December 31,	2015	2014
Secured revolving bank term loan	-	5,500
Less deferred financing costs	-	133
Long-term debt, net of deferred financing costs	-	5,367

On February 15, 2013 the Company announced it had executed a new $50.0 million three-year extendible revolving credit facility with a syndicate of banks. There are no scheduled principal payments. Voluntary prepayments are permitted in whole or part at any time without premium or penalty.

On January 18, 2016 the Company elected to reduce the facility's available borrowing amount to $30.0 million from $50.0 million. Up to $5.0 million of the revolving facility is available as an operating line of credit. As at December 31, 2015, $222,000 (December 31, 2014 – Nil) was drawn on the operating line of credit, and long term-debt was nil (December 31, 2014 - $5.4 million). The credit facility with a syndicate of banks includes an accordion feature which allows an increase in the facility's size up to $70.0 million with the lenders' consent. The accordion incurs no renewal or standby fees. At the same time, the Company negotiated a one year extension and the current maturity date is now February 13, 2019. On an annual basis, the Company has the option to extend the maturity date for one additional year with the lenders' approval.

Interest on the syndicated revolving bank loan is calculated based on the lender's prime rate, bankers' acceptance rate or LIBOR, plus an applicable margin based on the covenant ratio of total debt to adjusted earnings before interest, tax, depreciation and amortization (adjusted EBITDA). At December 31, 2015 the applicable interest rate on the long-term debt was 3.2 percent (December 31, 2014 – 3.5 percent).

The Company pays a standby fee based on the daily undrawn balance of the credit facility and an applicable margin based on the covenant ratio of total debt to adjusted EBITDA.

The covenants include two financial ratio tests. The first is that the total debt to adjusted EBITDA must not exceed a ratio of 2.50:1. The ratio was 0.01:1 at December 31, 2015. The second financial covenant is that the interest coverage ratio must be at least 3:1 at all times. The ratio was 51:1 at December 31, 2015. The Company was in compliance with all covenants at December 31, 2015.

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

9 | DEFERRED TAX ASSETS AND LIABILITIES

A) UNRECOGNIZED DEFERRED TAX ASSETS

As at December 31 ,	2015	2014
Foreign exploration and development expense	**347**	355
Capital losses	**413**	383
	760	738

Deferred tax assets for these items have not been recognized because utilization against future taxable profits is not probable.

B) RECOGNIZED DEFERRED TAX ASSETS AND LIABILITIES

Deferred tax assets and liabilities are attributable to the following:

As at December 31,	**2015**	2014
Deferred income tax assets:		
Resource expenditures	**199**	194
Non-capital tax losses carried forward	**2,060**	1,747
Share issuance and financing cost	**36**	27
Long-term incentive plan	**120**	341
Deferred income tax asset	**2,415**	2,309
Deferred income tax liability:		
Seismic data library and participation surveys	**10,114**	10,883
Deferred income tax liability	**10,114**	10,883
Net deferred income tax liabilities	**7,699**	8,574

At December 31, 2015, the Company had non-capital tax losses of $8.0 million available to reduce future years' income for tax purposes. These losses expire between 2033 and 2035.

C) MOVEMENT IN TEMPORARY DIFFERENCES DURING THE YEAR

	Deferred tax liabilities (assets) January 1, 2014	Recognized in income	Recognized in equity	Deferred tax liabilities (assets) December 31, 2014
Resource expenditures	(212)	18	-	(194)
Non-capital losses	(1,549)	(198)	-	(1,747)
Share issuance and financing costs	(22)	(5)	-	(27)
Long-term incentive plan	(393)	72	(20)	(341)
Seismic data library	9,642	1,241	-	10,883
	7,466	1,128	(20)	8,574

	Deferred tax liabilities (assets) January 1, 2015	**Recognized in income**	**Recognized in equity**	**Deferred tax liabilities (assets) December 31, 2015**
Resource expenditures	**(194)**	**(5)**	**-**	**(199)**
Non-capital losses	**(1,747)**	**(313)**	**-**	**(2,060)**
Share issuance and financing costs	**(27)**	**(9)**	**-**	**(36)**
Long-term incentive plan	**(341)**	**70**	**151**	**(120)**
Seismic data library	**10,883**	**(769)**	**-**	**10,114**
	8,574	**(1,026)**	**151**	**7,699**

D) RECONCILIATION OF EFFECTIVE TAX RATE

Income tax expense differs from the amount that would be computed by applying the basic combined federal and provincial statutory income tax rate to earnings before income taxes. The reasons for the differences are as follows:

For the years ended December 31,	**2015**	2014
Earnings (loss) before income tax	**(6,334)**	4,606
Combined federal and provincial income tax rate	**26%**	25%
Expected income tax expense (reduction)	**(1,647)**	1,152
Effects of differences:		
Non-deductible expenses	**13**	14
Adjustment in respect of prior years	**1**	–
Change in valuation allowance	**(35)**	(38)
Effect of change in provincial tax rate pools	**642**	–
Actual income tax expense (reduction)	**(1,026)**	1,128

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 has been recognized in the 2015 financial statements.

The deferred tax related to the equity-settled share-based compensation is recognized directly in equity, as the estimated future tax deduction exceeds the cumulative remuneration expense.

10 | EQUITY

A) SHARE CAPITAL

The Company's authorized share capital consists of an unlimited number of common and an unlimited number of preferred shares, issuable in series. The shares have no stated par value. No preferred shares have been issued. All common shares are entitled to receive dividends as declared and are entitled to one vote per share at meetings of the Company.

On December 16, 2015, the Company announced the renewal of its normal course issuer bid (NCIB). The Company may purchase, for cancellation, up to a maximum of 3,509,326 common shares, equal to approximately 10 percent of the public float of 35,093,268 common shares as at December 15, 2015. The Company is also limited under the NCIB to purchasing up to 5,134 common shares in any one day, subject to the block purchase exemption under the TSX rules. The NCIB will continue until December 20, 2016. Purchases will be made on the open market through the TSX or alternative platforms at the market price of such shares. All shares purchased under the NCIB will be cancelled.

During the year ended December 31, 2015 the Company purchased, for cancellation 1,625,400, (2014 – 2,101,277) common shares pursuant to its NCIB at a weighted average price of $2.50 (2014 – $3.01) per share, including brokerage fees, for a total cost of $4.1 million (2014 – $6.3 million). The total cost paid, including fees, was first charged to share capital to the extent of the average carrying value of the common shares purchased and the excess of $1.8 million (2014 – $3.4 million) was charged to the deficit.

The purchase price of the $3.65 million acquisition discussed in Note 7 has been partially funded through the issuance of 669,643 Pulse common shares valued at approximately $2.24 per share, based on the 10-day volume-weighted average price of the shares on the Toronto Stock Exchange at close of trading on January 21, 2016.

B) DIVIDENDS

Dividends paid in 2015 were $0.06 per share (2014 – $0.08) and totalled $3.4 million (2014 – $4.7 million).

On November 4, 2015, with lower period-over-period seismic data library sales and the strong possibility of an extended downturn, Pulse's Board of Directors deemed it financially prudent and in the long-term interests of shareholders to suspend the Company's quarterly dividend of $0.02 per share.

11 | SHARE-BASED PAYMENTS

In 2012, the Company's Board of Directors approved a new long-term incentive plan for employees, officers and directors designed to align the Company's long-term incentive compensation with its performance and to increase individual share ownership.

The LTIP awards consist of RSUs and PSUs, with Directors being granted RSUs only. Upon vesting, each RSU and PSU entitles the holder to one common share of the Company. RSUs and PSUs have accompanying dividend-equivalent rights and, therefore, additional RSUs and PSUs are issued to reflect dividends declared on the common shares.

On March 31, 2015 one-third of the 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 that vested on March 31, 2015. The related payroll taxes of $211,000 were paid in May 2015 to settle fully the accrued cash-settled portion of the share-based payment liabilities.

In determining the amount of equity-settled share-based compensation related to PSUs, management makes estimates about future results and vesting criteria. It is reasonably possible that, based on current knowledge, future outcomes could differ from the estimates and require a material adjustment to the share-based compensation expense recorded in future periods. The impact of any change in the number of PSUs expected to vest is recognized in the period the estimate is revised.

During the year ended December 31, 2015, the Company recognized $238,000 (2014 – $358,000) in compensation expense related to the LTIP in salaries, internal commissions and benefits on the statement of comprehensive income (loss). The equity-settled portion was $220,000 (2014 – $377,000).

At December 31, 2015 the obligation related to the cash-settled portion of the LTIP was $174,000 (December 31, 2014 – $372,000) with $98,000 (December 31, 2014 – $195,000) included in accounts payable and accrued liabilities and $76,000 (December 31, 2014 – $177,000) included in other long-term liabilities.

RSUs	2015	2014
Outstanding, January 1	**427,359**	505,221
Granted	**133,520**	137,657
Dividend-equivalent share units	**8,930**	11,348
Settled	**(175,060)**	(180,640)
Cancelled or forfeited	**(50,020)**	(46,227)
Outstanding, December 31	**344,729**	427,359

PSUs	2015	2014
Outstanding, January 1	**658,896**	791,156
Granted	**201,950**	194,500
Dividend-equivalent share units	**13,584**	17,615
Settled	**(10,910)**	(1,565)
Cancelled or forfeited	**(364,774)**	(342,810)
Outstanding, December 31	**498,746**	658,896

On March 31, 2016, 121,713 RSUs will vest automatically and, based on the Company's performance in 2015 and the predetermined performance measures, none of the PSUs will vest. In April 2016, the Company will settle its obligation to deliver the common shares by providing funds to the independent LTIP trustee to purchase the shares on the open market.

12 | EARNINGS PER SHARE

A) BASIC EARNINGS PER SHARE

The calculation of basic earnings per share at December 31, 2015 was based on the loss attributable to common shareholders of $5.3 million for the year ended December 31, 2015 (2014 – earnings of $3.5 million) and a weighted average number of common shares of 56,628,524 (2014 – 58,957,072), calculated as follows:

	2015	2014
Common shares outstanding, January 1	**57,247,843**	59,349,120
Effect of shares issued, purchased and cancelled	**(619,319)**	(392,048)
Weighted average number of common shares for the year ended December 31	**56,628,524**	58,957,072

B) DILUTED EARNINGS PER SHARE:

The Company does not have any dilutive securities.

13 | SALARIES, INTERNAL COMMISSIONS AND BENEFITS

For the years ended December 31,	Note	2015	2014
Salaries and benefits		**3,321**	3,241
Internal commissions		**259**	462
Registered retirement savings plan contributions		**131**	137
Short-term incentives		**40**	574
Long-term incentives	11	**238**	358
Total salaries, internal commissions and benefits		**3,989**	4,772

14 | OTHER SELLING, GENERAL AND ADMINISTRATIVE COSTS

For the years ended December 31,	2015	2014
External commissions	**35**	81
Occupancy cost	**645**	673
Office and general cost	**421**	587
Information technology	**356**	394
Mapping and data storage	**145**	187
Directors' fees and corporate costs	**450**	556
Consulting fees	**46**	49
Professional fees	**229**	208
Total other selling, general and administrative costs	**2,327**	2,735

15 | NET CHANGE IN NON-CASH OPERATING WORKING CAPITAL

For the years ended December 31,	2015	2014
Trade and other receivables	**925**	(3,867)
Prepaid expenses	**(17)**	58
Accounts payable and accrued liabilities	**(963)**	524
Deferred revenue	**(768)**	45
Other long-term payable	**(101)**	(168)
Others	**(27)**	(187)
Net change in non-cash operating working capital	**(951)**	(3,595)

16 | FINANCIAL INSTRUMENTS

The Company's risk management policy objectives include the long-term management of the Company's business activities and, wherever possible, mitigation of the associated business risks. The Company has exposure to the following risks from its use of financial instruments:

- Credit risk;
- Liquidity risk; and
- Market risk.

A) RISK MANAGEMENT

The Board of Directors has overall responsibility for the establishment and oversight of the Company's risk management framework.

The Company's risk management policies are established to identify and analyze the risks faced by the Company, to set appropriate risk limits and controls, and to monitor risks and adherence to limits. The Company, through its training and management standards and procedures, aims to develop a disciplined and constructive control environment in which all employees understand their roles and obligations.

The Audit Committee oversees how management monitors compliance with the Company's risk management policies and procedures, and reviews the adequacy of the risk management framework in relation to the risks faced by the Company. Reviews of risk management controls and procedures are performed, the results of which are reported to the Board of Directors.

B) CREDIT RISK

Credit risk is the risk of financial loss to the Company if a customer or counterparty to a financial instrument fails to meet its contractual obligations, and arises principally from the Company's accounts receivable.

The Company is exposed to credit risk in connection with data sales and participation surveys with its customers. The Company's exposure to credit risk is influenced mainly by each customer's individual characteristics. The nature of the Company's customer base, including the default risk of the industry in which customers operate, has an influence on credit risk. As the Company operates to a large extent in the oil and natural gas industry, nearly all of the trade receivables relate to customers from this industry.

The effective monitoring and control of credit risk is a core competency of the Company. Each new customer is analyzed individually for creditworthiness, including credit reference checks, before payment and delivery terms and conditions such as credit limits are offered. Customer accounts are monitored and accounts receivable aging is regularly reviewed. Certain customers have signed agreements with the Company that provide for extended payment terms. The Company's credit risk increases in these arrangements due to their longer time-frame. The risk is mitigated by attempting to limit these arrangements to major oil and natural gas companies which have long operating histories and adequate resources to fulfill their commitments.

The majority of the Company's customers have been doing business with the Company for many years, and minimal losses have occurred in the past. The Company does not require customers to provide collateral.

Exposure to credit risk

The carrying amount of financial assets represents the maximum credit exposure. The maximum exposure to credit risk at the reporting date was the value of accounts receivable of $6.2 million. The Company has a significant concentration of customers in the oil and natural gas industry, with the majority located in Alberta. At December 31, 2015, 68 percent of total accounts receivable were due from two customers. For the year ended December 31, 2015, approximately 50 percent of the Company's data library sales were attributable to three customers.

The aging of trade receivables at the reporting date was:

	2015		2014	
	Gross	**Impairment**	Gross	Impairment
Current	**6,158**	**-**	5,427	-
Past due 31-60 days	**-**	**-**	1,636	-
Past due 61-90 days	**-**	**-**	-	-
More than 90 days	**-**	**-**	20	-
Total	**6,158**	**-**	7,083	-

As at the reporting date, the Company believes that all accounts are collectible, based on historical payment behaviour and extensive analysis of customers' underlying credit ratings.

C) LIQUIDITY RISK

Liquidity risk is the risk that the Company will encounter difficulty in meeting the obligations associated with its financial liabilities that are settled in cash or another financial asset. The Company's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under normal and stressed conditions, without incurring unacceptable losses or risking damage to its reputation.

The Company regularly monitors its cash flow and funding options available in the capital markets, as well as trends in the availability and costs of such funding, with a view to maintaining financial flexibility and limiting repayment risks. The Company does not believe that it will encounter difficulty in meeting its financial obligations. Consolidated cash flow information, including a projection for the remainder of the year where applicable, is presented to the Audit Committee quarterly, which aids in planning to ensure that the Company has sufficient cash to meet expected operational expenses, including the servicing of financial obligations.

Beyond effective net working capital and cash management, at December 31, 2015 the Company had $49.8 million available for future draws on its revolving credit facility, and a further $20.0 million was also available subject to the banking syndicate's approval to activate an accordion feature. As described in note 8, on January 18, 2016, the Company elected to reduce the facility's available borrowing amount to $30.0 million from $50.0 million. As at March 2, 2016, the Company had $30.0 million available for future draws on its revolving credit facility, and a further $40.0 million was also available subject to the banking syndicate's approval to activate an accordion feature.

The following are the contractual maturities of financial liabilities at December 31, 2015, assuming the new credit facility is not renewed in February 2019:

	Carrying amounts	2016	2017	2018	2019 and after
Operating line of credit	222	222	-	-	-
Accounts payable	809	809	-	-	-
Long-term payable	76	-	76	-	-
Total	1,107	1,031	76	-	-

D) MARKET RISK

Market risk is the risk that changes in market prices will affect the Company's income or the value of its holdings of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimizing the return.

i) Commodity price risk

The Company is not directly exposed to commodity price risk as it does not have any contracts that are directly based on commodity prices. A change in commodity prices, specifically oil and natural gas prices, could have a material impact on the Company's customers' cash flows and could therefore affect the level of seismic data library sales and participation surveys. Commodity prices are affected by many factors, including supply and demand. The Company has not entered into any commodity price risk contracts. Given that this is an indirect influence, the financial impact on the Company of changing oil and natural gas prices is not reasonably determinable.

ii) Interest rate risk

The Company's interest rate risk exposure is mainly related to long-term debt. The Company is exposed to interest rate cash-flow risk on its floating-rate long-term debt as described in note 8. Changes in market interest rates will cause fluctuations in future interest payments.

The Company earns minimal interest income on its cash balances.

A change of 100 basis points in interest rates for the year ended December 31, 2015 would have increased or decreased earnings by $33,000 (2014 – $160,000), assuming all other variables remained constant.

E) FAIR VALUES

The fair values of cash and cash equivalents, accounts receivable and accounts payable approximate their carrying amount 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 loans are based on current Canadian bankers' acceptance rates.

17 | CAPITAL MANAGEMENT

The Company considers its capital structure to include shareholders' equity and long-term debt.

As at December 31,	**2015**	2014
Shareholders' equity	**45,389**	58,401
Long-term debt (before deferred financing costs)	**-**	5,500
Total capitalization	**45,389**	63,901

The Company's primary objective when managing capital is to preserve its ability to execute its long-term growth plan of significantly increasing the size of the seismic data library, so that it can maximize revenue and, ultimately, shareholder value. Sales generated from the seismic data library provide the Company with high levels of cash, and its most significant expense is non-cash amortization. Due to this, the Company is able to repay long-term debt and continue to fund data library growth.

The Company requires flexibility in managing the capital structure so that it can take advantage of opportunities to raise additional capital as opportunities for data acquisitions or participation surveys arise. The Company uses a combination of debt and equity and relies on key internal measures such as the long-term debt to TTM cash EBITDA ratio and the long-term debt to equity ratio to forecast and structure its capital requirements. From time to time the Company purchases its own shares on the market through its NCIB, the timing of which depends on market prices.

Cash EBITDA is defined by the Company as earnings before interest, taxes, depreciation and amortization less participation survey revenue, plus non-cash and non-recurring general and administrative expenses. Cash EBITDA is a measure that does not have any standardized meaning prescribed by IFRS or Canadian generally accepted accounting principles and is therefore unlikely to be comparable to similar measures presented by other issuers.

The long-term debt to TTM cash EBITDA ratio is calculated as long-term debt at the end of the period, divided by 12-month trailing cash EBITDA. This measure is substantially the same as the total debt to adjusted EBITDA ratio covenant in the Company's credit facility, with the exception that the covenant calculation under the credit facility allows for the addition of normalized cash flow from acquisitions for the months during the trailing 12 months that the Company didn't own the acquired data.

The long-term debt to TTM cash EBITDA ratio is calculated as follows:

For the years ended December 31,	**2015**	2014
Long-term debt (before deferred financing cost) at year-end	**-**	5,500
Divided by:		
Net earnings (loss)	**(5,308)**	3,478
Less:		
Participation survey revenue	**(3,220)**	-
Plus:		
Net financing costs	**494**	875
Income tax	**(1,026)**	1,128
Depreciation	**185**	248
Amortization of seismic data library	**22,836**	22,507
Impairment loss	**937**	-
Equity-settled share-based compensation	**220**	377
Loss on disposition of capital assets	**3**	2
TTM Cash EBITDA	**15,121**	28,615
Long-term debt to TTM cash EBITDA ratio	**0.00:1**	0.19:1

As the balance of the long-term debt was nil at December 31, 2015, the long-term debt to TTM cash EBITDA ratio was 0.00:1 at December 31, 2015.

The long-term debt to equity ratio is calculated using the long-term debt balance, excluding of debt financing costs, divided by total equity, as follows:

As at December 31,	**2015**	2014
Long-term debt (before deferred financing costs)	**-**	5,500
Divide by: total equity	**45,389**	58,401
Long-term debt to equity ratio	**0.00:1**	0.09:1

As the balance of the long-term debt was nil at December 31, 2015, the long-term debt to equity ratio was 0.00:1 at December 31, 2015.

As discussed in note 8, the Company is subject to debt covenants on its long-term debt as of December 31, 2015. The Company was in compliance with all covenants at December 31, 2015.

The Company is subject to maximum limits on the number of shares it may purchase through its NCIB.

There were no changes in the Company's approach to capital management during the year.

18 | OPERATING LEASES AND OTHER COMMITMENTS

The Company leases office space and office equipment under operating leases. The office space lease expires in May 2017, with a renewal option.

During the year ended December 31, 2015, $640,000 (2014 – $666,000) was recognized in selling, general and administrative expenses in respect of operating leases.

The following table represents expected operating lease payments and minimum payments under seismic data services contracts:

	2016	2017	2018	2019	2020 and after
Operating leases	520	226	12	–	–
Seismic data services	120	120	30	–	–
Total	640	346	42	–	–

19 | RELATED-PARTY TRANSACTIONS

The Company has a related-party relationship with its Board of Directors and with key management personnel.

A) KEY MANAGEMENT PERSONNEL COMPENSATION

In addition to their salaries, the executive officers participate in the Company's short term incentive cash-bonus plan and LTIP (refer to note 11).

Key management personnel compensation comprised:

For the years ended December 31,	**2015**	2014
Fixed salary	**994**	988
Termination benefits	**357**	–
Short-term employee benefits	**77**	76
Short-term incentive plan	**20**	375
LTIP	**74**	126
	1,522	1,565

B) TRANSACTIONS WITH DIRECTORS

Directors also participate in the Company's LTIP (refer to note 11).

The remuneration of the Directors is as follows:

For the years ended December 31,	**2015**	2014
Directors' fees	**239**	225
LTIP	**93**	101
	332	326