

FORM 51-102F3
MATERIAL CHANGE REPORT

1. Name and Address of Corporation:

Pulse Seismic Inc. ("**Pulse**" or the "**Corporation**")
2700, 421 - 7th Avenue SW
Calgary, Alberta T2P 4K9

2. Date of Material Changes:

January 15, 2019

3. News Release(s):

A news release relating to the material changes described herein was disseminated on January 15, 2019 through the facilities of GlobeNewswire.

4. Summary of Material Changes:

On January 15, 2019, the Corporation completed the acquisition of all the issued and outstanding shares of Seitel Canada Ltd. (the "**Acquisition**"), a former Canadian subsidiary of Seitel, Inc. In connection with the acquisition, the Corporation amended and restated its syndicated credit agreement with the Toronto-Dominion Bank and ATB Financial (the "**Restated Credit Agreement**") and entered into a subordinated credit agreement (the "**Subordinated Credit Agreement**") with Edgepoint Investment Group Inc. ("**Edgepoint**").

5. Full Description of Material Change:

5.1 Full Description of Material Change

The Corporation completed the Acquisition for initial cash consideration of \$53.6 million paid at closing plus potential additional payments of up to \$5 million, in the aggregate, within two years of closing. The Acquisition was financed by a combination of Pulse's cash on hand of \$20.6 million and \$33 million of debt. The balance of up to \$5 million is a deferred payment that will be paid out at a rate representing 50% of the sales revenue generated from the former database of Seitel Canada Ltd. over the next two years.

In connection with the Acquisition, the Corporation entered into the Restated Credit Agreement, pursuant to which the Corporation's facilities are now comprised of \$15 million in term debt, the entirety of which was utilized for the Acquisition, and a \$30 million revolving facility, \$8 million of which was drawn for the Acquisition. The Restated Credit Agreement also provide for a \$25 million accordion feature which allows the Corporation to increase the facility's size up to \$70.0 million, subject to consent of the lenders.

The Corporation also entered into the Subordinated Credit Agreement with Edgepoint. Under the terms of the Subordinated Credit Agreement, Edgepoint agreed to lend to Pulse the principal amount of \$10 million with an interest rate of 10% per annum, payable monthly in arrears at the end of each financial quarter. The term of the Subordinated Credit Agreement is five years and the Corporation is under no obligation to repay the principal prior to the end of the term.

As of January 15, 2019, Edgepoint had beneficial ownership of, or control or direction over, directly or indirectly 9,345,150 common shares of Pulse, representing approximately 17.37% of the common shares issued and outstanding, and as such, is considered a related party within the meaning of Multilateral Instrument 61-101 *Protection of Minority Security Holders in Special Transactions* ("**MI 61-101**") and pursuant to the policies of the Toronto Stock Exchange (the "**Exchange**"). The entering into of the Subordinated Credit Agreement is therefore a "related party transaction" as defined under MI 61-101.

The Corporation is relying on exemptions from the formal valuation and minority shareholder approval requirements of MI 61-101 pursuant to Subsections 5.5(a) and 5.7(1)(a), respectively, of MI 61-101 as at the time the Subordinated Credit Agreement was agreed to, the fair market value of the consideration for the Subordinated Credit Agreement did not exceed 25 per cent of the Corporation's market capitalization. The Corporation can also rely upon the exemption from minority shareholder requirements of MI 61-101 pursuant to Subsection 5.7(1)(f) as the Subordinated Credit Agreement contains reasonable commercial terms and the loan is not convertible, directly or indirectly, into equity or voting securities of the Corporation (or otherwise participating in nature), or repayable as to principal or interest, directly or indirectly, in equity or voting securities of Pulse or a subsidiary of Pulse.

Pulse did not file a material change report more than 21 days before the closing of the Subordinated Credit Agreement because the details of the Subordinated Credit Agreement were not settled until shortly prior to closing of the Acquisition and the completion of the Subordinated Credit Agreement, and Pulse wished to complete these transactions on an expedited basis for commercial reasons. The Subordinated Credit Agreement was reviewed and unanimously approved by the Corporation's board of directors.

For further information, please see attached as Schedule "A" the news release dated January 15, 2019, announcing the Acquisition, Restated Credit Agreement and Subordinated Credit Agreement.

All references to dollars or \$ in this material change report are references to Canadian dollars.

5.2 Disclosure for Restructuring Transactions

Not applicable.

6. Reliance on Subsection 7.1(2) of National Instrument 51-102 *Continuous Disclosure Obligations*:

Not applicable.

7. Omitted Information:

Not applicable.

8. Executive Officer Knowledgeable of Material Change:

The following executive officer of the Corporation is knowledgeable about the material changes and this material change report:

Pamela Wicks, Vice President Finance and CFO

Tel.: 403-237-5559

Toll-free: 1-877-460-5559

E-mail: info@pulseseismic.com

9. Date of Report:

January 22, 2019.

SCHEDULE "A"

(Attached)

Source: Pulse Seismic Inc.



PULSE SEISMIC INC. ANNOUNCES ACQUISITION OF SEITEL CANADA LTD.

CALGARY, Alberta, January 15, 2019 (GLOBE NEWSWIRE) – Pulse Seismic Inc. (TSX:PSD) (OTCQX:PLSDF) (“Pulse” or “the Company”) is pleased to announce that it has today completed the acquisition of Seitel Canada Ltd.

Pursuant to the terms of the acquisition (the “Acquisition”), Pulse acquired 100% of the shares of Seitel Canada Ltd. (“Seitel”), for initial cash consideration of \$53.6 million paid at closing plus potential additional payments of up to \$5 million, in the aggregate, within two years of closing.

“We are extremely pleased at having negotiated and closed this important acquisition for Pulse,” stated Neal Coleman, Pulse’s President and CEO. “The Seitel deal is another in a line of transformative acquisitions, conducted at a time when Pulse is financially strong. Together these acquisitions have enabled Pulse to grow from a small player in the seismic data licensing sector when it began trading as a public company 20 years ago, into Western Canada’s #1 provider. I am proud of Pulse’s skilled and dedicated team for having pursued and closed the deal, and extend my sincere thanks to Pulse’s Board of Directors for their strategic guidance and support of our growth plan.”

The Acquisition increases Pulse’s revenue-generating potential by adding unique, complementary, high-quality seismic data over areas that Pulse’s library did not previously have coverage. Pulse’s ability to take advantage of counter-cyclical timing to obtain attractive valuation has always been a key aspect of its growth strategy. Pulse’s unbroken record of generating positive cash EBITDA and shareholder free cash flow throughout the ongoing deep industry downturn has positioned the Company to execute its long-term strategy. It is imperative, given the low level of industry activity, that Canadian energy service companies take costs out of the system through consolidating transactions such as this one.

TRANSACTION HIGHLIGHTS

The Assets

The Acquisition will more than double the size of the Company’s seismic data library, making it Canada’s largest provider of licensable seismic data to the oil and natural gas industry in the Western Canada Sedimentary Basin.

The assets of Seitel, a privately held company, consist primarily of its 2D and 3D seismic data library in Western Canada. Seitel’s seismic data library includes approximately 36,354 net square kilometres of 3D data and 379,207 net kilometres of 2D seismic data. Pulse will thereby more than double its 3D library to be the owner of approximately 65,310 net square kilometres and nearly double the 2D library to approximately 829,207 net kilometres. The Acquisition was completed pursuant to the terms of a share purchase agreement dated January 15, 2019, which contained customary closing conditions, adjustment provisions and commercial representations and warranties. A copy of the share purchase agreement will be available on the Company’s profile on www.sedar.com.

The newly acquired seismic data is unique and complementary to Pulse’s data, with minimal overlap within the most valuable asset, the 3D library, and only a small percentage of overlap in the 2D library. The new 3D seismic data provides the following approximate coverage over these significant plays:

- Montney – 16,336 km²
- Cardium – 8,994 km²
- Viking – 3,036 km²
- Horn River – 2,980 km²
- Duvernay – 2,856 km²
- Bluesky – 2,263 km²
- Bakken – 1,535 km²

The Financing

The initial consideration of \$53.6 million was paid in cash and financed by a combination of Pulse's cash on hand of \$20.6 million and \$33.0 million of debt. In connection with the Acquisition, Pulse has amended and restated its syndicated credit agreement with the Toronto-Dominion Bank and ATB Financial. The facilities are now comprised of \$15 million in term debt, the entirety of which has been utilized for the Acquisition, and a \$30 million revolving facility, \$8 million of which has been drawn for the Acquisition. There is also a \$25 million accordion feature which allows the Company to increase the facility's size up to \$70.0 million, subject to consent of lenders. The facility contains favourable repayment terms, interest rates and financial covenants. Further, Pulse has also entered into a five-year subordinated debt agreement with Edgepoint Investment Group Inc., a non-arm's-length party, for the remaining \$10 million, and which agreement has no requirement to repay the principal prior to the end of term (the "Subordinated Credit Agreement"). Under the terms of the Subordinated Credit Agreement, the loan will accrue interest daily at a rate of 10% per annum, payable monthly in arrears at the end of each quarter. The balance of up to \$5 million is a deferred payment that will be paid out at a rate representing 50% of the sales revenue generated from the former Seitel database over the next two years.

As Edgepoint Investment Group Inc. is a related party (within the meaning of Multilateral Instrument 61-101 *Protection of Minority Security Holders in Special Transactions* ("MI 61-101") and pursuant to the policies of the Toronto Stock Exchange (the "Exchange")) and because the Subordinated Credit Agreement is a related-party transaction (within the meaning of MI 61-101 and pursuant to the policies of the Exchange), the Company would be required to obtain a formal valuation for, and minority approval of, the Subordinated Credit Agreement, in the absence of exemptions therefrom. The Company is exempt from the formal valuation and minority approval requirements pursuant to sections 5.5(a) and 5.7(1)(a) of MI 61-101, respectively. In addition, the Exchange's approval was not required for the Subordinated Credit Agreement.

OUTLOOK

While there will be initial costs incurred as the two companies are integrated in the coming year, Pulse's long-term operating costs are not expected to increase materially since seismic data incurs very little in maintenance costs. The cost synergies associated with combining seismic data library companies are significant and achievable due to the nature of the business model. Pulse's staff of 16 will not increase materially and the low-fixed-cost model will remain. As a pure-play seismic data library company, Pulse will continue to stand apart from the capital and labour intensive businesses within the energy services sector.

"While Pulse's short-term outlook for business conditions remains cautious, with a lack of visibility for sales over the next several quarters, the Seitel acquisition is a strategic move designed to position Pulse for long-term success through growth in its data library," stated Coleman, "Approximately doubling the size of our database also increases the statistical likelihood of some sales from our greatly expanded data library," he added.

All amounts referred to in this press release are stated in Canadian dollars unless otherwise specified.

CORPORATE PROFILE

Pulse is a market leader in the acquisition, marketing and licensing of 2D and 3D seismic data to Western Canada's energy sector. Pulse now owns the largest licensable seismic data library in Canada, currently consisting of approximately 65,310 net square kilometres of 3D seismic and 829,207 net kilometres of 2D seismic data. The library extensively covers the Western Canada Sedimentary Basin where most of Canada's oil and natural gas exploration and development occur, as well as selected areas in the United States and offshore.

For further information, please contact:

Neal Coleman, President and CEO

Or

Pamela Wicks, Vice President Finance and CFO

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Please visit our website at <https://www.pulsesismic.com/>

Forward Looking Information

This news release contains information that constitutes “forward-looking information” or “forward-looking statements” (collectively, “forward-looking information”) within the meaning of applicable securities legislation.

This forward-looking information includes, among other things, statements regarding:

- Pulse’s long-term operating costs are not expected to increase materially;
- The cost synergies associated with combining seismic data library companies are significant and achievable; and
- Pulse’s short-term outlook for business conditions remains cautious, with a lack of visibility for sales over the next several quarters.

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;
- The demand for seismic data and participation surveys;
- The pricing of data library license sales;
- Relicensing (change-of-control) fees and partner copy sales;
- Cybersecurity;
- 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;
- 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;
- The introduction of new products; and
- Climate change.

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” of the Company’s MD&A for the most recent calendar year and interim periods. Forward-looking information is based on the assumptions, expectations, estimates and opinions of the Company’s management at the time the information is presented.

Non-GAAP financial measures

This news release makes reference to certain non-GAAP financial measures that do not have a standardized meaning or definition as prescribed by IFRS and therefore may not be comparable with the calculation of similar measures by other entities, including “Cash EBITDA” and “shareholder free cash flow”. Readers are referred to definitions, advisories and further discussion on non-GAAP financial measures and reconciliations contained in the Company’s MD&A for the most recent calendar year and interim periods.