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Q2 INTERIM REPORT
For the Three and Six Months Ended June 30, 2014

Selected Financial and Operating Information

(thousands of dollars except per share data and number of shares)

	Three months ended June 30, 2014 (unaudited)	Three months ended June 30, 2013 (unaudited)	Six months ended June 30, 2014 (unaudited)	Six months ended June 30, 2013 (unaudited)	Year ended December 31, 2013
Revenue					
Data library sales	**$ 7,321**	$ 4,486	**$ 12,827**	$ 18,350	$ 27,079
Participation surveys	**$ –**	$ 361	**$ –**	$ 13,429	$ 13,429
Total revenue	**$ 7,321**	$ 4,847	**$ 12,827**	$ 31,779	$ 40,508
Amortization of seismic data library	**$ 5,842**	$ 22,287	**$ 11,674**	$ 42,314	$ 55,619
Net loss	**$ (612)**	$ (15,081)	**$ (2,432)**	$ (12,540)	$ (18,834)
Per share basic and diluted	**$ (0.01)**	$ (0.25)	**$ (0.04)**	$ (0.21)	$ (0.31)
Cash EBITDA [(a)]	**$ 5,467**	$ 2,298	**$ 9,230**	$ 13,639	$ 19,145
Per share basic and diluted [(a)]	**$ 0.09**	$ 0.04	**$ 0.16**	$ 0.22	$ 0.32
Shareholder free cash flow [(a)]	**$ 5,246**	$ 2,849	**$ 8,796**	$ 13,220	$ 20,682
Per share basic and diluted [(a)]	**$ 0.09**	$ 0.05	**$ 0.15**	$ 0.22	$ 0.34
Funds from operations [(a)]	**$ 8,796**	$ 1,982	**$ 12,407**	$ 22,689	$ 27,751
Per share basic and diluted [(a)]	**$ 0.15**	$ 0.03	**$ 0.21**	$ 0.37	$ 0.46
Capital expenditures					
Participation surveys	**$ –**	$ 515	**$ –**	$ 21,215	$ 21,265
Seismic data purchases and related costs	**$ 184**	$ 290	**$ 367**	$ 588	$ 961
Property and equipment additions	**$ 7**	$ 75	**$ 21**	$ 149	$ 127
Total capital expenditures	**$ 191**	$ 880	**$ 388**	$ 21,952	$ 22,353
Weighted average shares outstanding					
Basic and diluted	**59,314,120**	60,664,740	**59,330,197**	60,810,594	60,280,876
Shares outstanding at period end			**59,314,120**	60,377,670	59,349,120
Seismic library					
2D in kilometres			**339,991**	339,991	339,991
3D in square kilometres			**28,284**	28,284	28,284

Financial Position and Ratios

(thousands of dollars except ratio calculations)

	June 30, 2014	June 30, 2013	December 31, 2013
Working capital	**$ 5,691**	$ 4,600	$ 6,476
Working capital ratio	**3.06:1**	2.16:1	3.71:1
Total assets	**$ 86,188**	$ 110,784	$ 98,017
Total debt [(b)]	**$ 16,000**	$ 21,100	$ 22,100
TTM cash EBITDA [(c)]	**$ 14,736**	$ 25,405	$ 19,145
Shareholders' equity	**$ 60,771**	$ 78,255	$ 65,962
Total debt to equity ratio	**0.26:1**	0.27:1	0.34:1
Total debt to TTM cash EBITDA ratio	**1.09:1**	0.83:1	1.15:1

a) The additional GAAP measure and these non-GAAP financial measures are defined in the Management's Discussion and Analysis.
(b) Total debt is defined as long-term debt, including current portion, excluding deferred financing costs.
(c) TTM cash EBITDA is defined as the sum of the trailing 12 months' cash EBITDA and is used to provide a comparable annualized measure.

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

Three and Six Months Ended June 30, 2014

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 six months ended June 30, 2014 was prepared taking into consideration information available to July 30, 2014 and should be read with the unaudited condensed consolidated interim financial statements and related notes for the three and six months ended June 30, 2014. This MD&A is supplemental to the MD&A, audited consolidated financial statements and related notes for the year ended December 31, 2013.

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 six months ended June 30, 2014, were reviewed by the Audit Committee of Pulse's Board of Directors and approved by the 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".

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 28,300 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 EBITDA, shareholder free cash flow, funds from operations and total 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", and the definition of funds from operations is provided in "Additional GAAP Measure". The calculation for the total debt to TTM cash EBITDA ratio is provided in "Liquidity, Capital Resources and Capital Requirements."

Results for the key performance indicators as at and for the three and six months ended June 30, 2014, with comparative figures for 2013, are set out in the following table:

(thousands of dollars, except per share data and ratios)	Three months ended June 30 **2014**	2013	Variance	Six months ended June 30 **2014**	2013	Variance
Data library sales	**7,321**	4,486	2,835	**12,827**	18,350	(5,523)
Participation survey revenue	**–**	361	(361)	**–**	13,429	(13,429)
Total seismic revenue	**7,321**	4,847	2,474	**12,827**	31,779	(18,952)
Net loss	**(612)**	(15,081)	14,469	**(2,432)**	(12,540)	10,108
Per share basic and diluted	**(0.01)**	(0.25)	0.24	**(0.04)**	(0.21)	0.17
Cash EBITDA	**5,467**	2,298	3,169	**9,230**	13,639	(4,409)
Per share basic and diluted	**0.09**	0.04	0.05	**0.16**	0.22	(0.06)
Shareholder free cash flow	**5,246**	2,849	2,397	**8,796**	13,220	(4,424)
Per share basic and diluted	**0.09**	0.05	0.04	**0.15**	0.22	(0.07)
Funds from operations	**8,796**	1,982	6,814	**12,407**	22,689	(10,282)
Per share basic and diluted	**0.15**	0.03	0.12	**0.21**	0.37	(0.16)
Total debt to TTM cash EBITDA ratio				**1.09:1**	0.83:1	0.26:1

A period-over-period increase in data library sales resulted in improved key performance indicators during the second quarter.

Significant reductions in data library sales and participation survey revenue during the six months ended June 30, 2014 are the main factors contributing to the decline in the Company's key performance metrics, with the exception of net loss, from the prior year's period.

The net loss in both prior-year periods was increased by the record seismic amortization expense recorded upon completion of the 2012-2013 winter seismic surveys.

The Company experienced lower data library sales in the first half of 2014, in part due to lower corporate transaction-based sales. In addition, there were no participation surveys in progress during the first two quarters of 2014, while under the percentage-of-completion method, the Company recognized a significant portion of the participation survey revenue for the 2012-2013 winter seismic surveys in the first half of 2013.

Although the Company reduced total debt by $5.1 million during the past twelve months, the total debt to TTM cash EBITDA ratio increased as a result of a decrease in TTM cash EBITDA. TTM cash EBITDA at June 30, 2014 was $14.7 million compared to $25.4 million at June 30, 2013.

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 are typically, but not necessarily, 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), and merger-and-acquisition or joint venture 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

Pulse's low cost structure and strong balance sheet enable the Company to continue operating under low revenue levels and still provide returns to shareholders. The moderate quarter-over-quarter improvement in data library sales generated significantly higher cash EBITDA and shareholder free cash flow.

Pulse maintains its cautious outlook for the remainder of 2014. The current environment continues to be depressed, while conversely there are also signs of improvement. There has been developing momentum in publicly announced asset transactions as well as mergers and acquisitions in 2014. Natural gas prices have eased somewhat since the first quarter, but the AECO spot price remained in the $4-per-gigajoule range throughout July. Hydraulic fracturing providers are known to be busy, suggesting a reasonable pace of capital spending by oil and natural gas producers. There is some uncertainty whether these activities will translate into more active data library sales.

In June, the Canadian Association of Oilwell Drilling Contractors issued a slight upward revision to its 2014 drilling forecast, noting higher-than-forecast fleet utilization and a larger number of total drilling days in the second quarter. In the latest forecast, 11,494 wells are forecast to be completed in 2014, up from 11,102 in 2013.

Pulse will continue to practise prudent cost and capital management and remain focused on generating returns for shareholders.

Corporate Update

With the retirement of Graham Weir from Pulse's Board of Directors, effective May 21, 2014, the Board now includes a new independent director, Karen El-Tawil following her nomination and election at the most recent Annual General Meeting. Mrs. El-Tawil has over 30 years' experience in the geophysical services industry. On the same date, Robert Robotti was re-elected as Chair of the Board.

Discussion of Operating Results

Summary for the Three and Six Months Ended June 30, 2014

Earnings (Loss) Before Income Taxes

For the three months ended June 30, 2014, the Company incurred a loss before income taxes of $824,000 ($0.01 per share basic and diluted) compared to a loss before income taxes of $20.1 million ($0.33 per share basic and diluted) for the comparable period of 2013.

The primary reason for the period-over-period improvement is an increase in data library sales, together with a significant reduction in amortization expense.

For the six months ended June 30, 2014, the Company incurred a loss before income taxes of $3.3 million ($0.05 per share basic and diluted) compared to a loss before income taxes of $16.7 million ($0.27 per share basic and diluted) for the comparable period of 2013.

The primary reason for the period-over-period improvement is a significant reduction in amortization expense, offset partially by a reduction in data library sales and participation survey revenue.

Revenue

Total revenue, which includes data library sales and participation survey revenue, for the three months ended June 30, 2014 was $7.3 million compared to $4.8 million for the three months ended June 30, 2013.

Total revenue for the six months ended June 30, 2014 was $12.8 million compared to $31.8 million for the six months ended June 30, 2013.

Data Library Sales

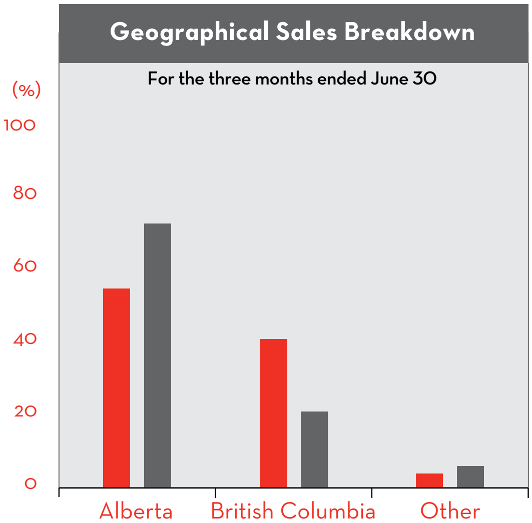
Data library sales consist of regular sales and corporate transaction-based sales. Corporate transaction-based sales include relicensing (change-of-control) fees payable upon merger and acquisition transactions by licensees, and joint venture copy licence fees payable by joint venture partners of licensees that require their own copy of seismic data.

Data library sales of $7.3 million for the quarter ended June 30, 2014 included sales totalling $4.0 million to one customer. In comparison, for the three months ended June 30, 2013 data library sales were $4.5 million.

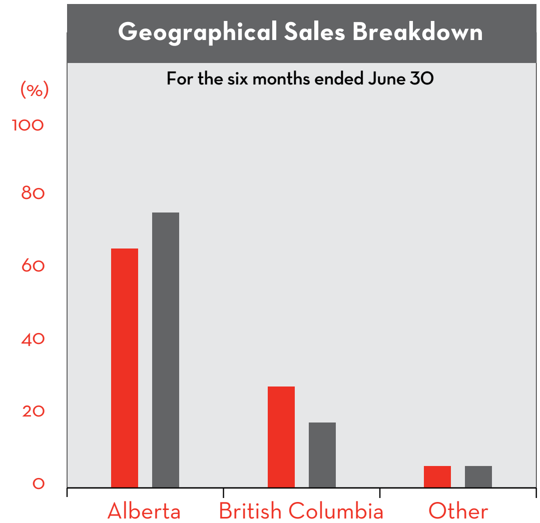
For the first half of 2014, data library sales were $12.8 million, compared to $18.4 million in the comparative period of 2013. In addition to higher levels of regular sales, the first half of 2013 also included a large corporate transaction-based sale of $4.8 million.

Geographical Sales Breakdown

The Company's customers are generally focusing on liquids-rich natural gas and oil 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, which suffered very low pricing for several consecutive years, with a modest price recovery beginning in the second half of 2013. A portion of the $4.0 million sale in the second quarter of 2014 included data located in British Columbia.



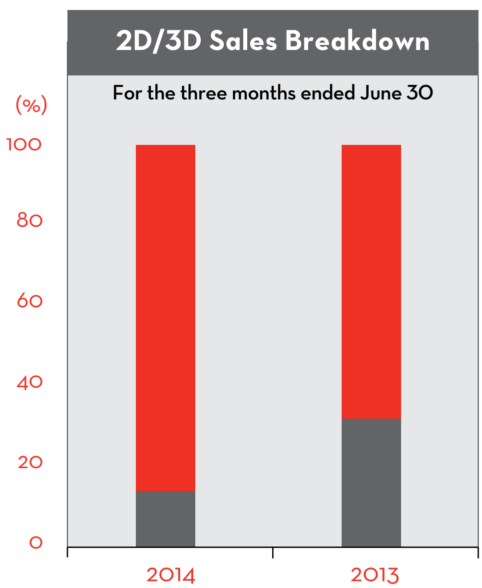
	Alberta	British Columbia	Other
2014	55%	41%	4%
2013	73%	21%	6%



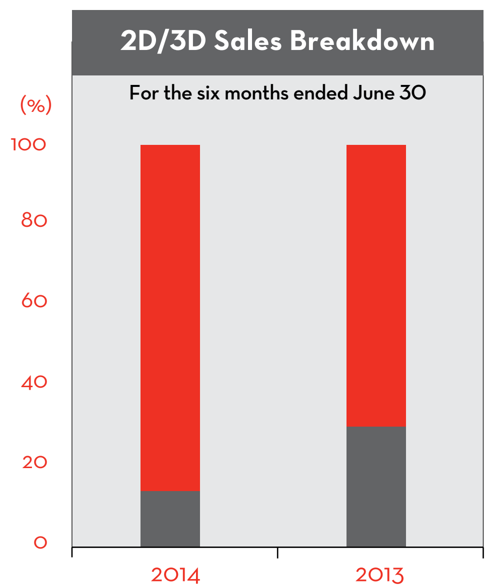
	Alberta	British Columbia	Other
2014	66%	28%	6%
2013	76%	18%	6%

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.



	2014	2013
3D	86%	68%
2D	14%	32%



	2014	2013
3D	86%	70%
2D	14%	30%

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.

The Company had no participation surveys in progress during the first half of 2014, and therefore did not recognize any participation survey revenue in the period. The Company recognized $13.4 million of participation survey revenue in the first half of 2013 related to three 3D participation surveys. Two of the three surveys were in progress at December 31, 2012, and the Company completed and delivered one of these in the first quarter of 2013. Field operations on the third survey commenced in the first quarter of 2013. All three surveys were completed and delivered by the end of the second quarter of 2013.

Amortization of Seismic Data Library

Seismic data library amortization expense was $5.8 million for the second quarter of 2014 compared to $22.3 million in the second quarter of 2013. For the first half of 2014, the Company recognized $11.7 million in seismic data library amortization expense, compared to $42.3 million during the comparable period of 2013.

The Company recognized $13.6 million and $15.3 million, respectively, during the first and second quarters of 2013, related to the 50 percent amortization recorded upon completion and delivery of the participation surveys. 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 June 30, 2014, SCB was $1.2 million, compared to $1.4 million in the comparable period in 2013. During the six months ended June 30, 2014, SCB was $2.3 million, compared to $3.3 million in the comparable period in 2013.

The main factor for the decrease in SCB is the higher long-term incentive plan (LTIP) and short-term incentive plan (STIP) expenses accrued in the first half of 2013. In determining the LTIP and STIP expenses, management makes estimates about future results and number of units expected to vest and bonuses to be paid. Based on actual results, the LTIP and STIP expenses were reduced in subsequent quarters of 2013.

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 June 30, 2014 was $764,000 compared to $886,000 for the three months ended June 30, 2013. SG&A for the six months ended June 30, 2014 was $1.5 million compared to $1.8 million during the comparable period in 2013. The decrease during both periods was mostly related to lower external sales commissions and professional fees.

Net Financing Costs

Net financing costs for the three months ended June 30, 2014 were $251,000, similar to the net financing costs of $257,000 during the comparable period in 2013. For the six months ended June 30, 2014 net financing costs decreased to $493,000 from $911,000 for the comparable period in 2013.

Included in the first quarter of 2013 were prepayment charges of $303,000 upon settlement of the previous credit facility. In addition, financing expenses for the six months ended June 30, 2014 decreased by $140,000 period-over-period due to the significant reduction in the long-term debt and a lower average interest rate.

Income Taxes

The income tax recovery for the three months ended June 30, 2014 was $212,000, reflecting an effective tax rate of 25.7 percent, compared to the income tax recovery of $5.0 million and an effective tax rate of 25.0 percent for the comparable 2013 period. The income tax recovery for the six months ended June 30, 2014 was $825,000, reflecting an effective tax rate of 25.3 percent, compared to the income tax recovery of $4.2 million and an effective tax rate of 24.9 percent for the comparable 2013 period.

The enacted income tax rate for 2014 and 2013 is 25 percent. The effective tax rate for 2014 is higher than the enacted income tax rate as a result of the change in valuation allowance related to future resource deductions and non-deductible expenditures.

Review of Financial Position

As at June 30, 2014

Income Taxes Receivable

At December 31, 2013 the income tax receivable was $3.6 million, consisting of income tax instalments of $782,000 and non-capital tax losses carried back to recover $2.8 million of taxes paid in prior periods. These amounts were collected during the second quarter of 2014.

Seismic Data Library and Participation Surveys in Progress

Additions to the seismic data library are related to the continuation of the seismic data digitization project. Pulse has been auditing the seismic data remaining on magnetic and analog tape storage and is converting all of it to modern digital electronic format.

Pulse did not conduct any participation surveys during the 2013-2014 winter season. The Company is continually evaluating new opportunities to partner with customers on potential future participation surveys.

In comparison, upon completion of the 2012-2013 winter season surveys during the first half of 2013, Pulse added 1,182 square kilometres of high-quality 3D data to its seismic data library.

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 June 30		Six months ended June 30	
	2014	2013	**2014**	2013
Weighted average shares outstanding:				
Basic and diluted	**59,314,120**	60,664,740	**59,330,197**	60,810,594
Shares outstanding at period-end			**59,314,120**	60,377,670
Shares outstanding at July 30, 2014			**59,314,120**	

Diluted Earnings per Share Reconciliation

Diluted earnings per share are computed using the treasury stock method whereby outstanding stock options are only dilutive if, and to the extent that, they are "in-the-money", and if there are net earnings for the period.

All the stock options were exercised by March 31, 2013. Accordingly, no stock options were outstanding during the three months ended June 30, 2013 and the three and six months ended June 30, 2014. The stock options outstanding during the six months ended June 30, 2013 were not dilutive in effect as the Company incurred a net loss during the period.

Long-term Incentive Plan (LTIP)

On March 31, 2014, one-third of the initial 2012 LTIP awards were eligible to vest. One-third of these awards were Restricted Share Units (RSUs) and two-thirds were Performance Share Units (PSUs). The Company's performance in 2013 did not meet predetermined performance measures and, consequently, no PSUs vested on March 31, 2014. RSUs vest automatically based upon time and, consequently, all of the eligible RSUs vested automatically on March 31, 2014.

To satisfy its obligation, in April 2014 the Company provided $400,000 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, 2014. The shares were delivered to the LTIP participants in May 2014, at which time the related payroll taxes of $235,000 were paid to settle the fully accrued cash-settled portion of the share-based payment liabilities.

At June 30, 2014, there were 434,306 RSUs and 675,387 PSUs outstanding. There was no change in the number of RSUs or PSUs outstanding as at July 30, 2014. Details of the LTIP are disclosed in the Company's MD&A and audited financial statements for the year ended December 31, 2013.

Deficit

At June 30, 2014 the Company had a deficit of $23.0 million, compared to a deficit of $18.1 million at December 31, 2013. A net loss of $2.4 million during the six months ended June 30, 2014 and dividends totalling $2.4 million were the two main factors contributing to the deficit's increase.

Dividends

On March 17, 2014 the Company declared a quarterly dividend of $0.02 per common share which was paid on April 11, 2014 to shareholders of record at the close of business on March 28, 2014. On April 29, 2014, the Company declared a quarterly dividend of $0.02 per common share, which was paid on June 20, 2014 to shareholders of record at the close of business on June 6, 2014.

On July 30, 2014, the Company declared a quarterly dividend of $0.02 per common share. The estimated dividend of $1.2 million will be paid on September 19, 2014 to shareholders of record at the close of business on September 5, 2014. Pulse confirms that all dividends paid to shareholders in 2014 are designated as "eligible dividends", as defined by the Government of Canada's Bill C-28, 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.

Deferred Tax Liability

The net deferred income tax liability was $6.7 million at June 30, 2014 compared to $7.5 million at December 31, 2013. The decrease in the deferred income tax liability is mainly due to the losses incurred in the first half of 2014, resulting in additional non-capital loss carry-forwards. 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.

Comparative Figures

Certain figures, including funds from operations, with respect to 2013 have been reclassified to conform to the current period's presentation.

Financial Summary of Quarterly Results

	2014		2013				2012	
(thousands of dollars, except per share data)	**Q2**	**Q1**	Q4	Q3	Q2	Q1	Q4	Q3
Data library sales	**7,321**	**5,506**	4,565	4,164	4,486	13,864	11,885	4,062
Participation surveys	**–**	**–**	–	–	361	13,068	15,887	4,633
Total revenue	**7,321**	**5,506**	4,565	4,164	4,847	26,932	27,772	8,695
Amortization of seismic data library	**5,842**	**5,832**	6,215	7,090	22,287	20,027	6,351	6,435
Net earnings (loss)	**(612)**	**(1,820)**	(2,572)	(3,722)	(15,081)	2,541	13,951	(362)
Per share – basic and diluted	**(0.01)**	**(0.03)**	(0.04)	(0.06)	(0.25)	0.04	0.23	(0.01)

The revenue streams generated by Pulse's operations are data library sales and participation survey revenue. Data library sales consist of regular sales and corporate transaction-based sales. Corporate transaction-based sales include relicensing (change of control) fees payable upon merger and acquisition transactions by licensees, and joint venture copy licence fees payable by joint venture partners of licensees that require their own copy of seismic data.

In addition to the revenue fluctuations described in "Seismic Industry Cycles and Seasonality", during the fourth quarter of 2012 and the first quarter of 2013 corporate transaction-based sales contributed to higher data library sales. This type of sale can occur at any time during the year and is unpredictable.

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.

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. In the first and second quarters of 2013, the Company completed the largest winter seismic program in its history, resulting in elevated amortization as a result of the initial amortization recorded upon completion.

There is a lag between the progressive recognition of participation survey revenue and initial amortization upon survey completion. As amortization is a non-cash expense, the Company continued to generate cash EBITDA and shareholder free cash flow in each quarter. During the first quarter of 2013 and the fourth quarter of 2012, Pulse recognized the majority of the participation survey revenue related to the 2012-2013 winter season. In the second quarter of 2013, the Company recognized $15.3 million and in the first quarter of 2013, the Company recognized $13.6 million of seismic data library amortization expense related to the initial 50 percent amortization upon delivery of these surveys.

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, which is the Company's functional currency, and was prepared using 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 year ended December 31, 2013, other than the $6.1 million repayment of long-term debt.

Liquidity, Capital Resources and Capital Requirements

At June 30, 2014 Pulse had working capital of $5.7 million, including cash and cash equivalents of $657,000. This compared to working capital of $6.5 million at December 31, 2013, including cash and cash equivalents of $1.7 million. There is no current portion of long-term debt under the current credit facility.

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 maintains a minimal cash balance only as required for operations. During the first half of 2014, the Company utilized funds from operations and cash on hand to repay $6.1 million in long-term debt and $2.4 million to pay dividends.

The credit facility is secured by a charge on all of the assets of the Company and its material subsidiaries. The lender's prior written consent is required for dividend distributions if the total debt to adjusted EBITDA ratio exceeds 1.50:1. During the first quarter of 2014, the Company obtained consent from the lenders for a one-time increase in the allowable total debt to adjusted EBITDA ratio to 2:00:1 for dividend distributions during the second quarter of 2014. While Pulse does not anticipate requiring consent for dividend distributions in future quarters, due to the volatility of data library sales, cash flow can vary significantly and consent from the lenders will be requested if needed. At the date of this MD&A, Pulse does not anticipate a change from its current dividend policy.

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, letters of guarantee, capital leases and contingent guarantees.

  Adjusted EBITDA is to be calculated on a trailing twelve-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 to be adjusted for acquisitions or dispositions to reflect such acquisition or disposition as if it occurred on the first day of such calculation period.

- Interest coverage ratio (ICR) is to be at least 3:1 at all times.

  ICR is equal to adjusted EBITDA divided by interest expense.

The covenants at June 30, 2014 were calculated as follows (financial figures are stated in thousands of dollars):

Total debt to adjusted EBITDA ratio:	
Total debt	16,000
Divided by:	
Adjusted EBITDA	14,736
Total Debt to Adjusted EBITDA Ratio (not to exceed 2.50:1)	1.09:1

Adjusted EBITDA was calculated as follows:

Cash EBITDA for the twelve months ended December 31, 2013	19,145
Less: Cash EBITDA for the six months ended June 30, 2013	13,639
Add: Cash EBITDA for the six months ended June 30, 2014	9,230
TTM Cash EBITDA	14,736
Adjustment for acquisitions or dispositions	–
Adjusted EBITDA	14,736

Interest coverage ratio (ICR):	
Adjusted EBITDA	14,736
Divided by:	
Interest expense	829
ICR (to be at least 3:1)	17.78:1

Interest expense was calculated as follows:

Interest paid for the twelve months ended December 31, 2013	1,290
Less: Interest paid for the six months ended June 30, 2013	868
Add: Interest paid for the six months ended June 30, 2014	407
TTM interest paid	829
Adjustments	–
Interest expense	829

The Company was in compliance with all the credit facility's covenants at June 30, 2014 and had $34.0 million available for future draws on that date.

At June 30, 2014, the floating interest rate on the syndicated revolving credit facility was 3.5 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. On June 30, 2014 the applicable margin and standby fee were set at the third level under the facility. During the third quarter of 2014, the applicable margin and standby fee rates will be reduced from the third level to the second level based on the total debt to adjusted EBITDA ratio at June 30, 2014.

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 normal course issuer bid (NCIB). On December 13, 2013, the Company announced the renewal of its NCIB. The Company may purchase, for cancellation, up to a maximum of 4,817,820 common shares, equal to 10 percent of the public float of 48,178,201 common shares as at December 12, 2013. The Company is limited under the NCIB to purchasing up to 18,154 common shares in any one day, subject to the block purchase exemption under TSX rules. From December 17, 2013 to June 30, 2014, the Company purchased 35,000 common shares under its NCIB, leaving 4,782,820 common shares available to be purchased until December 17, 2014. 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, pay dividends and carry out the necessary capital expenditures through 2014. The Company anticipates that future capital expenditures will be financed through customer pre-funding, cash on hand, available credit facilities, and funds from operations. The Company has a $50.0 million revolving credit facility, with $34.0 million currently available for future draws, and an accordion feature allowing Pulse to increase the facility's size by up to an additional $20.0 million, subject to 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 various growth initiatives, and it continues to rely on key internal measures such as the total debt to TTM cash EBITDA ratio and total debt to equity ratio, to structure and forecast its capital requirements. Total debt is defined as long-term debt, including the current portion, excluding deferred financing costs. Pulse's management deems the current capital structure to be appropriate.

Total debt to TTM cash EBITDA ratio:

(thousands of dollars)	As at June 30, 2014	2013
Total debt	16,000	21,100
Divided by:		
TTM cash EBITDA	14,736	25,405
Total debt to TTM cash EBITDA ratio	1.09:1	0.83:1

TTM cash EBITDA was calculated as follows:

(thousands of dollars)	As at June 30, 2014	2013
Cash EBITDA for the twelve months ended December 31, 2013 and 2012	19,145	54,692
Less: Cash EBITDA for the six months ended June 30, 2013 and 2012	13,639	42,926
Add: Cash EBITDA for the six months ended June 30, 2014 and 2013	9,230	13,639
TTM Cash EBITDA	14,736	25,405

Total debt was calculated as follows:

(thousands of dollars)	As at June 30, 2014	2013
Long-term debt	15,808	20,791
Add: Current portion	–	–
Add: Deferred financing charges	192	309
Total debt	16,000	21,100

Total debt to equity ratio:

(thousands of dollars)	As at June 30, 2014	2013
Total debt	16,000	21,100
Divided by:		
Equity	60,771	78,255
Total debt to TTM cash EBITDA ratio	0.26:1	0.27:1

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.

Additional GAAP Measure

In its unaudited condensed consolidated interim financial statements, the Company uses one additional measure under Canadian generally accepted accounting principles (GAAP) that is not defined under IFRS.

Funds from Operations

Management believes that funds from operations, as reported in the consolidated statements of cash flows, is a useful additional measure as it represents the cash generated during the period, regardless of the timing of collection of receivables and payment of payables. Funds from operations represents cash flow from operations excluding changes in non-cash working capital. The Company considers this to be a key measure of performance as it demonstrates its ability to generate the cash flow necessary to fund capital investments, repay debt, purchase its common shares and pay dividends. Funds from operations per share is defined as funds from operations divided by the weighted average number of shares outstanding for the period.

Funds from operations for the three months ended June 30, 2014 was $8.8 million ($0.15 per share basic and diluted) compared to $2.0 million ($0.03 per share basic and diluted) for the comparable period in 2013. The improvement was mainly attributable to the $2.8 million increase in data library sales. Furthermore, the company recovered $3.6 million income taxes during the three months ended June 30, 2014.

Funds from operations for the six months ended June 30, 2014 was $12.4 million ($0.21 per share basic and diluted) compared to $22.7 million ($0.37 per share basic and diluted) for the comparable period in 2013. In addition to the decrease in data library sales, there was a significant decrease in participation survey revenue period-over-period. These decreases were offset by the $3.6 million income taxes recovered during the six months ended June 30, 2014.

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, 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

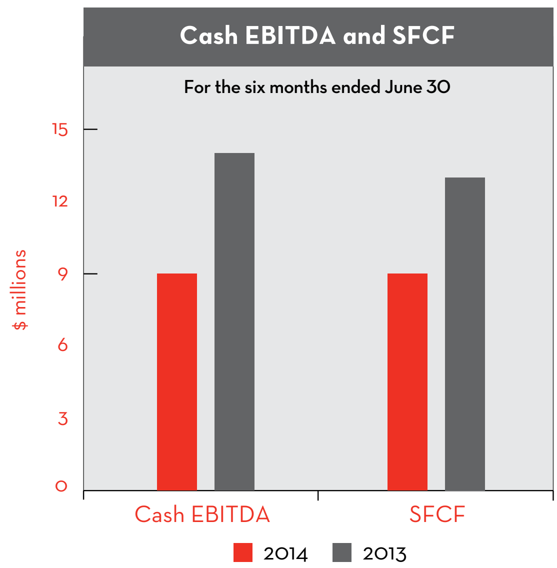
Cash EBITDA represents the capital available to invest in growing the Company's 3D and 2D seismic data library, to pay interest and principal on its long-term debt, to purchase its common shares, to pay taxes and to pay dividends.

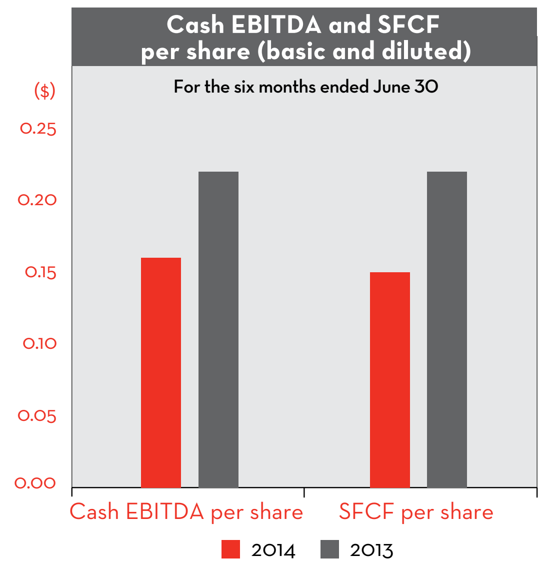
Cash EBITDA is calculated as earnings or loss from operations before interest, taxes, depreciation and amortization less participation survey revenue, plus non-cash and non-recurring expenses. Cash EBITDA excludes participation survey revenue as this revenue is directly used to fund specific participation 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 in growing the Company's 3D and 2D seismic data library, to repay debt, to purchase its common shares and to pay dividends, 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 or loss to EBITDA, cash EBITDA and shareholder free cash flow follows:

(thousands of dollars, except per share data)	Three months ended June 30 **2014**	2013	Six months ended June 30 **2014**	2013
Net loss	**(612)**	(15,081)	**(2,432)**	(12,540)
Add:				
Amortization of seismic data library	**5,842**	22,287	**11,674**	42,314
Net financing costs	**251**	257	**493**	911
Income tax reduction	**(212)**	(5,014)	**(825)**	(4,160)
Depreciation	**61**	82	**125**	159
EBITDA	**5,330**	2,531	**9,035**	26,684
Deduct:				
Participation surveys revenue	**–**	(361)	**–**	(13,429)
Add:				
Non-cash expenses	**137**	128	**195**	384
Non-recurring expenses	**–**	–	**–**	–
Cash EBITDA	**5,467**	2,298	**9,230**	13,639
Deduct:				
Net financing costs	**(251)**	(257)	**(493)**	(911)
Current income tax expense	**–**	–	**–**	–
Add:				
Non-cash deferred financing charges	**30**	27	**59**	101
Current income tax recovery	**–**	781	**–**	391
Shareholder free cash flow (SFCF)	**5,246**	2,849	**8,796**	13,220
Cash EBITDA per share (basic and diluted)	**0.09**	0.04	**0.16**	0.22
SFCF per share (basic and diluted)	**0.09**	0.05	**0.15**	0.22





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 payables and long-term debt.

Fair Value

There have been no significant changes in the determination of fair value as disclosed in the Company's MD&A for the year ended December 31, 2013.

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, 2013.

At June 30, 2014, 63 percent of total accounts receivable was due from one customer. This amount was collected subsequent to quarter-end.

At June 30, 2014, the Company had no material receivables that were more than 60 days past due.

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, 2013.

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, 2013.

Commodity Price Risk

There have been no significant changes in Pulse's commodity price risk as disclosed in the Company's MD&A for the year ended December 31, 2013.

New IFRS Standards

A number of new standards, and amendments to standards and interpretations, have been issued by the International Accounting Standards Board (IASB) and are not yet effective for the year ended December 31, 2014. The new standards, and amendments to standards and interpretations, have not been applied in preparing the accompanying condensed consolidated interim 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, 2017, with early adoption permitted under IFRS. The Company has not yet assessed the impact this standard will have on the consolidated financial statements.
- *Amendments to IAS 38 — Intangible Assets*, which provides clarification of acceptable methods of depreciation and amortization. The amendments were issued in May 2014 and apply to annual reporting periods beginning on or after January 1, 2016, with early adoption permitted under IFRS. The Company has not yet assessed the impact this standard will have on the consolidated financial statements.

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, 2013.

Disclosure Controls and Procedures (DC&P) and Internal Controls Over Financial Reporting (ICFR)

Currently the Company applies the new COSO Internal Control — Integrated Framework (2013 Framework). There were no changes in the ICFR that occurred during the period beginning on April 1, 2014 and ending on June 30, 2014 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 not been any significant changes in Pulse's risk factors as described in the Company's MD&A for the year ended December 31, 2013.

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 Company can continue to operate under low revenue levels and still provide returns to shareholders;
- The current environment continues to be depressed, while conversely there are also signs of improvement;
- There has been developing momentum in publicly announced asset transactions as well as mergers and acquisitions in 2014;
- General economic and industry outlook;
- Pulse's capital allocation strategy;
- Pulse does not anticipate requiring its lenders' consent for dividend distributions in future quarters;
- Pulse does not anticipate a change from its current dividend policy;
- Industry activity levels and capital spending;
- Forecast commodity prices;
- Oil and natural gas producers' forecast capital budgets and cash flows;
- Estimated future demand for seismic data;
- Estimated future seismic data sales;
- Estimated future demand for participation surveys;
- Management's expectations on the sufficiency of Pulse's capital resources;
- 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 differ, in some instances materially, from those anticipated in the forward-looking information. Pulse does not publish specific financial goals or otherwise provide guidance, due to the inherently unclear 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 and partner copy 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 in "Risk Factors" in the Company's most recent annual and interim MD&A. Forward-looking information is based on the assumptions, expectations, estimates and opinions of the Company's management at the time the information is presented.