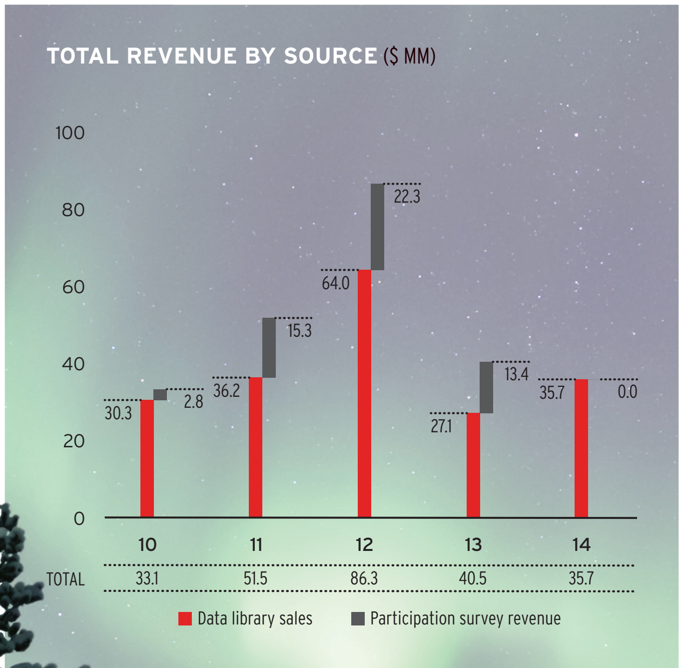
2014 ANNUAL REPORT

OUR LANDSCAPE

pulse seismic

OUR FINANCIAL LANDSCAPE

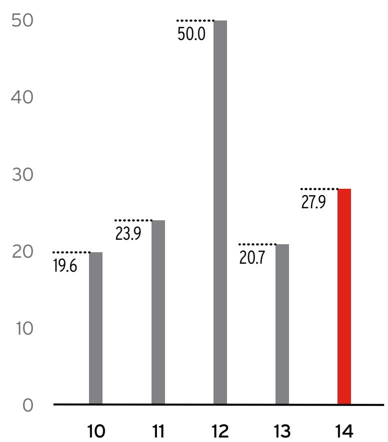


CONTENTS

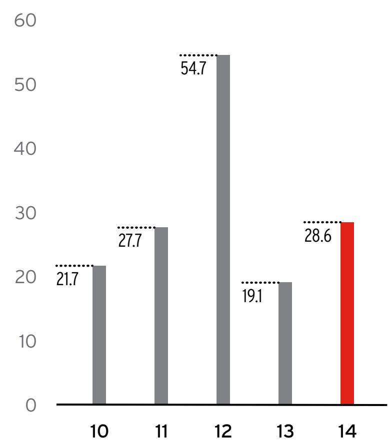
ANNUAL MEETING The Annual General Meeting of Shareholders of Pulse Seismic Inc. will be held on Wednesday, May 20, 2015 at 3:00 p.m. MDT in the Cardium Room of the Calgary Petroleum Club, located at 319 – 5th Avenue S.W., Calgary, Alberta.

PULSE HAD SIGNIFICANTLY IMPROVED RESULTS IN 2014.

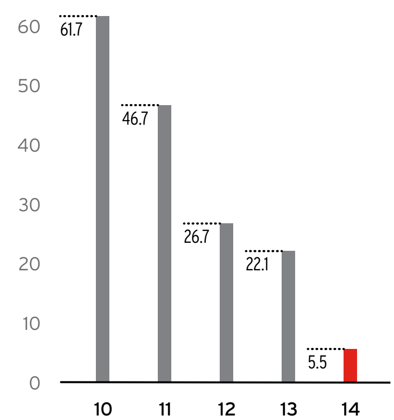
SHAREHOLDER FREE CASH FLOW ($ MM)



CASH EBITDA ($ MM)



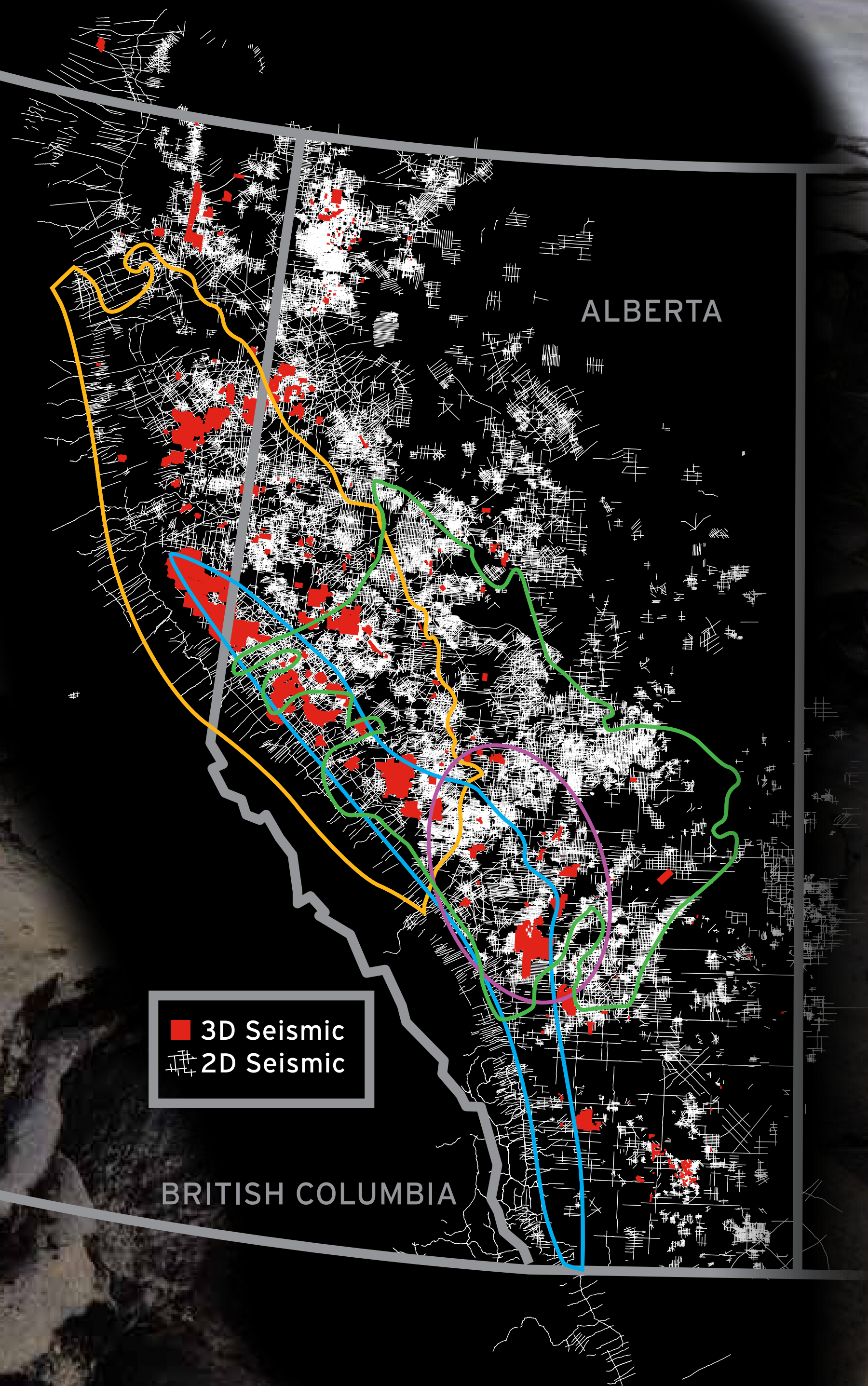
LONG-TERM DEBT (EXCLUDING DEFERRED FINANCING COST) AT YEAR-END ($ MM)



Pulse had significantly improved results in 2014. The Company delivered higher data library sales, cash operating margin, cash EBITDA and shareholder free cash flow.

Pulse continued to pay its quarterly dividend and repurchase common shares while cutting fixed costs and repaying over $16 million in debt, exiting 2014 with net debt of only $4.6 million (long-term debt, excluding deferred financing costs, less cash). Overall business conditions remained challenging, with softening commodity prices and reduced exploration activity by Western Canada's oil and natural gas producing sector. Pulse's strong financial results are attributable above all to the Company's ongoing control of costs and the enduring value of its high-quality seismic data library.

OUR TECHNICAL LANDSCAPE



KEY DATA LIBRARY AREAS INCLUDE

MONTNEY TIGHT SANDS PLAY

LIQUIDS-RICH (DEEP BASIN) TARGETS

DUVERNAY SHALE

CARDIUM LIGHT OIL PLAY

TOTAL DATA LIBRARY

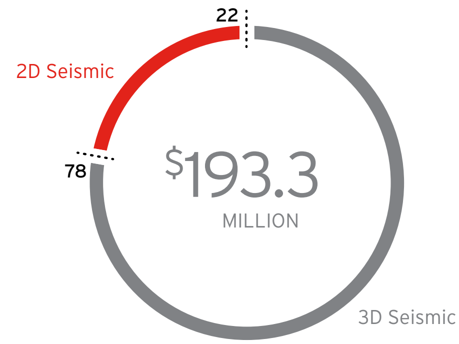
3D:
28,284
SQUARE KM

2D:
340,000
LINEAR KM

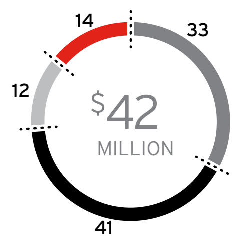
PULSE'S SEISMIC DATA LIBRARY IS THE COMPANY'S CORE ASSET.

2.3	BCF/D	ESTIMATED MONTNEY GAS PRODUCTION, 2014
4-6	BCF/D	FORECAST MONTNEY GAS PRODUCTION, 2020
13	BILLION BOE	ESTIMATED RECOVERABLE GAS, LIQUIDS AND OIL IN THE DUVERNAY SHALE
73,000	BOE/D	ESTIMATED DUVERNAY PRODUCTION FROM 120 REPORTING WELLS, 2014
1	MILLION BOE/D	POTENTIAL DUVERNAY PRODUCTION, 2024

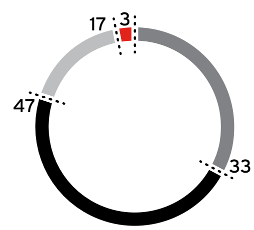
SEISMIC DATA LIBRARY SALES IN THE PAST FIVE YEARS *(%)*



2D REVENUE GENERATED (2010-2014) *(%)*



2D DATA OWNED BY DATE OF SEISMIC RECORDING *(%)*



2000s 1990s 1980s 1970s and earlier

Pulse's core business is providing three-dimensional (3D) and two-dimensional (2D) seismic data to the oil and natural gas industry across Western Canada.

Pulse's seismic data library represents Western Canada's second-largest licensable dataset providing coverage over some 7 million acres across a variety of reservoir types or "plays". Seismic data is a critical exploration tool for finding new oil and gas reserves and developing them economically, with 2D and 3D seismic each playing important roles.

The Company's library covers many traditional plays developed in previous decades – as well as having a strong and growing presence in a corridor of intensive activity with important and fast-growing unconventional reservoirs including the Montney, Duvernay, Deep Basin and Cardium. These plays are receiving the majority of the industry's non-oil-sands capital investment.

Pulse has always emphasized high technical data quality, including "high-fold" 2D data encompassing all geological zones of interest from surface to basement rock, and modern three-wave 3D data. The commitment to quality has contributed to Pulse's track record of repeated sales of data originally shot 20, 30 or even 50 years ago.

Seismic data does not deteriorate in technical usability over time. Pulse stores its seismic data digitally on ultra-modern servers, with security and backup. Meanwhile, the costs of shooting new data rise almost continuously. These two facts are the key to Pulse's success at generating recurring revenue – and shareholder value – from its seismic data library.

OUR SALES LANDSCAPE

TYPES OF TRANSACTIONAL SALES

PARTNERSHIPS AND JOINT VENTURES

OBJECTIVE: Asset holder wants to develop a play, requires capital, wishes to retain an interest.

ACTION: Bring in one or more new participants – partners or joint venturers. Group pools assets, expertise and capital.

TRIGGER: Pulse's licensing agreements stipulate that any new technical or operational participant must purchase a data licence.

RESULT: High likelihood of a second license.

CORPORATE MERGER/ ACQUISITION

OBJECTIVE: Corporation wishes to generate immediate shareholder value.

ACTION: Acquirer has the option to relicense Pulse's Seismic data.

TRIGGER: Change-of-control clause in Pulse's licensing agreement. Buyer has 30 days to decide to pay a discounted relicensing fee in order to keep the data and derivative products.

RESULT: Potential sale due to discounted pricing and low likelihood of acquirer having data over area (especially when new entrant to Western Canada).

ASSET SALE

OBJECTIVE: Asset owner wishes to monetize a property and/or raise capital for development of other core assets.

ACTION: Sell assets or partial mineral rights over particular zones.

TRIGGER: Seismic licenses do not transfer with the asset. Pulse now has a new potential purchaser for the same license previously held by the asset seller.

THE WAY PULSE GENERATES DATA LIBRARY SALES REVENUE IS SHIFTING.

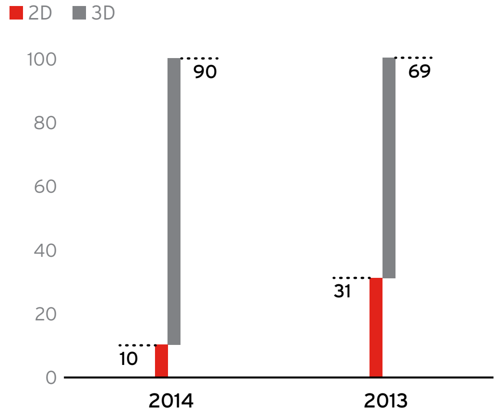
47%	PERCENTAGE OF 2014 REVENUE GENERATED BY TRANSACTIONAL SALES
$10.3 MILLION	LARGEST SALE IN 2014, A TRANSACTIONAL DEAL
$27.8 MILLION	PULSE'S LARGEST-EVER SALE, A TRANSACTIONAL DEAL IN 2012
$45-$50 BILLION	ESTIMATED VALUE OF ASSET AND CORPORATE TRANSACTIONS IN WESTERN CANADA'S ENERGY SECTOR IN 2014

Less exploration activity and fewer small oil and gas producing companies are reducing the number of straightforward data library sales related to drilling in new areas or new reservoirs – "regular" or traditional sales.

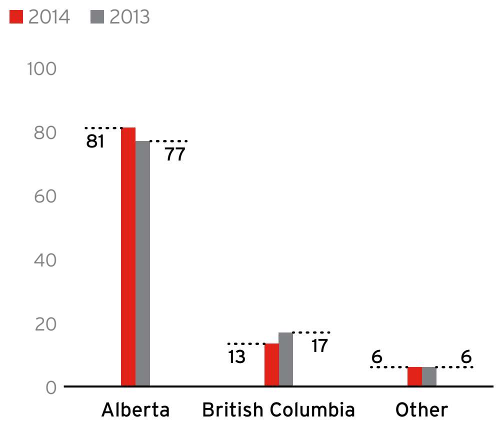
At the same time, more exchange of assets and companies – with numerous deals in the multi-billion-dollar range – and the entry of more international energy companies into Western Canada has increased the number and value of data library sales triggered by transactions – "transactional" sales.

Transactional sales have become essential to Pulse's business. The accompanying graphs illustrate this trend by the numbers. Transactional sales come in several types, as explained alongside the icons on page 4.

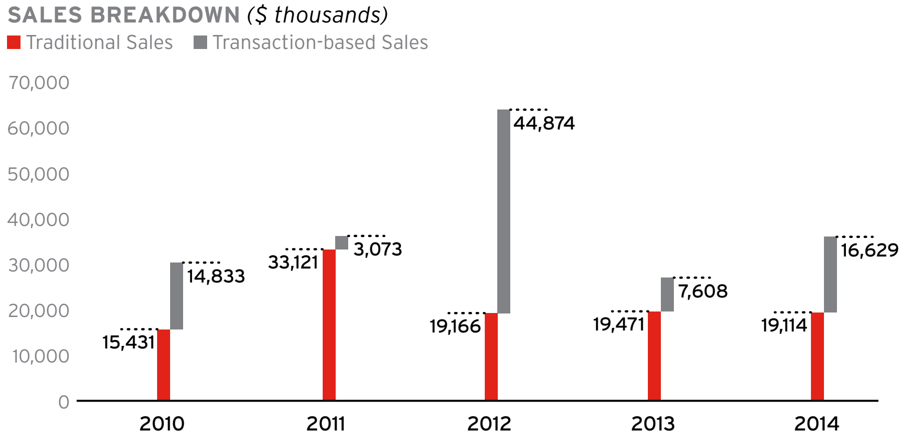
SALES BREAKDOWN 2D/3D *(%)*
FOR THE TWELVE MONTHS ENDED DECEMBER 31



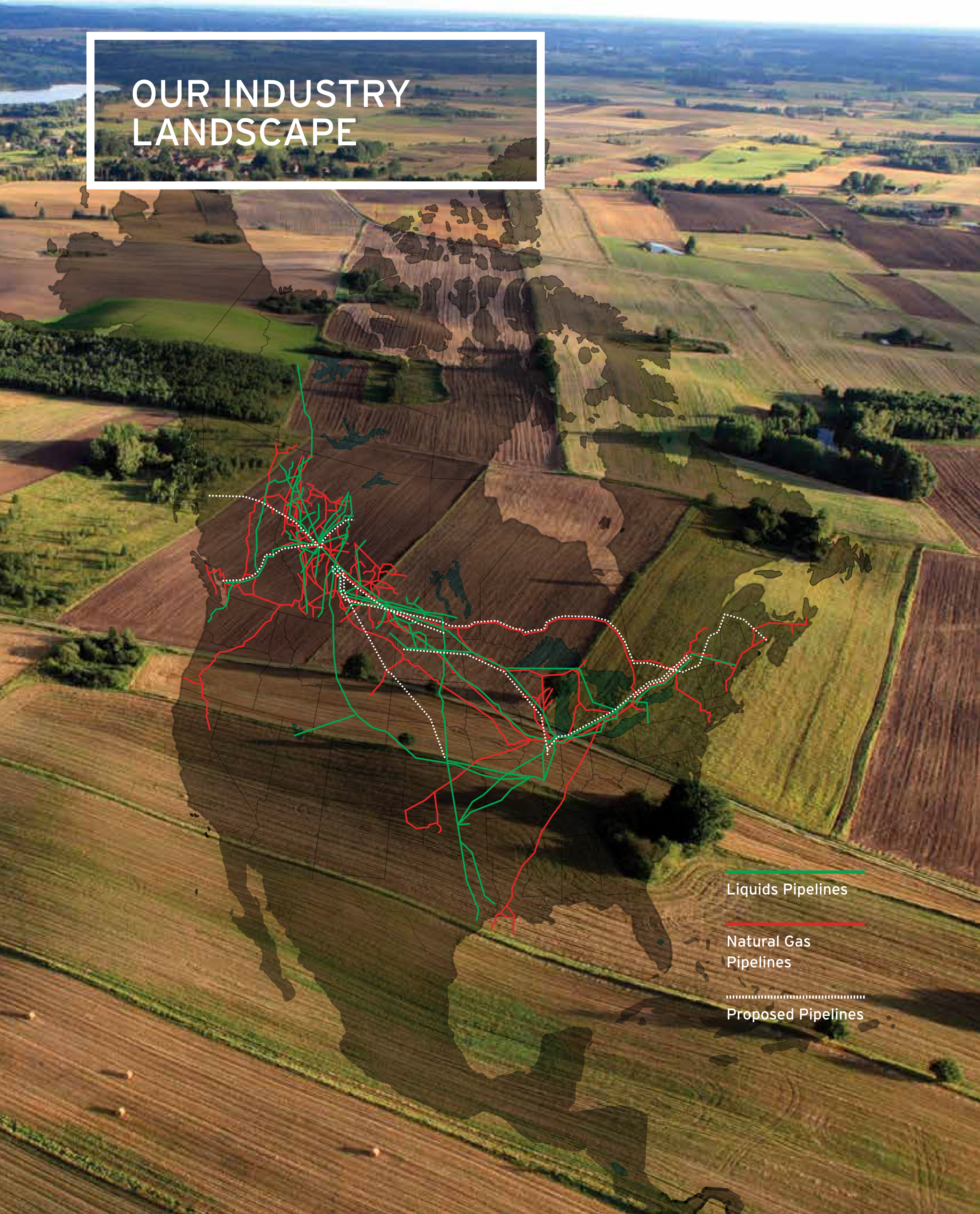
GEOGRAPHICAL SALES BREAKDOWN *(%)*
FOR THE TWELVE MONTHS ENDED DECEMBER 31



SALES BREAKDOWN *($ thousands)*



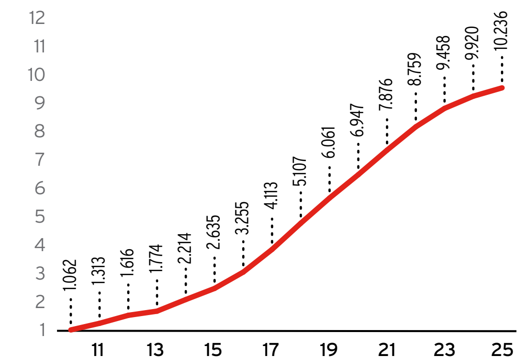
OUR INDUSTRY LANDSCAPE



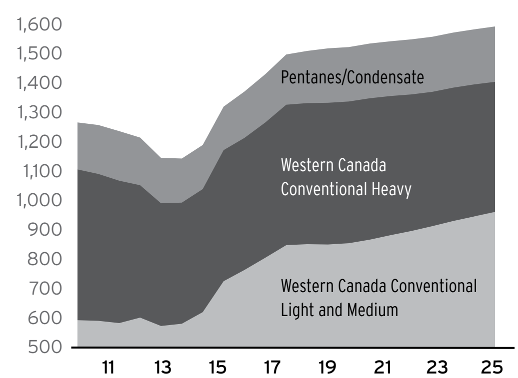
WESTERN CANADA IS A SUPERB HYDROCARBON RESOURCE BASE OF GROWING SIZE AND QUALITY.

3.2 MILLION BBLS/D*	CRUDE OIL PRODUCTION IN WESTERN CANADA, 2013
13.9 BCF/D*	NATURAL GAS PRODUCTION IN WESTERN CANADA, 2013
$134 BILLION*	VALUE OF ENERGY PRODUCTS SHIPPED THROUGH FEDERALLY REGULATED PIPELINES, 2013
$22 BILLION	FORECAST NON-OIL SANDS CAPITAL INVESTMENT IN WESTERN CANADA, 2015
400,000 BBLS/D	INCREMENTAL LIGHT OIL ACCESS TO CRITICAL REFINER MARKETS (ENBRIDGE INC.)
4,500 KM	LENGTH OF TRANSCANADA'S GAS PIPELINE PROPOSED FOR CONVERSION TO OIL SERVICE (ENERGY EAST PROJECT)

PROJECTED WESTERN CANADA UNCONVENTIONAL NATURAL GAS PRODUCTION (BCF PER DAY)



PROJECTED WESTERN CANADA NON-OIL SANDS LIQUIDS PRODUCTION
(THOUSANDS OF BARRELS PER DAY)



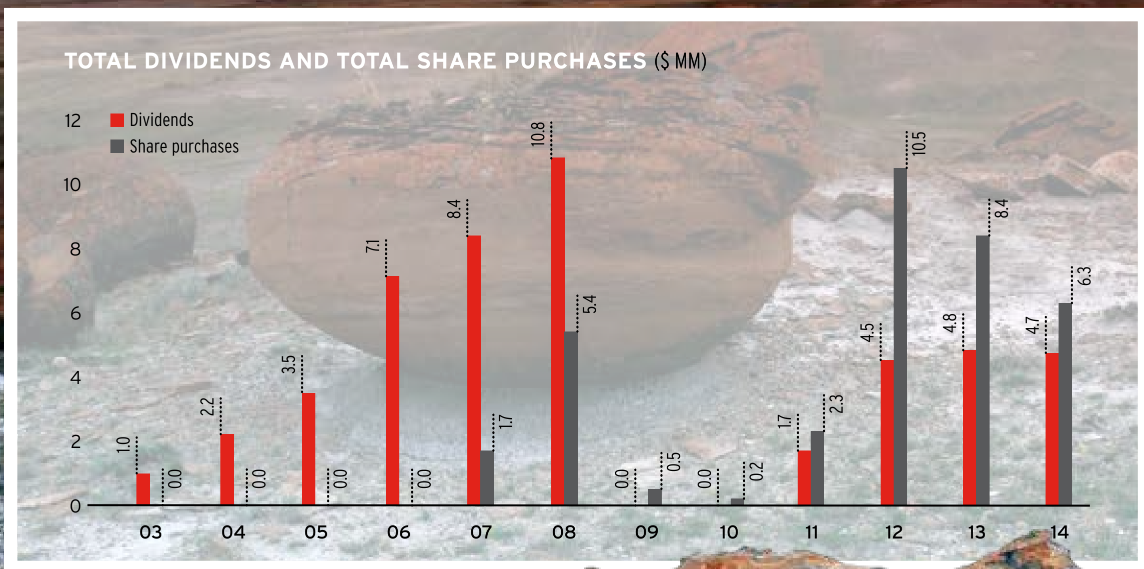
Following decades of production centred on conventional oil and natural gas reservoirs, innovative and risk-taking producers have demonstrated that Western Canada has enormous unconventional resources that are economically developable.

Hydraulic fracturing – new in many basins across the United States – has been going on in Western Canada since the 1950s. It was an emerging-sized Alberta company that pioneered multi-stage hydraulic fracturing of "tight" oil reservoirs almost 10 years ago – unleashing a revolution that has spread to multiple shale and tight sandstone reservoirs across the basin. These reservoirs have revived growth in Western Canada's light oil production after decades of decline. Western Canada's output of natural gas liquids is also increasing. Even in a down year, as 2015 is forecast to be, these plays are receiving significant capital investment.

Western Canada's crude oil, natural gas and natural gas liquids output is connected through a pipeline network to energy and industrial hubs and population centres across North America. Although oil export capacity has been somewhat constrained, and controversy surrounds certain high-profile pipeline proposals, the pipeline sector has completed a series of incremental expansions, such as Enbridge's Alberta Clipper expansions and line reversals. More projects are on the way, including conversion of underutilized gas pipelines to oil transportation service, such as TransCanada's Energy East project. In addition, oil shipment by rail has grown rapidly, averaging well over 150,000 bbls per day in 2014. These projects ensure that Western Canada's growing energy output will continue to reach markets.

* National Energy Board of Canada. *Canadian Pipeline Transportation System: Energy Market Assessment, April 2014.*

OUR LANDSCAPE OF VALUE CREATION



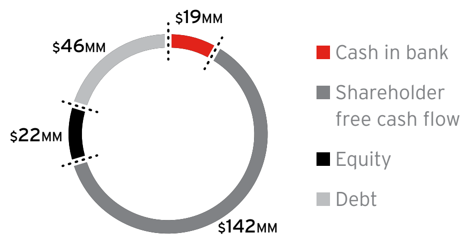
TOTAL DIVIDENDS

$48.7 MM

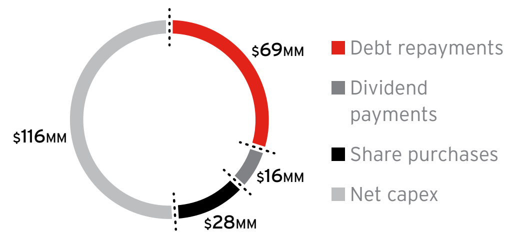
TOTAL SHARE PURCHASES

$35.3 MM

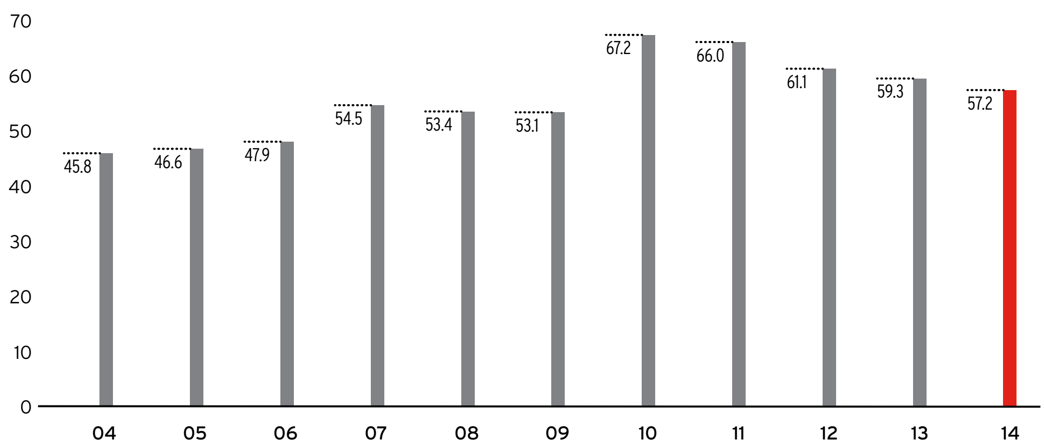
FUNDS AVAILABLE DURING THE PAST FIVE YEARS



FUNDS ALLOCATED DURING THE PAST FIVE YEARS



SHARES OUTSTANDING AT DECEMBER 31 (MM)



Pulse's business is cash-centric. The Company generates value for its investors by generating as much cash as possible through data library sales and by rigorous cost control to spend as little cash as possible.

Pulse's high cash margins – 80 percent in 2014 on $35.7 million in data library sales and 71 percent in 2013 on $27.1 million in data library sales – maximize the cash available to deploy on behalf of shareholders. That includes growing the data library to increase revenue-generating potential, and returning cash to shareholders in the form of common share repurchases and dividends.

With a lean team of 23 staff, Pulse's fixed costs are low. The data library incurs minimal maintenance costs. Interest costs on Pulse's debt are low and falling. This enables Pulse to convert revenue efficiently into shareholder free cash flow. This is the key financial metric, indicating the cash we have available to acquire new seismic data, conduct new 3D participation surveys, repay debt, buy back Pulse's shares and pay dividends. Shareholder free cash flow is measured after paying all non-discretionary items, including debt interest and current taxes, and also deducts participation survey revenue (customer pre-funding) because that money is spent directly on the survey in question.

Pulse's objectives are to maximize shareholder free cash flow per share and, in turn, the economic value per common share. Our business and finances are structured for strategic cash deployment, providing real return of capital and return on capital to shareholders. This includes the repurchase of shares – 2.1 million for $6.3 million in 2014 – and the payment of dividends – $0.02 per share quarterly for $4.7 million in 2014.

FINANCIAL HIGHLIGHTS

(thousands of dollars except per share data, number of shares and kilometres of seismic data)	Three months ended December 31, **2014**	2013	Year ended December 31, **2014**	2013
Revenue				
Data library sales	**$ 8,385**	$ 4,565	**$ 35,743**	$ 27,079
Participation surveys	**–**	–	**–**	13,429
Total revenue	**$ 8,385**	$ 4,565	**$ 35,743**	$ 40,508
Amortization of seismic data library	**$ 5,279**	$ 6,215	**$ 22,507**	$ 55,619
Net earnings (loss)	**$ 824**	$ (2,572)	**$ 3,478**	$ (18,834)
Per share basic and diluted	**$ 0.01**	$ (0.04)	**$ 0.06**	$ (0.31)
Cash EBITDA [(a)]	**$ 6,661**	$ 2,962	**$ 28,615**	$ 19,145
Per share basic and diluted [(a)]	**$ 0.12**	$ 0.05	**$ 0.49**	$ 0.32
Shareholder free cash flow [(a)]	**$ 6,515**	$ 3,655	**$ 27,858**	$ 20,682
Per share basic and diluted [(a)]	**$ 0.11**	$ 0.06	**$ 0.47**	$ 0.34
Funds from operations [(a)]	**$ 6,583**	$ 2,736	**$ 31,580**	$ 27,751
Per share basic and diluted [(a)]	**$ 0.11**	$ 0.05	**$ 0.54**	$ 0.46
Capital expenditures				
Participation surveys (cost reduction)	**$ 36**	$ (67)	**$ 36**	$ 21,265
Seismic data digitization and related costs	**183**	183	**733**	961
Property and equipment additions (cost reduction)	**43**	(41)	**64**	127
Total capital expenditures	**$ 262**	$ 75	**$ 833**	$ 22,353
Weighted average shares outstanding				
Basic and diluted	**57,865,941**	59,434,027	**58,957,072**	60,280,876
Shares outstanding at period-end			**57,247,843**	59,349,120
Seismic library				
2D in kilometres			**339,991**	339,991
3D in square kilometres			**28,284**	28,284

Financial Position and Ratios

(thousands of dollars except ratio calculations)	As At December 31, **2014**	2013
Working capital	**$ 5,296**	$ 6,476
Working capital ratio	**2.79:1**	3.71:1
Total assets	**$ 75,482**	$ 98,017
Total debt [(b)]	**$ 5,500**	$ 22,100
TTM cash EBITDA [(c)]	**$ 28,615**	$ 19,145
Shareholders' equity	**$ 58,401**	$ 65,962
Total debt to equity ratio	**0.09:1**	0.34:1
Total debt to TTM cash EBITDA ratio	**0.19:1**	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 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.

PRESIDENT'S LETTER

Neal Coleman
President and CEO

Last year at this time I noted that Pulse has a record of delivering strong financial years set amidst weaker years and that, even coming out of a weak period such as 2013, our revenues could accelerate at any time.

That is just what happened in 2014, with data library sales increasing by 32 percent year-over-year. Continued discipline in managing our costs ensured that Pulse's cash EBITDA and shareholder free cash flow were highly levered to the revenue increase. Cash EBITDA grew by 49 percent and shareholder free cash flow by 35 percent over 2013, while Pulse's cash margin increased to 80 percent.

All this is true despite 2014 being a challenging year. Oil and natural gas exploration activity was not robust, with sales of mineral leases, a traditional leading indicator of seismic data sales, being the lowest in 12 years. A significant proportion of Pulse's data library sales in 2014 was triggered by transactions among energy producers in which the new participant opted or was required to license our data.

This is the "landscape" in which Pulse now operates. This physical, technical, business and financial landscape affects everything we do: where and when we elect to conduct new seismic participation surveys, the ways in which we evolve our business development activities, how we manage our costs. We have structured everything about our business so that we can flourish during times of robust industry activity, deliver solid results during flat periods like last year, and survive through the energy industry's recurring down phases.

The key points of our management approach:

- A strong balance sheet with a very manageable debt level;
- A low cost structure – and a practise of always looking for new ways to operate more efficiently;

- A scalable and lean team of 23 people who can, nonetheless, manage significantly higher revenue levels in any given year;
- High cash margins;
- Steady repurchases of our common shares to provide a return of capital to our shareholders; and
- Generating sufficient shareholder free cash flow to continue paying our dividend.

Even in modest revenue years, like 2013, our low costs and high cash margin provide discretionary cash flow available for reinvestment or return to shareholders. By keeping costs low – including reducing our G&A costs by $382,000 from 2013 – we made the most of every revenue dollar generated in 2014, and reduced our bank debt to only $5.5 million at year end. We are well-positioned for 2015, which could be a particularly weak year.

2014 IN REVIEW

We are very pleased with how the year turned out. It began with a cautious outlook and weak sales, but the third quarter was very strong. The Western Canada Sedimentary Basin continued evolving into a landscape in which typically larger, more capital-intensive, unconventional light oil and liquids-rich gas reservoirs are developed by, on average, larger-sized companies. Over the past decade, the cost of drilling wells has shifted from under $500,000 for a shallow-depth, non-fractured vertical gas well on the Prairies to around $13 million for a 5,000-metre horizontal well with multi-stage fracturing completion in the Duvernay shale. Such capital intensity requires larger players, and the enormous size of the resource attracts them.

This evolution has shifted Pulse's pattern of data sales, and requires more careful evaluation of participation survey opportunities to maximize prospects for relicensing the data. Participation surveys are one of the ways that we grow Pulse's data library. Pulse conducts the seismic survey and retains ownership over the data, which is added to our data library, with the participation survey client co-funding the shoot and receiving a licensed copy of the data. In 2012-2013 we made a seasonal record net investment of $23 million in 3D participation surveys covering 1,182 square km. For the 2013-2014 season, however, we did not find a survey opportunity that met both our technical and economic criteria.

"BY KEEPING COSTS LOW – INCLUDING REDUCING OUR G&A COSTS BY $382,000 FROM 2013 – WE MADE THE MOST OF EVERY REVENUE DOLLAR GENERATED IN 2014, AND REDUCED OUR BANK DEBT TO ONLY $5.5 MILLION AT YEAR END."

Wayne McKinnon - Operations Manager; Brent Gale - Director; Peter Burnam - Director; Jeff Bectold - VP Operations.

Towards year-end 2014 we reached agreement for a new, 137-square-km participation survey around Edson in our West Central Alberta Core Area, where key unconventional plays are centred. Lying in an area of true multi-zone potential, we foresee strong prospects to relicense the data. The survey is funded by a major energy company. Fieldwork began in January and we expect the data to be delivered in March, 2015.

Last year we trimmed Pulse's G&A costs by approximately $382,000, a material proportion of our fixed costs. Everyone in the organization is aware of our willingness to change processes

and do things smarter in order to save money. We have ensured that the interests of our employees and management team are aligned with those of our shareholders, so that reducing costs benefits everyone. We also re-bid a number of supply contracts and changed some suppliers and vendors, which delivered some half-year savings that will further benefit the full year in 2015.

Pulse's annual cash costs – G&A and operating, interest and dividends – amount to approximately $13.0 million in a low-sales year (variable costs go up as sales rise), and we have no current portion of long-term debt. Low costs are the key to our high cash margins and ability to return a significant portion of our cash to shareholders in the form of dividends and share buy-backs. Data library amortization, a non-cash expense, was $22.5 million in 2014.

THE YEAR'S RESULTS

Financial highlights from 2014:

- Seismic data library sales revenue of $35.7 million, an increase of 32 percent over $27.1 million in 2013, of which 47 percent was generated from transactional sales;
- Cash EBITDA of $28.6 million, up by 49 percent from $19.1 million in 2013, with cash EBITDA per share increasing by 53 percent to $0.49 from $0.32 per share basic and diluted in 2013;
- Growth of 35 percent in shareholder free cash flow, to $27.9 million from $20.7 million in 2013. On a per-share basis, shareholder free cash flow was up by 38 percent year-over-year to $0.47 from $0.34 per share basic and diluted in 2013;
- Data library amortization expense of $22.5 million, down significantly from $55.6 million in 2013. In 2013, $31.7 million or 57 percent of amortization was for 3D participation survey data added to the library in 2013 from the 2012-2013 winter shoot;
- Approximately 63 percent of revenue was generated from fully amortized data;
- Repurchase of just over 2.1 million common shares, 3.5 percent of the total outstanding at year-end 2013, at a cost of approximately $6.3 million, averaging $3.01 per share;
- Quarterly dividends of $0.02 per share, totalling $4.7 million paid to shareholders in 2014; and
- A 77 percent year-over-year reduction in net debt to only $4.6 million at December 31 ($5.5 million in bank debt on a $50 million bank line, with $900,000 in cash on hand) compared to $20.4 million at year-end 2013.

What do these results tell us? Clearly, every dollar of revenue beyond break-even generates improved margins, enabling us to put our free cash flow to best use for shareholders. That includes maintaining the dividend through a weak year like 2013. Sticking with our practise of buying back shares has also been highly beneficial. We have repurchased 10.7 million shares since the beginning of 2011, materially improving Pulse's per-share results. We have received very positive feedback from investors. It is a flexible practise that is complementary to the dividend, and can be reduced or suspended if we see a better use for our cash.

> "OUR ABILITY TO GENERATE REVENUE IS INDEPENDENT OF CAPITAL SPENDING AND DOES NOT REQUIRE COSTLY FIELD OPERATIONS OR EQUIPMENT UTILIZATION."

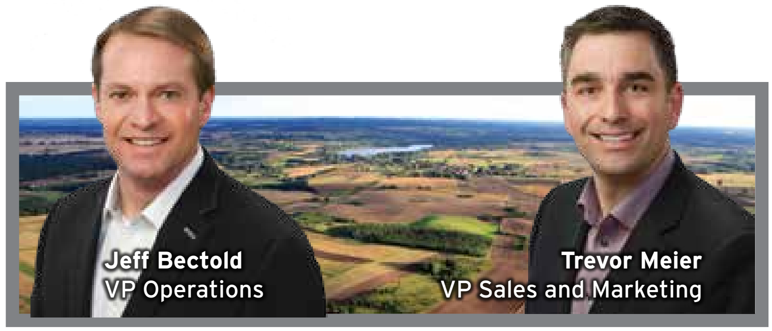
We are very grateful to our shareholders for their support. Pulse experienced a lower than average share price decrease in the North American energy sector's decline last autumn. Pulse appears to be viewed as safer than the exploration and production sector and much of the rest of the service and supply sector. We are not saddled with large equipment fleets like drilling rigs or hydraulic fracturing spreads, or field manpower. Our ability to generate revenue is independent of capital spending and does not require costly field operations or equipment utilization. Investors have come to appreciate our asset-light business model.

Seismic data is an intangible asset. Replacement costs are high (we estimate that Pulse's data library would cost over $2 billion to re-shoot) and rising due to labour costs, government regulation and environmental concern. This creates high barriers to entry, in turn averting the relentless downward pricing pressure faced by "commodity" style businesses ranging from computer memory to wholesale building supplies. Seismic data may appear to be like a commodity – but it isn't. Pulse and each of its competitors have unique datasets that do not substantially overlap. This gives each dataset unique value based on its technical quality and geological coverage, mitigating pricing pressures. We can't predict when Pulse's data will be in demand, only that it will retain its usefulness for decades and can continue to generate cash indefinitely.

THE EVOLVING SEISMIC DATA LIBRARY SALES LANDSCAPE

Western Canada is Pulse's operating, technical and business landscape, and we are very pleased to be based here. It is easy to take a market like Canada, with its political stability, sophisticated and honest business culture, and business-friendly tax regime, for granted. In fact, it is a great place to do business.

The size and quality of western Canada's discovered and developable resource base continues to grow. The Montney siltstone is one of North America's premier unconventional plays, with production forecast to rise to 4 billion cubic feet of gas and 200,000 bbls of oil and liquids per day over the next decade. The Duvernay is at a much earlier stage of development, but it has become commercial. Approximately 45,000 boe per day of production is



on-stream and forecasts have it growing to an incredible 1 million boe per day over the next 10-15 years.

Pulse's seismic database has excellent exposure to both reservoirs, as well as other leading unconventional areas such as the multi-zone Deep Basin, Cardium, Viking and lesser-known plays. These plays have revived western Canada's light oil production after decades of decline. Pulse's business is not linked to the oil sands, with its various capital, environmental and political risks.

The shifting nature of the resource has also shifted the weight of the upstream sector's activity and of how Pulse generates revenue. The long-term, multi-zone and capital-intensive nature of unconventional plays means not only less exploration drilling, requiring less 2D data, but also less of the historical "churn" of smaller-scale assets among hundreds of smaller producers. This has reduced the number of traditional, straightforward data sales. The traditional drivers of our business – mineral lease auctions, generation of new play areas or types, and exploration and development drilling – have weakened. In each of 2012, 2013 and 2014, Pulse recorded approximately $19 million of traditional data library sales. Some combination of cyclical weak commodity prices and these secular changes have at least temporarily meant reduced revenues from traditional data library sales.

> "WE CAN'T PREDICT WHEN PULSE'S DATA WILL BE IN DEMAND, ONLY THAT IT WILL RETAIN ITS USEFULNESS FOR DECADES AND CAN CONTINUE TO GENERATE CASH INDEFINITELY. "

At the same time, the enormous capital requirements of unconventional plays encourage asset owners to seek external capital. They can do so through joint ventures or partnerships, by "farming out" portions of their interests, by selling properties or groups of assets, or by being acquired corporately. These events usually require the new participants to purchase data licences from Pulse. They are known as "transactional sales".

There are three main types of transactional sale. The first is the partnership or JV, when an asset holder elects to pool their expertise, capital and/or assets with one or more new participants to explore or develop a play. Under our licensing agreements, any new technical or operational (as opposed to merely financial) participant must purchase a data licence, generally at a discount (usually pre-defined in the initial licensing agreement).

> "WE HAVE HAD IMPORTANT REVENUE-GENERATING TRANSACTIONAL SALES IN FOUR OF THE PAST FIVE YEARS. IN 2012, WE RECORDED A $27.8 MILLION TRANSACTIONAL SALE, PULSE'S LARGEST SALE OF ANY KIND, EVER. TRANSACTIONAL SALES GENERATED 47 PERCENT OF PULSE'S REVENUE AND SINGLE-HANDEDLY ACCOUNTED FOR THE YEAR-OVER-YEAR INCREASE IN REVENUE."

The second kind is a corporate merger or acquisition. In this case, the seismic data is transferred to the new organization. The buyer has 30 days to determine whether they would like to pay a change-of-control fee to keep the data or return the data to Pulse. The fact that the data is available at a discount creates an incentive to act. New entrants to western Canada are the least likely to hold independent seismic coverage.

The third kind is the sale of an asset or group of assets (as well as partial mineral rights to particular zones below the asset-owner's lands). In this case, no rights transfer to the buyer, and there are no terms of payment in the licence agreement. Should the buyer be interested in Pulse's seismic data, they must license the data at the regular price. The sales process can take some time as the new owner can wait to buy the data until they need it, and the data may be transferred in more than one transaction. It is still much more cost-effective and far quicker to license our data than to do a fresh survey over the same area.

Transactional sales have become central to Pulse's business. We have had important revenue-generating transactional sales in four of the past five years. In 2012, we recorded a $27.8 million transactional sale, Pulse's largest sale of any kind, ever. In 2014 our most significant sale was a $10.3 million transaction-based deal. Transactional sales generated 47 percent of Pulse's revenue and single-handedly accounted for the year-over-year increase in revenue.

Last year, Western Canada witnessed an estimated $45-50 billion in asset and corporate transactions. Transactional sales, however, are no easier to predict than traditional sales. They are not based directly on the volume of transactions, but on their nature. If an acquiring company already owns seismic data over the area covered by Pulse's data, or intends to defer development of that asset, there is no new sale. This trend has added extra unpredictability to our sales projections.

Pulse has worked hard to gain a better understanding of the energy sector's robust, multi-year cycle of transactions, including the new entrants to western Canada. We worked hard on business development for both traditional and transactional sales, devoting time and effort to client care, interacting in detail with certain clients to evaluate the reservoirs they are pursuing and make the case for the technical benefits of employing 3D seismic. I'm pleased to report that we have made significant sales this way.

CORPORATE MATTERS

Pulse takes health, safety and environmental protection very seriously and has an exemplary performance record in its field operations. Last year's annual report included extensive discussion of our management systems and how we go about executing participation surveys on-time, on-budget, safely and with minimal environmental disturbance. We did not have field operations in 2014. Our most recent participation survey commenced in January of this year. The three-year external audit of our Certificate of Recognition (COR) is due later in 2015, and we elected to have it conducted during this survey. The results of the COR audit are expected by the end of March.

Pulse's Board of Directors continues to evolve. Graham Weir retired from the Board effective at our annual general meeting on May 21, 2014. Mr. Weir had been a director since 2002, serving as Board Chair from 2007 to 2013. Along with the Board and the rest of the management team, I again thank Mr. Weir for his extensive contributions and guidance during his 12 years of service and wish him all the best in the future. Also at the meeting, Karen El-Tawil joined as an independent director. Mrs. El-Tawil has over 30 years' experience in the geophysical services industry, of which 15 were spent at the executive level. She brings a wealth of management experience to the seismic data library business.

2015 OUTLOOK

Pulse's outlook for 2015 is cautious. Energy producers have reduced capital spending, laid off employees and, in some cases, deferred the completion of recently drilled wells. The most recent industry forecast, issued in January by the Canadian Association of Petroleum Producers, is for non-oil sands capital investment to decline by 40 percent year-over-year and for only 7,350 wells to be drilled in Western Canada this year, down from 10,500 in 2014. Natural gas in Alberta is once again priced below $3 per thousand cubic feet. In addition, the uncertainty has increased surrounding development of liquefied natural gas (LNG) export facilities on Canada's West Coast. LNG remains a solid prospect for the long term, but its short-term stimulative effect on drilling is limited. We offer very good seismic coverage over the primary and secondary LNG supply areas. But in summary the traditional drivers of our business are extremely weak.

On the other hand, US$50-per-barrel oil is not sustainable. Domestically, the upstream response has been dramatic, with the U.S. drilling rig count plummeting and the first indications in early February that U.S. oil production may be cresting. Internationally, even countries with low production costs are suffering financially, because their governments typically use the national oil companies to subsidize public spending.

The oil price decline was due to temporary over-supply rather than global recession. The world's need for energy is clear. Energy demand is growing, world economic growth is continuing, and the U.S. economy is strengthening. The energy sector requires vast amounts of investment merely to maintain production. All of this is conducive to a rebound in world crude oil prices. The timing is uncertain, as is the effect on upstream activity in Western Canada.

Times of capital scarcity, declining cash flows and increasing corporate debt servicing problems encourage asset sales, bringing in of partners or corporate mergers and acquisitions. We have already seen the entrance of new capital into the oil and gas business in the form of private equity investors. News of private equity firms raising new pools of capital to invest in distressed oil and gas companies is wide spread. This trend creates the possibility of high-margin transaction-based sales over Pulse's almost 7 million surface acres of seismic coverage across Western Canada. We offer the best licensable seismic dataset in western Canada.

We are confident that Pulse has the right asset and the right business model. The seismic data library is very valuable, largely depreciated, and does not deteriorate or degrade. We continue to generate recurring revenue by licensing data that was shot years and decades ago. Generating revenue for us does not depend on maintaining equipment or engaging in field operations. Pulse's costs are low, as is the debt level. At a time when investors are very concerned about corporate debt levels in many industries, I consider this a remarkable position to be in.

As always, we will remain open to acquiring seismic datasets that meet our criteria for geographical and geological coverage, technical quality, regional industry activity and valuation. Pulse will require approximately $13 million in revenue this year to cover its cash costs, pay interest on its debt and pay its dividend to shareholders. We are capable of generating positive shareholder free cash flow even in a lean year, as demonstrated in 2013 when we generated $20.7 million of shareholder free cash flow in our lowest revenue year. Accordingly, we are confident in our ability to continue operating and remain financially safe through this period of commodity price weakness – while generating substantial returns for our shareholders.

On behalf of the Board of Directors,

NEAL COLEMAN

President and Chief Executive Officer
March 3, 2015

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

YEAR ENDED DECEMBER 31, 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 year ended December 31, 2014 has been prepared taking into consideration information available to March 3, 2015 and is supplemental to the audited consolidated financial statements and related notes for the year ended December 31, 2014. Throughout this MD&A reference will be made in the text and tables to "2014", which refers to the year ended December 31, 2014, and to "2013", which refers to the year ended December 31, 2013.

The consolidated financial statements were prepared in accordance with International Financial Reporting Standards (IFRS) with comparative figures for the prior year. Certain comparative figures were reclassified to conform to the current year's presentation. The consolidated financial statements and the MD&A were reviewed by Pulse's Audit Committee and approved by Pulse's Board of Directors. All financial information is reported in Canadian dollars. This MD&A discusses matters which Pulse's management considers material. Management determines whether information is material based on whether it believes a reasonable investor's decision whether or not to buy, sell or hold shares in the Company would likely be influenced or changed if the information were omitted or misstated. Readers should also read the cautionary statement in "Forward-Looking Information".

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

SEISMIC DATA

Seismic data is an essential part of the oil and natural gas exploration and development process. Companies engaged in oil and natural gas exploration and development use seismic data to assist in exploring for and developing new reserves and in establishing the extent of existing reserves. In acquiring seismic data, an acoustical energy wave is transferred from an energy source at or near the surface of the Earth to the subsurface. These seismic waves reflect off the various geological beds or strata in the Earth's subsurface. Sophisticated sensors and recording instruments at the surface collect the reflected waves and convert them to digital form. The data is subsequently processed and an image of the subsurface formations is created, providing explorationists with valuable data on the potential of a particular area to yield oil or natural gas reserves, and assisting in the selection of drilling locations.

2D Seismic

2D seismic data is measured in linear kilometres and after processing provides a sectional illustration of geological formations directly below the line on which the data was acquired. 2D seismic can extend over a distance spanning many kilometres. Intersecting 2D lines can enable explorers to map large pools of oil and natural gas, but without the precision required for smaller or more complex targets. Exploration companies typically use 2D seismic to get a sense of the regional geology of an area they think is prospective for oil and natural gas. 2D seismic data continues to be used to generate regional leads and prospects in oil and natural gas exploration areas.

3D Seismic

3D seismic data is measured in square kilometres and after processing provides map-like overhead views as well as three-dimensional visualizations of the subsurface geology. 3D seismic data is shot in grids, generating a three-dimensional image of the subsurface. 3D seismic data enables a more precise definition of geologically complex targets, and facilitates precise placement of oil and natural gas wells. 3D seismic is generally used to zero-in on a discrete area of geological interest initially identified with 2D seismic. 3D seismic data is particularly important for horizontal drilling, unconventional plays (such as shale gas and tight sands) and complex conventional drilling. Typical 3D seismic surveys cover an area anywhere from a few square kilometres to several hundred square kilometres.

MISSION 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 oil and gas 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.

Current seismic processing and visualization software allows historical 2D and 3D data to be reprocessed and reinterpreted, thereby maintaining the market value of historical data and, through repeated licensing sales, generating recurring revenue. The Company is continuously seeking and evaluating opportunities to expand its data library by acquiring high-quality 2D and 3D datasets that cover some of western Canada's most prospective current exploration regions, are complementary to its current library, and are available at favourable valuations. This is accomplished in two ways. Pulse purchases proprietary rights to complementary 2D and 3D seismic datasets when the opportunity arises, and it partners with customers on surveys for new 3D seismic data. Participating customers are provided with a licensed copy while Pulse retains proprietary rights to the seismic data acquired. Pulse uses Company personnel to market and manage participation surveys, and subcontracts field acquisition activities to third parties.

ECONOMIC ENVIRONMENT AND SEISMIC INDUSTRY

Pulse has been successful throughout prior commodity price cycles, due to its low cost structure and ability to generate a high level of shareholder free cash flow, a non-GAAP measure that the Company considers important in evaluating its financial performance.

Pulse's success depends on its ability to provide seismic coverage over the geographical areas associated with certain geological play types that the exploration and development sector focuses on in a given period. Activity in various play areas is driven by commodity prices, geological understanding and the economic application of available technologies. Pulse works continuously to enlarge its coverage over play areas in which numerous producers are active for sustained periods.

The oil and natural gas exploration and development industry continues to shift towards natural gas reservoirs that are high in natural gas liquids and crude oil, in unconventional shale and less-permeable or tight formations that were not economic or technically possible to develop in the past. 2D and 3D seismic data are important tools for these developments or "plays". 2D seismic data is used to map the regional faults in shale gas prospects, and 3D seismic data is used to map the exact contours of variable reservoirs, as well as small-scale fractures in shale formations, to plan accurate paths for horizontal wells.

Pulse's business results depend to a large extent on the level of capital spending on exploration activities by oil and natural gas companies. A sustained increase or decrease in the price of natural gas or crude oil, therefore, which could have a material impact on exploration activities, could also materially affect the Company's revenue, financial position, results of operations, cash EBITDA and shareholder free cash flow. The relationship is not direct, however, and the Company has generated high revenue in periods of weak oil and natural gas prices, and vice-versa.

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 the 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 total debt to TTM cash EBITDA calculation is provided in "Liquidity, Capital Resources and Capital Requirements".

Results for the key performance indicators for the three and twelve months ended December 31, 2014, with comparative figures for 2013, are set out in the following table:

	Three months ended December 31,			Twelve months ended December 31,		
(thousands of dollars except per share data and ratios)	**2014**	2013	Variance	**2014**	2013	Variance
Data library sales	**8,385**	4,565	3,820	**35,743**	27,079	8,664
Participation survey revenue	**-**	-	-	**-**	13,429	(13,429)
Total seismic revenue	**8,385**	4,565	3,820	**35,743**	40,508	(4,765)
Net earnings (loss)	**824**	(2,572)	3,396	**3,478**	(18,834)	22,312
Per share basic and diluted	**0.01**	(0.04)	0.05	**0.06**	(0.31)	0.37
Cash EBITDA	**6,661**	2,962	3,699	**28,615**	19,145	9,470
Per share basic and diluted	**0.12**	0.05	0.07	**0.49**	0.32	0.17
Shareholder free cash flow	**6,515**	3,655	2,860	**27,858**	20,682	7,176
Per share basic and diluted	**0.11**	0.06	0.05	**0.47**	0.34	0.13
Funds from operations	**6,583**	2,736	3,847	**31,580**	27,751	3,829
Per share basic and diluted	**0.11**	0.05	0.06	**0.54**	0.46	0.08
Total debt to TTM cash EBITDA ratio (at December 31)				**0.19**	1.15	(0.96)

A period-over-period increase in data library sales, together with reduced amortization expense, resulted in improved key performance indicators for the 12-month period ended December 31, 2014.

The Company experienced higher data library sales revenue in 2014 due to higher corporate transaction-based sales. See "Transaction-based vs. Traditional Sales: Five-Year History".

There were no participation surveys in progress during 2014, except for one survey that was signed in the fourth quarter with field work commencing in January 2015, while the Company recognized a significant portion of the participation survey revenue for the 2012-2013 winter seismic surveys in the first half of 2013. The initial amortization on these participation surveys was recorded upon completion of the surveys in the first half of 2013, thereby further reducing earnings for 2013.

The Company reduced total debt by $16.6 million during 2014 and the total debt to TTM cash EBITDA ratio improved substantially at year-end.

Pulse generated cash EBITDA of $28.6 million in 2014 compared to $19.1 million in 2013 and its total debt to TTM cash EBITDA ratio was 0.19:1 at December 31, 2014 compared to 1.15:1 at December 31, 2013.

2014 CORPORATE HIGHLIGHTS

On December 15, 2014 the Company announced the annual renewal of its normal course issuer bid (NCIB) to purchase up to 4,282,902 common shares over the following year. During 2014, the Company purchased 2,101,277 (2013 – 2,447,222) common shares under the program at a weighted average price of $3.01 per share (2013 – $3.42), including commissions, for a total cost of approximately $6.3 million (2013 – $8.4 million). In total, since initiating the NCIB program in November 2006, the Company has purchased approximately 14.0 million common shares for a total cost of $35.3 million, while also issuing 14.3 million shares to acquire a significant database in 2010. Management believes that its common shares may from time to time be undervalued and that such purchases are in the interests of the Company and its shareholders. The NCIB is an integral part of Pulse's capital allocation strategy.

On January 19, 2015 the Company announced that it had extended its $50.0 million revolving credit facility for an additional year with a syndicate of Canadian banks. The three-year revolving credit facility's maturity date was extended to February 13, 2018. The extension also included the removal of the negative covenant on the payment of regular quarterly dividends without lender approval if a specific financial ratio was exceeded.

In 2014, Pulse paid four quarterly dividends of $0.02 per common share, totalling $4.7 million for the year. The Company's ability to continue paying dividends depends on seismic data library sales, cash EBITDA, shareholder free cash flow and its total debt to TTM cash EBITDA ratio. In 2014, Pulse's shareholders received over $11.0 million in cash from the Company through share purchases and dividends.

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.

OUTLOOK

Pulse's outlook for 2015 is cautious. Energy producers have reduced capital spending, trimmed staffing and, in some cases, deferred the completion of recently drilled wells. The most recent industry forecast, issued in January by the Canadian Association of Petroleum Producers, is for non-oil sands capital investment to decline by 40 percent year-over-year and for 7,350 wells to be drilled in Western Canada this year, down from 10,500 in 2014. Natural gas in Alberta was priced below $3 per thousand cubic feet throughout February. In addition, Pulse believes that uncertainty has increased surrounding development of liquefied natural gas (LNG) export facilities on Canada's West Coast.

The Company's view is that US$50-per-barrel oil is not sustainable. There has been significant response in the exploration and production sectors in Canada and the United States, with the aforementioned capital spending reductions in Canada and a dramatic recorded reduction in the U.S. active drilling rig count over successive weeks. This is conducive to a reduction in production and, in turn, a supply-demand rebalancing. Pulse considers it noteworthy that the overall decline in world crude oil prices was due to temporary over-supply rather than global recession accompanied by falling oil demand. Low commodity prices amid general economic growth are conducive to rising oil demand and a recovery in the oil price, the timing of which is unknown, as is the effect on upstream activity in Western Canada and on Pulse's business.

Times of capital scarcity, declining cash flows and increasing corporate debt servicing problems encourage asset sales, bringing in of partners and corporate mergers and acquisition. The Company also foresees a significant role for private companies, funded by private equity, in purchasing and redeveloping assets, creating further opportunities for transaction-based sales.

Throughout periods of weaker sales the Company will rely on its advantages of low costs, lack of capital spending commitments and low debt. Pulse will also remain open to acquiring seismic datasets that meet its criteria for geographical and geological coverage, technical quality, regional industry activity and valuation. Pulse will require approximately $13 million in data library sales revenue to cover its cash costs, pay interest on its debt and pay its dividend to shareholders, making the Company capable of generating shareholder free cash flow even in a weak revenue year.

DISCUSSION OF OPERATING RESULTS

SUMMARY FOR THE YEAR ENDED DECEMBER 31, 2014

Earnings (Loss) Before Income Taxes

Pulse generated earnings before income taxes of $4.6 million ($0.08 per share basic and diluted) compared to a loss before income taxes of $25.3 million ($0.42 per share basic and diluted) for 2013. The improvement year-over-year was mainly attributable to the $33.1 million year-over-year decrease in non-cash seismic data library amortization expense, partially offset by a decrease of $4.8 million in total seismic revenue.

Revenue

Total seismic revenue, including data library sales and participation survey revenue, was $35.7 million for 2014 compared to $40.5 million for 2013.

Data Library Sales

Data library sales are conducted under various types of sale contracts. These are classified as retail data library sales, library cards (discount agreement, paid on predetermined payment terms with periods of up to one year to select data), commitment cards (discount agreement, paid when data is selected and delivered within a one-year period) and review and possession agreements (client is provided with data to review and selects a portion of this data to license, with the agreement having set payment terms). Pulse plans to continue providing customers with a variety of contract options in order to maximize data library sales in the future. The unearned portion of a contract's value is deferred until Pulse's revenue recognition criteria are met, with data library sales revenue being recognized upon delivery of seismic data to the customer.

For 2014, seismic data library sales were $35.7 million compared to $27.1 million in 2013. The Company experienced higher data library sales in 2014 due to higher transaction-based sales (see "Transaction-based vs. Traditional Sales: Five-Year History").

In 2014, 95 percent of seismic data library sales were generated internally by Pulse's sales staff compared to 90 percent in 2013. Large seismic data sales and relicensing (change of control) fees are generally negotiated by the Company's sales and marketing department.

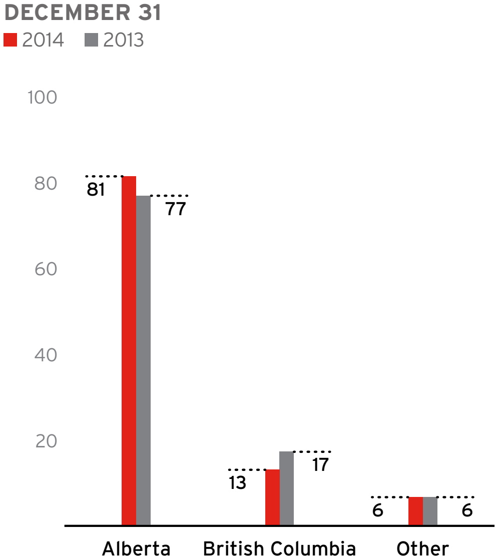
Geographical Sales Breakdown

The Company's customers are generally focusing on liquids-rich natural gas and oil pools 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. Natural gas has suffered from very low pricing for several years. There was a modest improvement in the second half of 2013, which has since decreased, and low natural gas pricing dampens Pulse's traditional sales. A portion of the $4.0 million sale in the second quarter of 2014 included data located in British Columbia. The $10.3 million data sale in the third quarter of 2014 included data located in the Kakwa area in the Deep Basin of west central Alberta, a noted area of liquids-rich gas as well as unconventional light oil development.

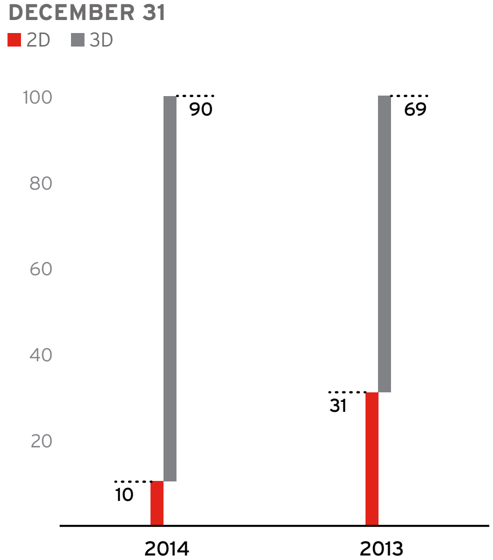
2D/3D Sales Breakdown

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

GEOGRAPHICAL SALES BREAKDOWN (%) FOR THE TWELVE MONTHS ENDED DECEMBER 31



SALES BREAKDOWN 2D/3D (%) FOR THE TWELVE MONTHS ENDED DECEMBER 31



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.

There were no participation surveys conducted in 2014. In 2013, $13.4 million of participation survey was recognized. As mentioned previously, the Company, as of January 2, 2015, has commenced field operations for a 3D participation survey with revenue expected to be recognized in the first quarter of 2015.

Amortization of Seismic Data Library

Seismic data library amortization expense was $22.5 million for 2014 compared to $55.6 million in 2013. The decrease in seismic data library amortization expense is due to the initial 50 percent amortization recorded upon completion and delivery of participation surveys in 2013. During 2014 the Company recorded no initial amortization as no surveys were conducted, compared to $29.0 million recognized upon completion of the participation surveys in 2013. The gross cost of the 3D participation surveys which were conducted over the 2012/2013 winter season and were completed and delivered in 2013 was $58.0 million, of which $35 million was funded by customers.

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 2014, SCB was $4.8 million, compared to $5.4 million in 2013.

The main factors explaining the decrease in SCB are the lower long-term incentive plan expense and lower salaries offset by a higher short-term incentive plan expense.

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

SG&A includes external 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.

For 2014, SG&A was $2.7 million compared to $3.1 million in 2013. The decrease year-over-year was mostly related to lower consulting and professional fees.

Net Financing Costs

Net financing costs for 2014 decreased to $875,000 from $1.4 million in 2013. This was due to the significant reduction in long-term debt. The Company repaid $16.6 million in 2014.

Income Taxes

The income tax expense for 2014 was $1.1 million, reflecting an effective tax rate of 24.5 percent, compared to an income tax reduction of $6.5 million and an effective tax rate of 25.6 percent for 2013.

The enacted federal-provincial corporate income tax rate for 2014 and 2013 was 25 percent. The effective tax rate in 2014 was slightly lower than the enacted income tax rate, as a result of the change in valuation allowances related to future resource deductions. At December 31, 2014, the Company had $7.3 million in non-capital loss carry-forwards available to use in future years.

SUMMARY FOR THE THREE MONTHS ENDED DECEMBER 31, 2014

Earnings (Loss) Before Income Taxes

For the three months ended December 31, 2014, the Company generated earnings before income taxes of \$1.1 million (\$0.02 per share basic and diluted) compared to a loss before income taxes of \$3.6 million (\$0.06 per share basic and diluted) for the comparable period of 2013.

Revenue

Total revenue, which includes data library sales and participation survey revenue, for the three months ended December 31, 2014 was \$8.4 million compared to \$4.6 million for the three months ended December 31, 2013.

Data Library Sales

Data library sales for the quarter ended December 31, 2014 were \$8.4 million compared to \$4.6 million for the three months ended December 31, 2013.

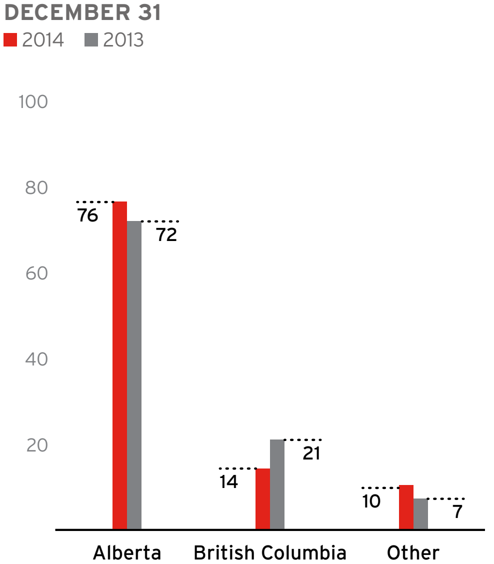
Geographical Sales Breakdown

The Company's customers are generally focusing on liquids-rich natural gas and oil pools 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. In the fourth quarter of 2014, 76 percent of the data library sales were from data located in Alberta.

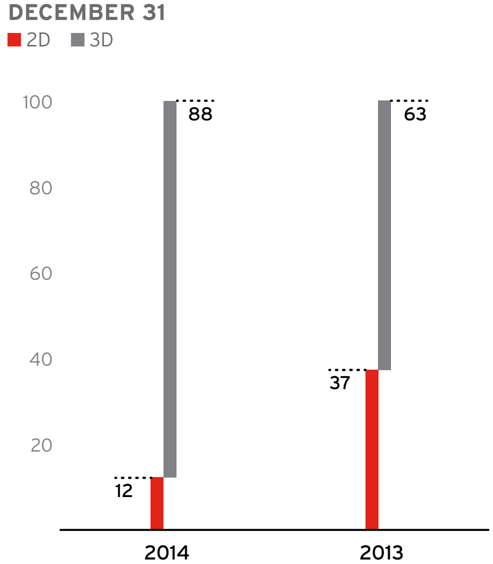
2D/3D Sales Breakdown

As 3D seismic sale contracts are generally larger than 2D seismic sale 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. There were no particularly large 3D contracts signed during the fourth quarter of 2014.

GEOGRAPHICAL SALES BREAKDOWN (%) FOR THE THREE MONTHS ENDED DECEMBER 31



SALES BREAKDOWN 2D/3D (%) FOR THE THREE MONTHS ENDED DECEMBER 31



Participation Survey Revenue

No participation surveys were conducted during the fourth quarters of 2014 and 2013. One new participation survey contract was signed in the fourth quarter of 2014, with survey planning and permitting conducted during the fourth quarter and field operations beginning in January 2015.

Amortization of Seismic Data Library

For the three months ended December 31, 2014, seismic data library amortization expense was $5.3 million compared to $6.2 million in the comparable period of 2013. The slight decrease is due to data acquired in previous years becoming fully amortized.

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

Salaries, Internal Commissions and Benefits (SCB)

SCB for the three months ended December 31, 2014 was $1.1 million compared to $1.0 million in the comparable period of 2013. The increase is attributable to the increase in short-term incentive compensation and sales commissions directly related to the increase in seismic data sales.

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

SG&A for the three months ended December 31, 2014 was $641,000 compared to $625,000 for the three months ended December 31, 2013. The slight increase was mostly due to higher external commissions as a result of a higher value of data sold by external brokers.

Net Financing Costs

For the three months ended December 31, 2014, net financing costs decreased to $175,000 from $245,000 for the same period in 2013. Net financing costs decreased due to the significant reduction in long-term debt.

Income Taxes

The income tax expense for the three months ended December 31, 2014 was $266,000, reflecting an effective tax rate of 24.4 percent, compared to income tax reduction of $1.1 million and an effective tax rate of 29.4 percent for the comparable 2013 period. The effective rate in 2014 was lower than the enacted rate of 25 percent due to the change in valuation allowance related to future resource deductions.

REVIEW OF FINANCIAL POSITION

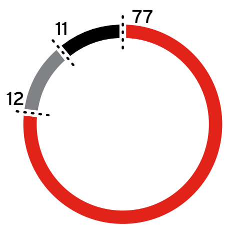
AS AT DECEMBER 31, 2014

Seismic Data Library and Participation Surveys in Progress

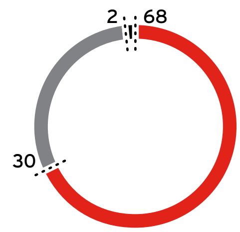
The Company's proven business model includes growing its seismic data library. Pulse acquires seismic data to add to its library through two main methods. The Company purchases proprietary rights to complementary seismic datasets when the opportunity arises, and it also conducts participation surveys. Pulse partners with customers on participation surveys from which the seismic data collected is added to Pulse's data library to generate future licensing revenue. Pulse retains full ownership of the data, and participating customers are provided with a licensed copy.

At the end of 2014, 77 percent of Pulse's 2D seismic data covered areas in Alberta, 12 percent in British Columbia and the remaining 11 percent in Saskatchewan, Manitoba, the Northwest Territories and the United States. Sixty-eight percent of Pulse's 3D seismic data covered areas in Alberta, 30 percent in British Columbia and the remaining 2 percent in Saskatchewan and Manitoba.

2D OWNERSHIP *(%)*
Alberta British Columbia Other



3D OWNERSHIP *(%)*
Alberta British Columbia Other



During 2013, the Company completed and delivered three 3D participation surveys totalling 1,182 square kilometres of new high-quality 3D data to its seismic data library. Two surveys were located in the Fox Creek vicinity of west central Alberta and encompass the Kaybob, Waskahigan, McKinley and Tony Creek areas. These areas have the potential for multi-zone production of liquids-rich natural gas and oil and conventional natural gas, and include the extensive Montney Formation and the Duvernay shale.

The third participation survey was located in the Pembina area of west central Alberta, which has potential for multi-zone production of liquids-rich natural gas and oil and conventional natural gas.

Pulse did not conduct any participation surveys during 2014 but commenced field operations for a new participation survey on January 2, 2015. The Company capitalized $36,000 in participation surveys in progress at December 31, 2014. These initial costs were for permitting and other start-up expenses.

The Company is continually evaluating new opportunities to partner with customers on potential future participation surveys.

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 December 31,		Twelve months ended December 31,	
	2014	2013	**2014**	2013
Weighted average shares outstanding:				
Basic and diluted	**57,865,941**	59,434,027	**58,957,072**	60,280,876
Shares outstanding at period-end			**57,247,843**	59,349,120
Shares outstanding at March 3, 2015			**56,912,643**	

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 outstanding at December 31, 2012 were exercised by March 31, 2013. Accordingly, no stock options were outstanding during the year ended December 31, 2013. During the year ended December 31, 2013 the stock options were not dilutive as the Company incurred a net loss.

Long-term Incentive Plan (LTIP)

In 2012 the Company's Board of Directors approved a new LTIP for employees, officers and directors designed to align the Company's long-term incentive compensation with its performance and to increase levels of stock ownership. Participants are granted restricted share units (RSUs) and performance share units (PSUs). LTIP awards 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.

On March 31, 2014 one-third of the initial 2012 LTIP awards were eligible to vest. One-third of these awards were RSUs and two-thirds were 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 their vesting date of 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 December 31, 2014 there were 427,359 RSUs and 658,896 PSUs outstanding. At March 3, 2015, total RSUs and PSUs outstanding remain unchanged. On March 31, 2015, 174,577 RSUs will vest automatically and based on the Company's performance in 2014 and the predetermined performance measures, 4 percent or 13,389 PSUs of the above units are expected to vest. Subsequent to vesting, the plan's trustee will purchase common shares on the open market for the after-tax number of RSUs and PSUs vested, using Company funds.

Retained Earnings (Deficit)

On December 31, 2014 the Company had a deficit of $22.8 million, compared to $18.1 million at December 31, 2013. Contributing to this deficit is a $3.4 million reduction to retained earnings due to the required accounting treatment of the Company purchasing and cancelling its common shares. The adjustment relates to the difference between the price paid by the Company for the shares purchased and cancelled under the NCIB and the average historical cost of the Company's shares. The average historical cost of the shares purchased and cancelled was recorded as a reduction to share capital.

The Company's payment of $4.7 million in dividends during 2014 also contributed to the deficit.

Net earnings of $3.5 million partly offset the above contributing factors for the increase in the deficit. The Company realized net earnings as a result of the higher level of data library sales coupled with lower non-cash seismic data library amortization.

As stated, there is a very significant non-cash expense, seismic data library amortization, that is deducted from earnings but does not affect shareholder free cash flow, which enables the Company to continue paying quarterly dividends.

Dividends

On November 5, 2014 the Company declared a quarterly dividend of $0.02 per common share. The dividend was paid on December 18, 2014 to shareholders of record at the close of business on December 4, 2014.

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

Deferred Tax Liability

The net deferred income tax liability was $8.6 million at December 31, 2014 compared to $7.5 million at December 31, 2013. The increase in the deferred income tax liability is mainly due to the increase in the difference between the accounting and the tax value of the data library. The deferred income tax liability consists mainly of taxable temporary differences between the tax base of the seismic data library and the carrying amount on the statement of financial position, offset by non-capital tax losses carried forward.

FINANCIAL SUMMARY OF QUARTERLY RESULTS

	2014				2013			
(thousands of dollars, except per share data)	**Q4**	**Q3**	**Q2**	**Q1**	Q4	Q3	Q2	Q1
Data library sales	**8,385**	**14,531**	**7,321**	**5,506**	4,565	4,164	4,486	13,864
Participation survey revenue	-	-	-	-	-	-	361	13,068
Total revenue	**8,385**	**14,531**	**7,321**	**5,506**	4,565	4,164	4,847	26,932
Amortization of seismic data library	**5,279**	**5,554**	**5,842**	**5,832**	6,215	7,090	22,287	20,027
Net earnings (loss)	**824**	**5,086**	**(612)**	**(1,820)**	(2,572)	(3,722)	(15,081)	2,541
Per share – basic and diluted	**0.01**	**0.09**	**(0.01)**	**(0.03)**	(0.04)	(0.06)	(0.25)	0.04

The revenue streams generated by Pulse's operations are data library sales and customer pre-funding of participation surveys. Data library sales consist of traditional sales and transaction-based sales, as described below under "Transaction-based vs. Traditional Sales: Five-Year History".

In addition to the revenue fluctuations described in "Seismic Industry Cycles and Seasonality", during the third quarter of 2014 and the first quarter of 2013, 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. With the amended standard IFRS 15, *Revenue from Contracts with Customers*, 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.

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 due to 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, 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 in accordance with IFRS.

SELECTED ANNUAL FINANCIAL INFORMATION

	Years ended December 31,		
(thousands of dollars, except per share data)	**2014**	2013	2012
Data library sales	**35,743**	27,079	64,040
Participation surveys	**-**	13,429	22,313
Total revenue	**35,743**	40,508	86,353
Net earnings (loss)	**3,478**	(18,834)	27,446
Per share – basic and diluted	**0.06**	(0.31)	0.44
Total assets	**75,482**	98,017	162,454
Long-term debt, net of current portion	**5,367**	21,850	26,688
Current portion of long-term debt	**-**	-	12,998
Total non-current financial liabilities	**14,118**	29,661	25,232
Cash dividends per common share	**0.08(1)**	0.08(1)	0.0725(2)

(1) Represents four quarterly dividends of $0.02 per common share.
(2) Represents one quarterly dividend of $0.0125 and three quarterly dividends of $0.02 per common share.

Total revenue consists of seismic data library sales and participation survey revenue. Total revenue in 2012 was high due to increased participation survey revenue and record data library sales. Seismic data library sales in 2013 were lower due to lower customer demand and fewer transaction-based sales.

The Company had net earnings in 2014 and 2012, compared to a net loss in 2013, due primarily to higher data library sales during the previous periods. In addition, in 2013 the Company recorded high levels of non-cash seismic amortization expense upon completion of the 2012-2013 seismic surveys.

See also "Seismic Industry Cycles and Seasonality".

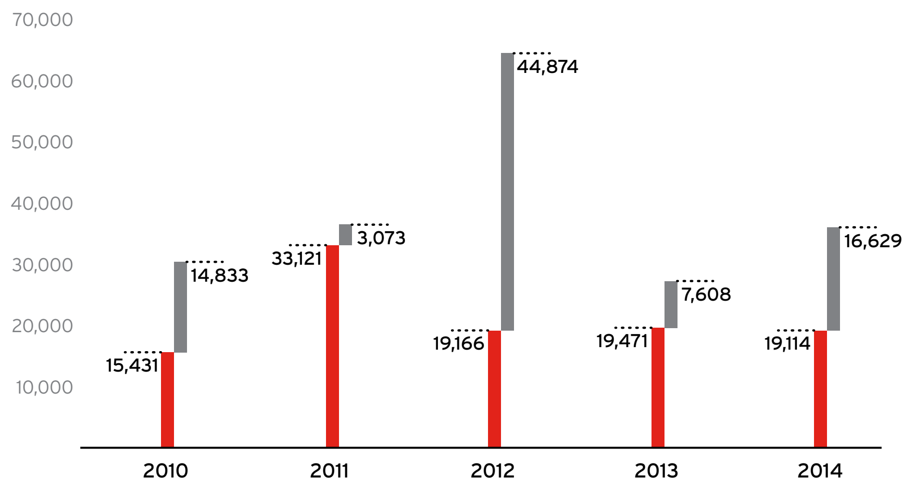
Total assets decreased significantly from 2012 to 2013 due to the costs incurred on two large participation surveys during the latter half of 2012. Total assets decreased from 2013 to 2014 mostly due to the amortization of the seismic data library recorded during the year.

In each of the four quarters of 2014 and 2013, the Company paid a quarterly dividend of $0.02 per share.

All financial data included in the above table are presented in Canadian dollars, which is the Company's functional currency, and were prepared in accordance with IFRS.

TRANSACTION-BASED VS. TRADITIONAL SALES: FIVE-YEAR HISTORY

SALES BREAKDOWN *($ thousands)*
Traditional Sales   Transaction-based Sales



There are three main types of transaction-based sale. The first is the partnership or joint venture, in which an oil and gas asset holder elects to pool their expertise, capital and/or assets with one or more new participants to explore or develop a play. Under the Company's current standard form licensing agreements, any new technical or operational participant that wishes to view or interpret the seismic data must purchase a data licence from Pulse, generally at a discount (usually pre-defined in the initial licensing agreement). Purely financial partners that do not wish to view or interpret the seismic information are exempt.

The second kind of transaction-based sale is a corporate merger or acquisition. In this case, the seismic data is transferred to the new organization. Under the Company's current standard form licensing agreements, the buyer has 30 days to determine whether they would like to pay a change-of-control fee to keep the data or return the data to Pulse.

The third kind is the sale of an oil and gas asset or group of assets (as well as partial mineral rights to particular zones below the asset-owner's lands). Under the Company's current standard form licensing agreements, the license agreement is not transferable upon an asset sale. In this case, no rights to the seismic data transfer to the buyer, and there are no terms of payment in the licence agreement. Should the buyer be interested in Pulse's seismic data, they must license the data from Pulse at the regular price. Following this type of transaction, considerable time may pass until a data licensing sale occurs because the new asset owner may defer development of the particular asset. In addition, the new asset owner may be interested in only portions of the original dataset. The attraction of Pulse's library remains the far lower cost of licensing the data than shooting new seismic over the same area.

The precise terms of individual licence agreements (including those historically used by Pulse and its predecessors and those assumed by Pulse on data acquisitions) can vary greatly. Change-of-control fees and joint venture copy fees may not always be payable, and licence agreements may not always be non-assignable.

CONTRACTUAL OBLIGATIONS

Pulse's known contractual obligations at December 31, 2014 included a long-term syndicated debt facility led by Toronto Dominion Bank, operating leases for certain office equipment and office space, and minimum payments under seismic data services contracts. The following table reflects the Company's anticipated payment of contractual obligations (assuming that the syndicated revolving credit facility is not renewed in February 2018):

		Payments due by period			
Contractual Obligations (thousands of dollars)	Total	Less than 1 year	1 - 3 Years	4 - 5 Years	After 5 Years
Long-term debt	5,500	-	5,500	-	-
Interest on long-term debt	602	193	409	-	-
Operating leases	1,263	514	737	12	-
Seismic data services contracts	231	231	-	-	-
Accounts payable and accrued liabilities	1,949	1,772	177	-	-
Total contractual obligations	9,545	2,710	6,823	12	-

Obligations in the category of seismic data services contracts include geophysical services such as reprocessing and data storage.

The Company is subject to financial covenants relating to the long-term debt. Failure to meet their terms could constitute an event of default as defined in the debt agreement, possibly triggering a demand for accelerated repayment. The Company was in compliance with all of the financial covenants at December 31, 2014. See "Liquidity, Capital Resources and Capital Requirements" for further information.

In addition, as part of the acquisition of the Foothills 2D dataset in November 2006, Pulse agreed to pay additional consideration if future seismic data sales from the acquired assets exceeded $10.0 million per year, up to a maximum of $3.75 million. Sales from the Foothills 2D dataset have not exceeded $10.0 million in any year since acquisition. No amounts were included for this obligation in the table above because they cannot be predicted.

LIQUIDITY, CAPITAL RESOURCES AND CAPITAL REQUIREMENTS

At December 31, 2014 Pulse had working capital of $5.3 million and cash and cash equivalents of $901,000. 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 minimum cash balance as required for operations.

The Company utilized cash on hand and cash provided by operating activities during 2014 for the following major cash outlays:

- Investing activities of $797,000, consisting mostly of seismic data digitization costs;
- Purchase and cancellation of 2,101,277 common shares through its NCIB, for a total of $6.3 million (at an average price of $3.01 per common share including commissions);
- Dividend payments of $4.7 million; and
- Debt repayment of $16.6 million.

On February 15, 2013, the Company executed a $50.0 million three-year extendible revolving credit facility with a syndicate of two banks. The maturity date was subsequently extended by one year in both 2014 and 2015.

Highlights of the credit facility:

- Four-tier margin structure based on the Company's total debt to adjusted EBITDA ratio as described below;
- Accordion feature allowing the Company to increase the facility's size up to an additional $20.0 million, subject to the lenders' consent;
- No regularly scheduled principal payments, with voluntary prepayments permitted in whole or part at any time, without premium or penalty; and
- Three-year term, with an extension of up to one year available on February 15 of every year commencing in 2015 with the approval of the lenders. If the extension is not granted, any outstanding amounts will be payable on the then-current applicable maturity date.

On an annual basis, the Company has the option to extend the maturity for one additional year with the lenders' approval. On January 19, 2015, the Company negotiated a one-year extension. The current maturity date is February 13, 2018.

The extension included the removal of the negative covenant that restricted the payment of dividends without lender approval if the total debt to adjusted EBITDA ratio exceeded 1.5:1. Henceforth dividends (other than special dividends) are unrestricted.

At December 31, 2014 the Company had $44.5 million available for future draws.

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

The credit facility also includes the following two financial covenants:

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

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

The covenants at December 31, 2014 were calculated as follows (financial figures are stated in thousands of dollars):

TOTAL DEBT TO ADJUSTED EBITDA RATIO:

Total debt	5,500
Divided by:	
Adjusted EBITDA	28,615
Total debt to adjusted EBITDA ratio (not to exceed 2.50:1)	0.19:1

Adjusted EBITDA was calculated as follows:

Cash EBITDA for the twelve months ended December 31, 2014	$28,615
Adjustment for acquisitions or dispositions	-
Adjusted EBITDA	$28,615

INTEREST COVERAGE RATIO:

Adjusted EBITDA	28,615
Divided by:	
Interest paid for the twelve months ended December 31, 2014	625
Interest coverage ratio (to be at least 3:1)	45.78:1

The Company was in compliance with the credit facility's covenants at December 31, 2014.

At December 31, 2014, the floating interest rate on the syndicated revolving credit facility was 3.50 percent, which is based on a combination of the bankers' acceptance rate and an applicable margin tied to the Company's total debt to adjusted EBITDA ratio. The Company pays a standby fee based on the daily undrawn balance of the credit facility and its total debt to adjusted EBITDA ratio. The interest and standby fee rates are adjusted two business days after the covenant's calculation for the previous fiscal quarter is received and approved by the lenders. On December 31, 2014 the applicable margin and standby fee were set at the lowest rates available under the facility.

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

TOTAL DEBT TO ADJUSTED EBITDA RATIO	Applicable Margin for Canadian Prime Rate Loans	Applicable Margin for Bankers' Acceptances	Standby Fee Rate
Less than or equal to 1:1	0.50%	1.75%	0.35000%
Greater than 1:1 but less than or equal to 1.5:1	0.75%	2.00%	0.45000%
Greater than 1.5:1 but less than or equal to 2:1	1.00%	2.25%	0.50625%
Greater than 2:1 but less than or equal to 2.5:1	1.50%	2.75%	0.61875%

Toronto Stock Exchange (TSX) rules determine the number of shares the Company is permitted to purchase through its NCIB. From December 13, 2013 to December 12, 2014, the maximum number was 4,817,820 common shares, representing 10 percent of the public float of 48,178,201 common shares as at December 12, 2013. From January 1, 2014 to December 31, 2014, the Company purchased 2,101,277 common shares under the NCIB. Purchases were made on the open market through the TSX at the market price of such shares. All shares purchased under the NCIB were cancelled.

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

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 2015. 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 for future draws in 2015, and an accordion feature allowing Pulse to increase the facility's size by up to $20.0 million, subject to the lenders' consent. 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 to take advantage of opportunities in raising additional capital where opportunities for seismic data acquisitions or participation surveys arise. 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, excluding deferred financing costs. Pulse's management considers the current capital structure appropriate.

The total debt to cash EBITDA ratio for the years ended December 31, 2014 and 2013 is calculated using the total debt at year-end, divided by TTM cash EBITDA:

(thousands of dollars, except ratios)	**2014**	2013
Total debt at year-end	**5,500**	22,100
Divided by: TTM cash EBITDA	**28,615**	19,145
Total debt to cash EBITDA ratio	**0.19:1**	1.15:1

The decrease in the total debt to TTM cash EBITDA ratio was attributable to increased year-over-year cash EBITDA, directly related to the increase in seismic data library sales, and to the decrease in the total debt following repayments made during the year.

Pulse uses debt strategically, to acquire high-quality seismic datasets that meet economic and technical criteria and cover areas of strong industry activity.

The total debt to equity ratio is calculated using the total debt balance divided by total equity. At December 31, 2014 and 2013 the total debt-to-equity ratios were as follows:

	December 31,	December 31,
(thousands of dollars, except ratios)	**2014**	2013
Total debt	**5,500**	22,100
Divided by: total equity	**58,401**	65,962
Total debt to equity ratio	**0.09:1**	0.34:1

The decrease in the total debt to equity ratio was mostly attributable to the decrease in the total debt, but also to the decrease in the total equity due to the net earnings generated in 2014, offset by the payment of dividends and the accounting adjustment related to the NCIB. .

Total debt was calculated as follows:

	As at December 31	As at December 31
(thousands of dollars)	**2014**	2013
Long-term debt	**5,367**	21,850
Add: deferred financing charges	**133**	250
Total debt	**5,500**	22,100

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 audited consolidated 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 2014 totalled $31.6 million ($0.54 per share basic and diluted) compared to $27.8 million ($0.46 per share basic and diluted) for 2013. The increase was mainly attributable to lower operating and financing expenses in 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, they 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 audited 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 2D and 3D 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.

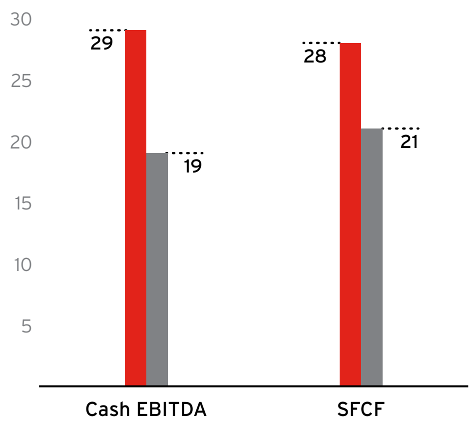
Cash EBITDA is calculated as earnings or loss from operations before interest, taxes, depreciation and amortization less participation survey revenue, plus non-cash and non-recurring expenses. Cash EBITDA excludes participation survey revenue as this revenue is directly used to fund specific participation 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 2D and 3D 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.

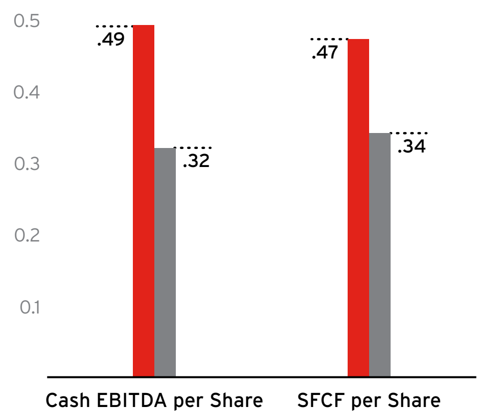
A reconciliation of net earnings (loss) to EBITDA, cash EBITDA and shareholder free cash flow follows:

	Three months ended December 31		Twelve months ended December 31	
(thousands of dollars, except per share data)	**2014**	2013	**2014**	2013
Net earnings (loss)	**824**	(2,572)	**3,478**	(18,834)
Add:				
Amortization of seismic data library	**5,279**	6,215	**22,507**	55,619
Net financing costs	**175**	245	**875**	1,383
Income tax expense (reduction)	**266**	(1,070)	**1,128**	(6,468)
Depreciation	**62**	80	**248**	318
EBITDA	**6,606**	2,898	**28,236**	32,018
Deduct:				
Participation survey revenue	-	-	**-**	(13,429)
Add:				
Non-cash expenses	**55**	64	**379**	556
Non-recurring expenses	**-**	-	**-**	-
Cash EBITDA	**6,661**	2,962	**28,615**	19,145
Deduct:				
Net financing costs	**(175)**	(245)	**(875)**	(1,383)
Current income tax expense	**-**	-	**-**	-
Add:				
Non-cash deferred financing charges	**29**	29	**118**	160
Current income tax reduction	**-**	909	**-**	2,760
Shareholder free cash flow (SFCF)	**6,515**	3,655	**27,858**	20,682
Cash EBITDA per share (basic and diluted)	**0.12**	0.05	**0.49**	0.32
Shareholder free cash flow (SFCF) per share (basic and diluted)	**0.11**	0.06	**0.47**	0.34

CASH EBITDA AND SFCF
FOR THE YEAR ENDED DECEMBER 31
($ millions)
2014 2013



CASH EBITDA AND SFCF PER SHARE
(BASIC AND DILUTED)
FOR THE YEAR ENDED DECEMBER 31
($)
2014 2013



FINANCIAL INSTRUMENTS

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

FAIR VALUE

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 loan are based on current Canadian bankers' acceptance rates and margins.

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 customer credit risk in connection with data sales. The Company's exposure to credit risk is influenced mainly by the individual characteristics of each customer. The makeup 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 exclusively in the oil and natural gas industry, essentially all of its 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 before payment and delivery terms and conditions are offered. The Company's review includes credit reference checks and credit limits for all customers as well as other monitoring activities. Accounts receivable aging is reviewed regularly. Certain customers have signed agreements with the Company that provide for extended payment terms.

The Company's credit risk increases on these types of arrangements due to the length of time before payments are received. The risk is mitigated by attempting to limit these types of arrangements to major oil and natural gas companies which have long operating histories and adequate resources to fulfill their commitments.

The Company has been doing business with the majority of its customers for many years, with insignificant credit losses to date. The Company does not require collateral in respect of trade receivables.

The Company's customers are in the oil and natural gas industry, with the majority located in Alberta. At December 31, 2014, 84 percent of total accounts receivable were due from five customers. These amounts were collected subsequent to year-end, with the exception of $1.9 million due from two customers with extended payment terms.

The Company recorded no bad debt expense in 2014. At December 31, 2014, less than 1 percent of the Company's accounts receivable were past due more than 60 days.

Cash and cash equivalents are held with a large, well-known Canadian chartered bank. The carrying amount of financial assets represents the maximum credit exposure. The Company considers the risk on cash and cash equivalents to be limited.

INTEREST RATE RISK

Interest rate risk is the risk that changes in interest rates will affect the Company's income or the value of its holdings of financial instruments. The Company's interest rate risk exposure is mainly related to long-term debt. The Company is exposed to interest rate fluctuations on the cost of its variable-rate debt. An increase of 100 basis points in the lender's base-rate would have decreased earnings before income taxes by approximately $160,000 for the year ended December 31, 2014. The Company did not have any fixed-rate interest-bearing obligations at December 31, 2014.

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 other financial assets, i.e., repaying its debt and paying its suppliers. 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. Beyond effective working capital and cash management, the Company has a revolving-term credit facility, which offers flexibility in drawing and paying down debt, without penalty, of which $44.5 million remained available at December 31, 2014 for future draws, as described in "Liquidity, Capital Resources and Capital Requirements".

The Company regularly monitors cash flow. In addition, it monitors 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 obligations associated with financial liabilities.

COMMODITY PRICE RISK

The Company is not directly exposed to commodity price risk as it does not have any contracts 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 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.

NEW IFRS STANDARDS

A number of new standards, amendments and interpretations have been issued by the International Accounting Standards Board but were not effective for the year ended December 31, 2014 and were not applied in preparing the 2014 consolidated financial statements. Only two could have a significant effect on Pulse's future consolidated financial statements:

> 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. The new standard will also result in enhanced disclosure about revenue.

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. With this adjustment, the lag between the progressive recognition of participation survey revenue and initial amortization upon survey completion will disappear.

The Company's policy for recognizing data library sales revenue complies with IFRS 15 and, accordingly, will remain unchanged.

> Amendments to International Accounting Standard (IAS) 38, *Intangible Assets*, clarifying 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. In general, the amendments clarify that the use of revenue-based methods to calculate depreciation and amortization is not appropriate, with certain limited exemptions for intangible assets. After review, management concluded that the amendment will not have any impact on Pulse's current amortization policy.

CRITICAL ACCOUNTING ESTIMATES

The preparation of financial statements in conformity with IFRS requires management to make estimates and assumptions. Management's estimates and assumptions affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements, as well as the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates. The Company's critical accounting estimates are described below and are discussed annually with the Audit Committee of the Company's Board of Directors.

SEISMIC DATA LIBRARY

Amortization of the seismic data library, the Company's largest asset, with a net book value of $66.5 million at December 31, 2014 (December 31, 2013 – $88.2 million), is conducted by reference to the estimated timing of the economic return of the seismic library. Amortization of seismic library data 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 systematic allocation of the seismic data library over its useful life.

Additions to the seismic library arise in two ways: (i) participation surveys, and (ii) the purchase of existing seismic data. Costs associated with participation surveys completed during the year 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, if any. The costs of purchased data are amortized on a straight-line basis over seven years.

The carrying amounts of the seismic data library 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. The Company uses judgement in determining its cash-generating units for purposes of impairment testing. The determination of these cash-generating units was based on management's judgements in regards to the smallest identifiable group of seismic data that generates cash inflows largely independent of the cash inflows from other data. Estimating future cash flows for purposes of impairment testing requires management to make judgments regarding long-term forecasts of future revenues and costs related to the seismic data library. These forecasts are uncertain as they require assumptions about demand for seismic data and future market conditions. Significant and unanticipated changes in these assumptions could require a provision for impairment in a future period.

Estimates of useful lives and the pattern of expected future economic benefits are based on historical experience and internal business plans. Expected future economic benefits are determined based on historical revenue patterns. Future deviations from the Company's historical returns could materially affect the current amortization methodology.

PERFORMANCE SHARE UNITS

In determining the amount of share-based compensation related to PSUs, management makes estimates about future results and vesting criteria. It is reasonably possible that future outcomes could be different from the estimates and could 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.

DEFERRED TAX ASSETS

Significant management judgement is required to determine the amount of deferred tax assets that can be recognized, based on the likely timing and level of future taxable income. The estimates of projected future taxable income are based on a variety of factors and assumptions, many of which are subjective and beyond 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 recognized in the consolidated financial statements.

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

DC&P

DC&P are designed to provide reasonable assurance that information the Company must disclose is recorded, processed, summarized and reported within the periods specified in securities legislation, and includes controls and procedures designed to ensure that this information is accumulated and communicated to the Company's senior management, including the President and Chief Executive Officer (CEO) and Vice President, Finance and Chief Financial Officer (CFO), as appropriate, to allow timely decisions regarding required disclosure.

Management has evaluated the effectiveness of its DC&P, under the supervision of its CEO and CFO, at December 31, 2014. Based on this evaluation, the CEO and CFO have concluded that the disclosure controls and procedures, as defined in National Instrument 52-109, were effective at December 31, 2014.

ICFR

Management is responsible for designing ICFR, under the supervision of its CEO and CFO, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with GAAP.

Management under the supervision of its CEO and CFO evaluated the effectiveness of ICFR at December 31, 2014, in accordance with Internal Control – Integrated Framework, issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO) and the Control Objectives for Information and Related Technology Framework (COBIT). Based on this evaluation, Pulse's CEO and CFO have concluded that the ICFR were effective at December 31, 2014. No changes were made to ICFR during the period beginning on October 1, 2014 and ending on December 31, 2014 that have materially affected, or are reasonably likely to materially affect, Pulse's ICFR.

In May 2013, the COSO released an updated Internal Control – Integrated Framework which it required companies to use for officers' certificates filed after December 15, 2014. Pulse early-adopted the new framework in 2013, without any significant impact to the internal controls testing or documentation.

RISK FACTORS

OIL AND NATURAL GAS PRICES

Pulse's customers are oil and natural gas exploration and development companies. Oil and natural gas prices are volatile and directly affect the capital budgets, drilling activity, and access to capital and credit by Pulse's customers, which in turn directly affect the demand by such customers for seismic data.

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. Data library sales can 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 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 acquired under frozen ground 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.

DEMAND FOR SEISMIC DATA AND PARTICIPATION SURVEYS

Pulse's ability to generate revenue, cash EBITDA, shareholder free cash flow and earnings and to grow its seismic data library depends on the demand for seismic data and participation surveys from its oil and natural gas customers over geological plays and areas that such customers focus on in a given period. Activity in such plays and areas depends on commodity prices, geological understanding and advances in drilling technology, all of which are beyond Pulse's control. The Company endeavours to grow its high-quality proprietary data library, to expand and maintain its customer base, and to provide good customer service with short delivery time and broad data coverage in prospective locations.

PRICING OF DATA LIBRARY LICENCE SALES

Pulse's ability to generate revenue, cash EBITDA, shareholder free cash flow and earnings and to grow its data library depends on its ability to market data library licences and on the pricing of these licences. Pulse prices its data competitively while endeavouring to maintain the integrity of the database.

RELICENSING (CHANGE-OF-CONTROL) FEES AND PARTNER COPY SALES

Data library licences are generally not transferable. Under Pulse's current standard-form licence agreement, upon a change of control of the licensee in a merger or acquisition transaction, a change-of-control fee is generally payable. Under Pulse's current standard-form licence agreement, a licensee generally may not give the licensed data to a joint interest partner in the oil and natural gas lands. If the joint interest partner wishes to view or interpret the seismic data, it must purchase an additional copy directly from Pulse.

The precise terms of individual licence agreements (including those historically used by Pulse and its predecessors and those assumed by Pulse on data acquisitions) can vary greatly. Relicensing (change-of-control) fees may not always be payable and joint interest partners may not always wish to or have to purchase an additional licensed copy.

In addition, M&A activity and joint venture activity in the oil and gas industry is unpredictable.

PRE-FUNDING OF PARTICIPATION SURVEYS AND SUBSEQUENT DATA LIBRARY LICENCE SALES

Pulse's rate of pre-funding for participation surveys varies, with the actual target percentage funding of each particular survey determined by Pulse ahead of time depending on Pulse's risk analysis of such survey and competitive conditions in the area. Factors affecting these individual survey program targets include: circumstances where Pulse believes that there is a high probability of additional participants joining the survey before completion or additional licence sales after completion of the survey, or where a survey is located in a strategic location, or where competitive conditions require a lower level of pre-funding.

Pulse's ability to generate revenue, cash EBITDA, shareholder free cash flow and earnings and to grow the data library depends on its ability to obtain targeted levels of pre-funding for participation surveys, and to make subsequent seismic data library sales from such surveys.

COMPLETION OF PARTICIPATION SURVEYS

Pulse obtains presales of licences for participation surveys based on its budgeted costs and program schedule. Pulse's ability to generate revenues, cash EBITDA, shareholder free cash flow and earnings depends on its ability to complete committed participation surveys on time and within budget. Cost overruns are generally absorbed by Pulse and effectively reduce the percentage of pre-funding. The Company endeavours to manage this risk through the use of a dedicated survey project team with extensive experience.

ENVIRONMENTAL, HEALTH AND SAFETY RISKS

Pulse's field operations for participation surveys are subject to laws and regulations relating to environmental protection and occupational health and safety. A breach of these laws and regulations could result in material fines and civil lawsuits, as well as reputational damage. Pulse endeavours to reduce this risk by employing seasoned specialists who provide comprehensive training, field supervision and monitoring, and by working with a network of trusted sub-contractors who operate to high standards. In September 2012, Pulse received the renewal of its three-year Certificate of Recognition (COR) issued by Enform and the Government of Alberta, with a score of 91 percent, higher than in its initial 2009 certification. The Company is in the process of completing its

COR renewal and is expecting the results of the audit by the end of the first quarter of 2015. The COR program recognizes employers in the Alberta oil and natural gas industry having a health and safety management system that meets provincial standards.

EFFECT OF SEASONALITY AND WEATHER CONDITIONS ON PARTICIPATION SURVEYS

Seismic surveys are often completed in the winter season when frozen ground permits the movement and operation of heavy equipment in the northern areas of Alberta and British Columbia. If an unseasonably late or warm winter delays or prevents sufficient freezing, or if an early spring results in an early thaw, Pulse may not be able to complete its winter seismic survey programs on time and within budget.

Seismic surveys may also be completed in the summer months under drier conditions. If there is unseasonably cold or wet weather, Pulse may not be able to complete its summer seismic survey programs on time and within budget.

Pulse endeavours to manage this risk by scheduling sufficient time for each participation survey to allow flexibility to complete the survey on time and within budget.

LAWS AND REGULATIONS

Pulse's oil and natural gas customers are subject to federal and provincial laws and regulations, including those pertaining to taxation, royalty rates, environmental protection and safety. Compliance with these laws and regulations, and changes in these laws and regulations, may affect oil and natural gas exploration and development activities and the demand for seismic data licences and participation surveys by such customers.

Pulse's field operations for participation surveys are subject to federal and provincial laws and regulations, including laws and regulations relating to safety and environmental protection. Pulse and its contractors are required to invest financial and managerial resources to comply with such laws and related permit requirements in their operations. Although such expenditures historically have not been material to Pulse, such laws and regulations are subject to change and, accordingly, it is impossible for the Company to predict the cost or impact of such laws and regulations on its future operations.

COMPETITION

The western Canadian geophysical services industry in which Pulse operates is highly competitive and price-sensitive. Pulse competes with companies which may have greater financial resources, and certain of which are large international geophysical services companies that offer a wider array of geophysical services to their clients than Pulse. Pulse also competes with other companies that acquire, market and license seismic data, that maintain their own seismic data libraries, and that compete against Pulse in shooting participation surveys and licensing seismic data to their customers. Pulse also competes against oil and natural gas companies that may choose to license their own proprietary seismic data to customers. To mitigate this risk, Pulse's management continuously evaluates its marketing plan and marketing efforts. In addition, the Company owns high-quality data with extensive coverage in the WCSB. In general, there is little overlap between 3D databases, due to the high costs of overshooting existing 3D seismic surveys, and there is little direct competition between specific 3D datasets. Seismic data library companies and individual oil and gas companies may, however, elect to overshoot an existing 3D dataset if it is not of the desired quality or specifications.

DEPENDENCE ON QUALIFIED SEISMIC CONTRACTORS

Pulse depends on qualified seismic acquisition contractors to complete its seismic surveys on time and within budget. Pulse endeavours to enter into master service agreements and to establish relationships with its key contractors.

KEY MANAGEMENT, OPERATIONS AND MARKETING PERSONNEL

Pulse depends on certain key management, operations and marketing personnel for the success of its seismic acquisition, marketing and licensing business. Pulse endeavours to obtain written employment agreements with such personnel containing confidentiality and non-competition provisions where appropriate. Personnel risk is further mitigated by providing compensation packages designed to support Pulse's business philosophy and which are both market-driven and performance-based. This includes short- and long-term incentive programs which are directly tied to shareholder free cash flow per share, which the Board of Directors believes is the key financial metric for the long-term increase in the value of Pulse. Pulse also has a succession plan to provide adequate training and education to its future leaders, which is reviewed annually by the Board of Directors.

LOSS OF SEISMIC DATA

Pulse's largest asset and source of revenue is the seismic data library. The safety and security of the data library asset is imperative to the Company's success. The physical data is stored in a secure location managed by a data storage company with multiple physical data copies and digital copies in separate locations.

PROTECTION OF INTELLECTUAL PROPERTY

Pulse relies on a combination of licence agreements, copyright and other intellectual property rights to protect its ownership rights and copyright in its seismic data. Despite Pulse's efforts to enforce its licence agreements and copyright, there is a risk that unauthorized parties might improperly obtain, copy or use Pulse's seismic data without Pulse's knowledge or permission. The cost of litigation necessary to enforce Pulse's ownership rights and copyright could be prohibitive.

NEW PRODUCTS

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. There are currently no other products that compete directly against seismic data for such purposes. Should a new product or method be introduced that was technically and/or economically comparable or superior to seismic data, Pulse's data library sales and/or the pricing thereof could be adversely affected.

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", "Summary for the Year ended December 31, 2014", "Liquidity, Capital Resources and Capital Requirements", and "Liquidity Risk" sections contain forward-looking information which includes, among other things, statements regarding:

- Pulse's outlook for 2015 is cautious;
- Pulse's view is that US$50-per-barrel oil is not sustainable;
- Pulse also foresees a significant role for private companies, funded by private equity, in purchasing and redeveloping assets, creating further opportunities for transaction-based sales;

- The Company is capable of generating shareholder free cash flow even in a weak revenue year;
- The Company expects revenues from the participation survey in progress to be recognized in the first quarter of 2015;
- 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 2015;
- The Company does not believe that it will encounter any difficulty in meeting its obligations associated with financial liabilities;
- General economic and industry outlook;
- Pulse's capital allocation strategy;
- 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;
- 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 poor visibility of seismic revenue.

The material risk factors include, without limitation:

- Oil and natural gas prices;
- Seismic industry cycles and seasonality;
- The demand for seismic data and participation surveys;
- The pricing of data library licensing sales;
- Relicensing (change-of-control) fees 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 above in "Risk Factors". Forward-looking information is based on the assumptions, expectations, estimates and opinions of the Company's management at the time the information is presented.

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, 2014 and 2013, 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, 2014 and 2013 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 Accountants

March 2, 2015
Calgary, Canada

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

(thousands of Canadian dollars) As at	Note	**December 31, 2014**	December 31, 2013
Assets			
Cash and cash equivalents		**901**	1,745
Trade and other receivables	*4*	**7,083**	3,216
Income tax receivable		**-**	3,576
Prepaid expenses		**275**	333
Total current assets		**8,259**	8,870
Participation surveys in progress	*5*	**36**	-
Seismic data library	*6*	**66,468**	88,242
Property and equipment		**663**	849
Other		**56**	56
Total non-current assets		**67,223**	89,147
Total assets		**75,482**	98,017
Liabilities and Shareholders' Equity			
Accounts payable and accrued liabilities		**1,772**	1,248
Deferred revenue		**1,191**	1,146
Total current liabilities		**2,963**	2,394
Long-term debt	*7*	**5,367**	21,850
Deferred income tax liabilities	*8*	**8,574**	7,466
Other long-term payable		**177**	345
Total non-current liabilities		**14,118**	29,661
Total liabilities		**17,081**	32,055
Shareholders' Equity			
Share capital	*9*	**78,782**	81,673
Contributed surplus		**2,399**	2,399
Deficit		**(22,780)**	(18,110)
Total shareholders' equity		**58,401**	65,962
Total liabilities and shareholders' equity		**75,482**	98,017

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*	**2014**	2013
Revenue			
Data library sales		**35,743**	27,079
Participation surveys		**-**	13,429
Total revenue		**35,743**	40,508
Operating expenses			
Amortization of seismic data library	*6*	**22,507**	55,619
Salaries, internal commissions and benefits	*12*	**4,772**	5,373
Other selling, general and administrative costs	*13*	**2,735**	3,117
Depreciation		**248**	318
Total operating expenses		**30,262**	64,427
Results from operating activities		**5,481**	(23,919)
Financing expenses		**889**	1,421
Interest income		**(14)**	(38)
Net financing costs		**875**	1,383
Earnings (loss) before income taxes		**4,606**	(25,302)
Current income tax (reduction)		**-**	(2,760)
Deferred income tax (reduction)	*8*	**1,128**	(3,708)
Income tax expense (reduction)		**1,128**	(6,468)
Net earnings (loss) and comprehensive income (loss)		**3,478**	(18,834)
Net earnings (loss) per share, basic and diluted	*11*	**0.06**	(0.31)

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	Retained earnings (deficit)	Total equity
Balance at January 1, 2013		61,140,442	83,161	2,854	10,535	96,550
Net loss for the year		-	-	-	(18,834)	(18,834)
Share-based compensation		-	-	543	-	543
Settlement of vested long-term incentive plan award		-	-	(966)	-	(966)
Tax effect of equity-settled share-based compensation		-	-	142	-	142
Normal course issuer bid		(2,447,222)	(3,361)	-	(5,001)	(8,362)
Issued on exercise of stock options		655,900	1,873	(174)	-	1,699
Dividends paid	9	-	-	-	(4,810)	(4,810)
Balance at December 31, 2013		59,349,120	81,673	2,399	(18,110)	65,962

	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	9	**-**	**-**	**-**	**(4,712)**	**(4,712)**
Balance at December 31, 2014		**57,247,843**	**78,782**	**2,399**	**(22,780)**	**58,401**

See accompanying notes to consolidated financial statements.

CONSOLIDATED STATEMENTS OF CASH FLOWS

(thousands of Canadian dollars) For the years ended December 31	**2014**	2013
Cash flows provided by (used in):		
Operating:		
Net earnings (loss) and comprehensive income (loss)	**3,478**	(18,834)
Adjustment for:		
Amortization of seismic data library	**22,507**	55,619
Depreciation	**248**	318
Loss on disposition of capital assets	**2**	13
Income tax expense (reduction)	**1,128**	(6,468)
Equity-settled share-based compensation	**377**	543
Net financing costs	**875**	1,383
Interest paid	**(625)**	(1,290)
Interest received	**14**	43
Income tax paid	**-**	(3,579)
Income tax received	**3,576**	3
Funds from operations	**31,580**	27,751
Net change in non-cash working capital	**(3,595)**	7,374
Cash provided by operating activities	**27,985**	35,125
Financing:		
Normal course issuer bid	**(6,327)**	(8,362)
Shares purchased for equity-settled share-based payments	**(393)**	(947)
Shares issued for cash on exercise of stock options	**-**	1,699
Proceeds from long-term debt	**-**	27,100
Repayment of long-term debt	**(16,600)**	(31,745)
Dividends paid	**(4,712)**	(4,810)
Increase in deferred financing charges	**-**	(354)
Cash used in financing activities	**(28,032)**	(17,419)
Investing:		
Additions to seismic data library through participation surveys	**(36)**	(21,265)
Seismic data digitization and related cost	**(733)**	(961)
Additions to property and equipment	**(64)**	(127)
Net change in non-cash working capital	**36**	(13,919)
Cash used in investing activities	**(797)**	(36,272)
Decrease in cash and cash equivalents	**(844)**	(18,566)
Cash and cash equivalents, beginning of year	**1,745**	20,311
Cash and cash equivalents, end of year	**901**	1,745

See accompanying notes to consolidated financial statements.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

INFORMATION AS AT DECEMBER 31, 2014 AND 2013 AND FOR THE YEARS ENDED DECEMBER 31, 2014 AND 2013

(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 3, 2015.

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, 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 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 inflows 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 in progress at December 31, 2014 with field operations starting on January 2, 2015 and none at the end of 2013.

› Note 3(e) – Amortization of the 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. 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 an 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 beyond 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.

- 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 and interpretations have been issued by the International Accounting Standards Board but were not effective for the year ended December 31, 2014 and were not applied in preparing the 2014 consolidated financial statements. Only two could have a significant effect on Pulse's future consolidated financial statements:

- 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. The new standard will also result in enhanced disclosure about revenue.

  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 IFRS 15, *Revenue from Contracts with Customers*, 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. With this adjustment, the lag between the progressive recognition of participation survey revenue and initial amortization upon survey completion will disappear.

  The Company's policy for recognizing data library sales revenue complies with IFRS 15 and, accordingly, will remain unchanged.

- Amendments to International Accounting Standard (IAS) 38 – Intangible Assets, clarifying 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. In general, the amendments clarify that the use of revenue-based methods to calculate depreciation and amortization is not appropriate, with certain limited exemptions for intangible assets. After review, management concluded that the amendment will not have any impact on the current amortization policy.

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 to the customer 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 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 costs of purchased data are amortized on a straight-line basis over seven years.

Amortization is based on management's estimates of expected useful lives, market developments and past 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 directly attributable to the asset's acquisition.

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 annually 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 the Company considers 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.

At December 31, 2014 and 2013 there were no indicators requiring impairment testing.

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 reverse, 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. Diluted per share amounts are calculated based on the treasury-stock method, which assumes that any proceeds obtained on the exercise of options would be used to purchase common shares at the average market price during the period. The weighted average number of shares outstanding is then adjusted by the net change. 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.

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, with the excess 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 PAYMENT TRANSACTIONS

i) Long-term incentive plan

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 awards 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, using Company funds. 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.

ii) Stock options

Prior to 2009, the Company had a stock option program in which employees and directors were granted options to acquire shares of the Company. The fair value of options granted to employees was calculated at the date of grant and recognized as an employee expense, with a corresponding increase in equity, over the graded periods for which the awards vest. An estimate of forfeitures was included in the assumptions of the number of options expected to become exercisable. Estimates were subsequently revised if there was any indication that the number of stock options expected to vest differed from previous estimates. All stock options vested by March 25, 2011 and by March 25, 2013 all remaining options were exercised and the program was ended.

iii) Stock appreciation rights (SARs)

Prior to 2009, the Company granted SARs to a director resident in the United States. SARs had an exercise price equal to the fair market value of the Company's shares on the date of grant and expired five years after the grant date. The last SARs were exercised on March 25, 2013 and were settled in cash the following month. The fair value of the amount payable to the director in respect of SARs, which were settled in cash, was recognized as an expense, with a corresponding increase in liabilities, over the period that the director becomes unconditionally entitled to payment. The liability was measured at each reporting date and at settlement date. Any changes in the fair value of the liability were recognized as personnel expense in earnings or loss.

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 | TRADE AND OTHER RECEIVABLES

As at December 31	**2014**	2013
Data library trade receivables	**7,080**	3,195
Other	**3**	21
	7,083	3,216

No bad debt expense was recorded in 2014 and 2013.

5 | PARTICIPATION SURVEYS IN PROGRESS

	2014	2013
Opening balance, January 1	**-**	36,723
Costs incurred	**36**	21,265
Transferred to seismic data library	**-**	(57,988)
Closing balance, December 31	**36**	-

There was one participation survey in progress at December 31, 2014 and none at December 31, 2013.

6 | SEISMIC DATA LIBRARY

	2014	2013
Cost		
Opening balance, January 1	**433,794**	374,845
Acquisitions through purchases and related cost	**733**	961
Transferred from participation surveys in progress	**-**	57,988
Closing balance, December 31	**434,527**	433,794
Amortization		
Opening balance, January 1	**345,552**	289,933
Amortization for the year	**22,507**	55,619
Closing balance, December 31	**368,059**	345,552
Carrying amount, December 31	**66,468**	88,242

7 | LONG-TERM DEBT

As at December 31	**2014**	2013
Secured revolving bank term loan	**5,500**	22,100
Less deferred financing costs	**133**	250
Long-term debt, net of deferred financing costs	**5,367**	21,850

On February 15, 2013 the Company 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.

Interest on the syndicated revolving bank loan is calculated based on the lenders' 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. At December 31, 2014 the interest rate on the long-term debt was 3.5 percent (December 31, 2013 – 3.2 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 earnings before interest, tax, depreciation and amortization.

On an annual basis, the Company has the option to extend the maturity for one additional year with the lenders' approval. Subsequent to year-end 2014, on January 19, 2015, the Company negotiated a one-year extension, with the facility maturing on February 13, 2018.

The extension included removal of the negative covenant that restricted the payment of dividends without lender approval if the total debt to adjusted earnings before interest, taxes, depreciation and amortization (EBITDA) ratio exceeded 1.5:1. Henceforth dividends (other than special dividends) are unrestricted.

The credit facility is secured by a charge on all of the assets of the Company and its material subsidiaries. The covenants include two financial ratio tests. The Company was in compliance with all covenants at December 31, 2014.

8 | DEFERRED TAX ASSETS AND LIABILITIES

A) UNRECOGNIZED DEFERRED TAX ASSETS

As at December 31	**2014**	2013
Foreign exploration and development expense	**355**	392
Capital losses	**383**	383
	738	775

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	**2014**	2013
Deferred income tax assets:		
Resource expenditures	**194**	212
Non-capital tax losses carried forward	**1,747**	1,549
Share issuance and financing cost	**27**	22
Long-term incentive plan	**341**	393
Deferred income tax asset	**2,309**	2,176
Deferred income tax liability:		
Seismic data library and participation surveys	**10,883**	9,642
Deferred income tax liability	**10,883**	9,642
Net deferred income tax liabilities	**8,574**	7,466

At December 31, 2014, the Company had non-capital tax losses of $7.3 million available to reduce future years' income for tax purposes. These losses expire in 2033 and 2034.

C) MOVEMENT IN TEMPORARY DIFFERENCES DURING THE YEAR

	Deferred tax liabilities (assets) January 1, 2013	Recognized in income	Recognized in equity	Deferred tax liabilities (assets) December 31, 2013
Resource expenditures	(86)	(126)	-	(212)
Non-capital losses	-	(1,549)	-	(1,549)
Share issuance and financing costs	(44)	22	-	(22)
Long-term incentive plan	(357)	106	(142)	(393)
Deferred partnership income	1,431	(1,431)	-	-
Seismic data library	10,372	(730)	-	9,642
	11,316	(3,708)	(142)	7,466

	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**

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	**2014**	2013
Earnings (loss) before income tax	**4,606**	(25,302)
Combined federal and provincial income tax rate	**25%**	25%
Expected income tax expense (reduction)	**1,152**	(6,325)
Effects of differences:		
Non-deductible expenses	**14**	20
Adjustment in respect of prior years	**-**	34
Change in valuation allowance	**(38)**	(197)
Actual income tax expense (reduction)	**1,128**	(6,468)

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.

9 | 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 Company meetings.

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

During the year ended December 31, 2014 the Company purchased, for cancellation, 2,101,277 (2013 – 2,447,222) common shares pursuant to its NCIB at a weighted average price of $3.01 (2013 – $3.42) per share, after brokerage fees, for a total cost of $6.3 million (2013 – $8.4 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 $3.4 million (2013 – $5.0 million) was charged to retained earnings.

B) DIVIDENDS

Dividends paid in 2014 were $0.08 per share (2013 – $0.08) and totalled $4.7 million (2013 – $4.8 million).

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

10 SHARE-BASED PAYMENTS

A) LONG-TERM INCENTIVE PLAN (EQUITY AND CASH-SETTLED)

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, 2014 one-third of the awards which were eligible to vest were RSUs and two-thirds were PSUs. The Company's performance in 2013 did not meet the 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 related payroll taxes of $235,000 were paid in May 2014 to settle the fully 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, due to the limitations of current knowledge, that 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, 2014, the Company recognized $358,000 (2013 – $1.2 million) 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 $377,000 (2013 – $543,000).

At December 31, 2014 the obligation related to the cash-settled portion of the LTIP was $372,000 (December 31, 2013 – $637,000) with $195,000 (December 31, 2013 – $292,000) included in accounts payable and accrued liabilities and $177,000 (December 31, 2013 – $345,000) included in other long-term liabilities.

The following summarizes activity in the Company's LTIP during the years ended December 31, 2014 and 2013:

RSUs	**2014**	2013
Outstanding, January 1	**505,221**	533,341
Granted	**137,657**	204,692
Dividend-equivalent share units	**11,348**	11,193
Settled	**(180,640)**	(181,723)
Cancelled or forfeited	**(46,227)**	(62,282)
Outstanding, December 31	**427,359**	505,221

PSUs	**2014**	2013
Outstanding, January 1	**791,156**	936,457
Granted	**194,500**	281,052
Dividend-equivalent share units	**17,615**	18,189
Settled	**(1,565)**	(309,712)
Cancelled or forfeited	**(342,810)**	(134,830)
Outstanding, December 31	**658,896**	791,156

On March 31, 2015, 174,577 RSUs will vest automatically and, based on the Company's performance in 2014 and the predetermined performance measures, 4 percent or 13,389 PSUs are expected to vest. In April 2015, 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.

B) SHARE OPTION PROGRAM (EQUITY-SETTLED)

Prior to 2009, the Company had a stock option plan under which directors, officers, employees and certain consultants were eligible to receive options to purchase common shares of the Company.

All 655,900 stock options outstanding at December 31, 2012, with an exercise price of $2.59, were exercised by March 25, 2013. The Company's average share price at time of exercise was $2.98 per share.

The Company recorded no compensation expense related to stock options for the years ended December 31, 2014 and 2013, given that all stock options were fully vested.

The following summarizes the status of the Company's stock option plan as at December 31, 2014 and 2013 and changes during the years then ended:

	2014		2013	
	Number of options	**Weighted average exercise price**	Number of options	Weighted average exercise price
Outstanding, beginning of year			655,900	2.59
Forfeited/cancelled	**-**	**-**	-	-
Expired	**-**	**-**	-	-
Exercised			(655,900)	2.59
Outstanding, December 31	**-**	**-**	-	-
Exercisable, December 31	**-**	**-**	-	-

C) SARS (CASH-SETTLED)

Prior to 2009, SARs were granted to a member of the Board of Directors resident in the United States with an exercise price equal to the fair market value of the Company's stock on the date of grant and expiring five years after the grant date.

All 25,000 SARs outstanding at December 31, 2012, with an exercise price of $2.59, were exercised by March 25, 2013 and a cash payment of $15,000 was made in April 2013. The Company recorded expense of $8,000 related to SARs for the year ended December 31, 2013.

11 EARNINGS PER SHARE

A) BASIC EARNINGS PER SHARE

The calculation of basic earnings per share at December 31, 2014 was based on the earnings attributable to common shareholders of $3.5 million for the year ended December 31, 2014 (2013 – loss of $18.8 million) and a weighted average number of common shares of 58,957,072 (2013 – 60,280,876), calculated as follows:

	2014	2013
Common shares outstanding, January 1	**59,349,120**	61,140,442
Effect of shares issued, purchased and cancelled	**(392,048)**	(1,430,934)
Effect of share options exercised	**-**	571,368
Weighted average number of common shares for the year ended December 31	**58,957,072**	60,280,876

B) DILUTED EARNINGS PER SHARE:

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. No stock options were outstanding during the year ended December 31, 2014. The stock options outstanding during the year ended December 31, 2013 were not dilutive as the Company incurred a net loss during the period.

12 | SALARIES, INTERNAL COMMISSIONS AND BENEFITS

For the years ended December 31	Note	**2014**	2013
Salaries and benefits		**3,241**	3,458
Internal commissions		**462**	424
Registered retirement savings plan contributions		**137**	153
SARs expense	10	**-**	8
Short-term incentives		**574**	150
Long-term incentives	10	**358**	1,180
Total salaries, internal commissions and benefits		**4,772**	5,373

13 | OTHER SELLING, GENERAL AND ADMINISTRATIVE COSTS

For the years ended December 31	**2014**	2013
External commissions	**81**	109
Occupancy cost	**673**	658
Office and general cost	**587**	720
Information technology	**394**	469
Mapping, drafting and data storage	**187**	165
Directors' fees and corporate costs	**556**	507
Consulting fees	**49**	184
Professional fees	**208**	305
Total other selling, general and administrative costs	**2,735**	3,117

14 | 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 to 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 $7.1 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, 2014, 84 percent of total accounts receivable were due from five customers. For the year ended December 31, 2014, approximately 49 percent of the Company's data library sales were attributable to three customers.

The aging of trade receivables at the reporting date was:

	2014		2013	
	Gross	**Impairment**	Gross	Impairment
Current	**5,427**	**-**	1,794	-
Past due 31-60 days	**1,636**	**-**	1,366	-
Past due 61-90 days	**-**	**-**	1	-
More than 90 days	**20**	**-**	55	21
Total	**7,083**	**-**	3,216	21

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, 2014 the Company had $44.5 million available for future draws on its revolving credit facility described in note 7.

The following are the contractual maturities of financial liabilities at December 31, 2014, assuming the new credit facility is not renewed in February 2018:

	Carrying amounts	2015	2016	2017	2018 and after
Total debt	5,500	-	-	-	5,500
Accounts payable	1,772	1,772	-	-	-
Long-term payable	177	-	177	-	-
Total	7,449	1,772	177	-	5,500

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 exposure 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 cash flows of the Company's customers 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 to 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 7. 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, 2014 would have increased or decreased earnings by $160,000 (2013 – $229,000), 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.

15 CAPITAL MANAGEMENT

The Company considers its capital structure to include shareholders' equity and total debt.

As at December 31	**2014**	2013
Shareholders' equity	**58,401**	65,962
Total debt (long-term debt, excluding deferred financing cost)	**5,500**	22,100
Total capitalization	**63,901**	88,062

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 total debt to trailing twelve-month (TTM) cash EBITDA ratio and the total 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.

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 total debt to TTM cash EBITDA ratio is calculated as long-term debt, excluding deferred financing costs, 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 total debt to TTM cash EBITDA ratio is calculated as follows:

For the years ended December 31	**2014**	2013
Total debt at year-end	**5,500**	22,100
Divided by:		
Net earnings (loss)	**3,478**	(18,834)
Less:		
Participation survey revenue	**-**	(13,429)
Plus:		
Net financing costs	**875**	1,383
Income tax	**1,128**	(6,468)
Depreciation	**248**	318
Amortization of seismic data library	**22,507**	55,619
Equity-settled share-based compensation	**377**	543
Loss on disposition of capital assets	**2**	13
TTM Cash EBITDA	**28,615**	19,145
Total debt to TTM cash EBITDA ratio	**0.19:1**	1.15:1

The decrease in the total debt to TTM cash EBITDA ratio was attributable to increased year-over-year cash EBITDA, directly related to the increase in seismic data library sales, and to the decrease in total long-term debt at year-end following repayments during the year.

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

As at December 31	**2014**	2013
Total debt	**5,500**	22,100
Divide by: total equity	**58,401**	65,962
Total debt to equity ratio	**0.09:1**	0.34:1

The decrease in the total debt to equity ratio was mostly attributable to the decrease in total debt, but also to the decrease in total equity due to the net earnings incurred in 2014, offset by the payment of dividends and the accounting adjustment related to the NCIB.

Neither the Company nor its subsidiaries are subject to externally imposed capital requirements.

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

16 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, 2014 an amount of $666,000 (2013 – $580,000) 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 and participation survey subcontracts:

	2015	2016	2017	2018	2019 and after
Operating leases	514	514	223	12	-
Seismic data storage and services	231	-	-	-	-
Total	745	514	223	12	-

17 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 10).

Key management personnel compensation comprised:

For the years ended December 31	**2014**	2013
Fixed salary	**988**	1,057
Short-term employee benefits	**76**	79
Short-term incentive plan	**375**	60
LTIP	**126**	445
	1,565	1,641

B) TRANSACTIONS WITH DIRECTORS

Directors also participate in the Company's LTIP (refer to note 10).

The remuneration of the Directors is as follows:

For the years ended December 31	**2014**	2013
Directors' fees	**225**	224
LTIP	**101**	128
SARs expense	**-**	8
	326	360

CORPORATE INFORMATION

Pulse is a market leader in the acquisition, marketing and licensing of 2D and 3D seismic data to the western Canadian energy sector. Pulse owns the second-largest licensable seismic data library in Canada, currently consisting of approximately 28,300 net square kilometres of 3D seismic and 240,000 net kilometres of 2D seismic. The library extensively covers the Western Canada Sedimentary Basin where most of Canada's oil and natural gas exploration and development occur.

OFFICERS

Neal Coleman
President and CEO

Pamela Wicks
Vice President Finance and CFO

Jeff Bectold
Vice President Operations

Trevor Meier
Vice President
Sales and Marketing

Norman Hall
Corporate Secretary

BOARD OF DIRECTORS

Robert Robotti (1) (2) (3)
Chair

Karen El-Tawil (1) (2) (3)
Director

Peter Burnham (2) (3) (4)
Director

Daphne Corbett (1) (3) (4)
Director

Brent Gale (4) (5)
Director

Clark Zentner (2) (3)
Director

(1) Member of the Audit Committee

(2) Member of the Compensation Committee

(3) Member of the Corporate Governance and Nominating Committee

(4) Member of the Environment, Health and Safety Committee

(5) Non-independent Director

BANKERS

The Toronto-Dominion Bank
Calgary, Alberta

Alberta Treasury Branches
Calgary, Alberta

REGISTRAR AND TRANSFER AGENT

Valiant Trust Company
Calgary, Alberta

SOLICITORS

Gowling Lafleur Henderson LLP
Calgary, Alberta

AUDITORS

KPMG LLP
Calgary, Alberta

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Stock Exchange Listing
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OTCQX: PLSDF

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