

SELECTED FINANCIAL AND OPERATING INFORMATION

<i>(thousands of dollars except per share data, number of shares and kilometres of seismic data)</i>	Three months ended March 31, 2016 (unaudited)	2015	Year ended December 31, 2015
Revenue			
Data library sales	1,771	1,316	21,214
Participation surveys	-	3,220	3,220
Total revenue	1,771	4,536	24,434
Amortization of seismic data library	4,909	7,292	22,836
Impairment loss	-	-	937
Net loss	(3,494)	(3,347)	(5,308)
Per share basic and diluted	(0.06)	(0.06)	(0.09)
Cash provided by operating activities	3,506	5,925	17,094
Per share basic and diluted	0.06	0.10	0.30
Cash EBITDA ^(a)	266	(240)	15,121
Per share basic and diluted ^(a)	0.00	0.00	0.27
Shareholder free cash flow ^(a)	225	(347)	14,745
Per share basic and diluted ^(a)	0.00	(0.01)	0.26
Capital expenditures			
Participation surveys	-	3,968	3,959
Seismic data purchases, digitization and related costs	2,150	183	933
Property and equipment additions	6	6	14
Total capital expenditures	2,156	4,157	4,906
Weighted average shares outstanding			
Basic and diluted	56,043,039	56,990,683	56,628,524
Shares outstanding at period-end	56,208,332	56,882,889	55,592,689
Seismic library			
2D in kilometres	447,000	339,991	339,991
3D in square kilometres	28,613	28,409	28,555

FINANCIAL POSITION AND RATIOS

<i>(thousands of dollars except ratios)</i>	March 31, 2016	March 31, 2015	December 31, 2015
Working capital	2,944	1,862	4,996
Working capital ratio	3.62:1	1.38:1	4.44:1
Total assets	50,945	70,786	54,618
Long-term debt	-	5,397	-
TTM cash EBITDA ^(b)	15,627	24,612	15,121
Shareholders' equity	43,341	52,796	45,389
Long-term debt to TTM cash EBITDA ratio	0.00:1	0.22:1	0.00:1
Long-term debt to equity ratio	0.00:1	0.10:1	0.00:1

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

(b) TTM cash EBITDA is defined as the sum of the trailing 12 months' cash EBITDA and is used to provide a comparable annualized measure.

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

Three Months Ended March 31, 2016

The following Management's Discussion and Analysis (MD&A) of the financial condition and results of operations of Pulse Seismic Inc. ("Pulse" or "the Company") for the three months ended March 31, 2016 was prepared taking into consideration information available to April 27, 2016 and should be read with the unaudited condensed consolidated interim financial statements and related notes for the three months ended March 31, 2016. This MD&A is supplemental to the MD&A, audited consolidated financial statements and related notes for the year ended December 31, 2015.

The unaudited condensed consolidated interim financial statements were prepared in accordance with International Accounting Standard (IAS) 34, *Interim Financial Reporting* with comparative figures for the prior year. Certain figures were reclassified to conform to the current period's presentation. The unaudited condensed consolidated interim financial statements, along with the MD&A for the three months ended March 31, 2016, 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.....	3	NON-CAPITAL RESOURCES	12
KEY PERFORMANCE INDICATORS.....	3	NON-GAAP FINANCIAL MEASURES AND RECONCILIATIONS	12
SEISMIC INDUSTRY CYCLES AND SEASONALITY.....	4	FINANCIAL INSTRUMENTS.....	14
OUTLOOK	4	NEW IFRS STANDARDS.....	14
CORPORATE UPDATE.....	5	CRITICAL ACCOUNTING ESTIMATES	15
DISCUSSION OF OPERATING RESULTS	5	DISCLOSURE CONTROLS AND PROCEDURES (DC&P) AND INTERNAL CONTROLS OVER FINANCIAL REPORTING (ICFR).....	15
REVIEW OF FINANCIAL POSITION.....	7	RISK FACTORS	15
FINANCIAL SUMMARY OF QUARTERLY RESULTS.....	9	ADDITIONAL INFORMATION.....	15
CONTRACTUAL OBLIGATIONS.....	9	FORWARD-LOOKING INFORMATION	15
LIQUIDITY, CAPITAL RESOURCES AND CAPITAL REQUIREMENTS.....	10		

Overview

About Pulse

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

Pulse owns the second-largest licensable seismic data library in Canada, currently consisting of approximately 28,600 net square kilometres of 3D seismic and 447,000 net kilometres of 2D seismic. The library extensively covers the Western Canada Sedimentary Basin (WCSB), where most of Canada's oil and natural gas exploration and development occur.

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

Mission 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.

Key Performance Indicators

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

Results for the key performance indicators for the three months ended March 31, 2016, with comparative figures for 2015, are set out in the following table:

	Three months ended March 31,		
(thousands of dollars except per share data and ratios)	2016	2015	Variance
Data library sales	1,771	1,316	455
Participation survey revenue	-	3,220	(3,220)
Total seismic revenue	1,771	4,536	(2,765)
Net loss	(3,494)	(3,347)	(147)
Per share basic and diluted	(0.06)	(0.06)	0.00
Cash provided by operating activities	3,506	5,925	(2,419)
Per share basic and diluted	0.06	0.10	(0.04)
Cash EBITDA	266	(240)	506
Per share basic and diluted	0.00	0.00	0.00
Shareholder free cash flow	225	(347)	572
Per share basic and diluted	0.00	(0.01)	0.01
Long-term debt to TTM cash EBITDA ratio	0.00:1	0.22:1	(0.22):1

The reduction in total seismic revenue was due to no participation surveys in the first quarter of 2016, whereas one survey was conducted in the first quarter of 2015, which generated \$3.2 million of participation survey revenue. Cash provided by operating activities was also lower in the first quarter of 2016 than in the same period of 2015, mainly due to the absence of any participation survey revenue.

The net loss for both periods was similar. The net loss for the three months ended March 31, 2016 was \$3.5 million and \$3.3 million for the three months ended March 31, 2015. In the first quarter of 2016 data library sales were higher by \$455,000 but participation survey revenue were lower by \$3.2 million. The reduction in total seismic revenue was offset by a reduction of \$2.4 million in amortization expense explained by the initial amortization expense of \$2.0 million related to the survey completed in the first quarter of 2015 plus a reduction of \$400,000 related to data fully amortized. Financing expenses decreased by \$80,000 due to the absence of long-term debt. Finally, the deferred income tax reduction was higher by \$200,000.

The main factor contributing to the increase in cash EBITDA and shareholder free cash flow period over period is the increase in data library sales for the three months ended March 31, 2016 over the comparable period in 2015. The Company experienced low data library sales in the first quarters of 2016 and 2015 due to the drastic cutbacks in the energy-producing sector's capital spending. The reduction in financing expenses due to the Company having no long-term debt in the first quarter of 2016 also contributed to the increase in shareholder free cash flow.

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 among 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 short-term outlook remains more cautious than one year ago. Although the Company's first-quarter 2016 seismic data library sales were higher than in the first quarter of 2015, consisting 100 percent of traditional sales, it is still possible that traditional sales for the year will be lower than in 2015.

So far in 2016, oil and natural gas prices remain considerably weaker than one year ago and mineral lease auctions or "land sales" in Alberta and B.C. are extremely low. According to the Canadian Association of Oilwell Drilling Contractors (CAODC), the number of active oil and gas drilling rigs in western Canada in the first three months of 2016 averaged approximately half the level of the same period in 2015, while utilization rates in the first half of April were under 10 percent of the total rig fleet. The CAODC is forecasting that 4,728 wells will be drilled in western Canada in 2016, compared to 5,394 wells in 2015. The Petroleum Services Association of Canada's updated 2016 drilling forecast is for 4,900 wells in 2016 compared to 5,300 wells in 2015 and 11,500 wells in 2014. All of this is suggestive of low traditional seismic data sales.

Pulse continues, however, to see improved prospects for merger and acquisition activity in 2016. With commodity prices remaining low and first- and second-quarter cash flows among E&P companies widely expected to decline or even become negative, causing debt ratios to increase sharply, banks are expected to strongly encourage their borrowers to narrow bid-ask spreads and close transactions.

Following a year of surprisingly low M&A spending and weak deal-flow, dozens of asset packages representing millions of acres of mineral rights and hundreds of thousands of barrels of production are being marketed in 2016, and a number of deals were announced in the first three months of the year. Greater M&A activity would create favourable conditions for additional transaction-based seismic data sales.

The unpredictability of transaction-based sales, however, means that Pulse will continue to lack visibility as to its 2016 revenues. Corporate transactions are a necessary but not sufficient condition to generate seismic data relicensing fees; generating transaction-based sales depends on the nature of the underlying corporate transaction and on the acquirer's plans for the assets in question.

Pulse's critical strengths continue to be its very low costs and strong balance sheet, including zero long-term debt and zero current short-term borrowing. The Company's ability to generate cash EBITDA and shareholder free cash flow in the first quarter, with sales of only \$1.8 million, demonstrates how low the Company's costs have become.

With its annual cash costs having been reduced to approximately \$6.0 million, immaterial financing costs and no dividend, Pulse can continue to generate cash EBITDA and shareholder free cash flow at low revenue while buying back additional shares and maintaining the financial flexibility to grow its seismic data library. Pulse's revised \$30.0 million credit facility is undrawn as of this date and includes an accordion feature for expansion to \$70.0 million.

Pulse's long-term goal continues to be growing into Western Canada's largest licensable data library. The Company's history demonstrates that its revenues could accelerate at any time, and could increase significantly with virtually no increase in operating costs, making Pulse a high-margin business under even modestly positive industry conditions.

Corporate Update

The annual and special meeting of the shareholders of Pulse Seismic Inc. will be held at 3:00 p.m. on May 18, 2016 at the Calgary Petroleum Club, Calgary. Shareholders are encouraged to attend the meeting.

Discussion of Operating Results

Summary for the Three Months Ended March 31, 2016

Loss Before Income Taxes

For the three months ended March 31, 2016, the Company had a loss before income taxes of \$4.8 million (\$0.09 loss per share basic and diluted) compared to a loss of \$4.5 million (\$0.08 loss per share basic and diluted) for the comparable period of 2015.

The main reasons for the increased loss period-over-period were the reduction in total seismic revenue, with the participation survey revenue decrease being higher than the data library sales increase, which was largely offset by the reduction in amortization expense.

Revenue

Total revenue, which includes data library sales and participation survey revenue for the three months ended March 31, 2016 was \$1.8 million, consisting solely of data library sales compared to \$4.5 million for the three months ended March 31, 2015 which included \$3.2 million of participation survey revenue.

Data Library Sales

Data library sales consist of traditional sales and transaction-based sales. There are three main types of transaction-based sale: partnership or joint venture sales, corporate merger or acquisition sales, and asset disposition-related sales. For further information on transaction-based sales, see "Transaction-based vs. Traditional Sales: Six-Year History" in the MD&A for the year ended December 31, 2015.

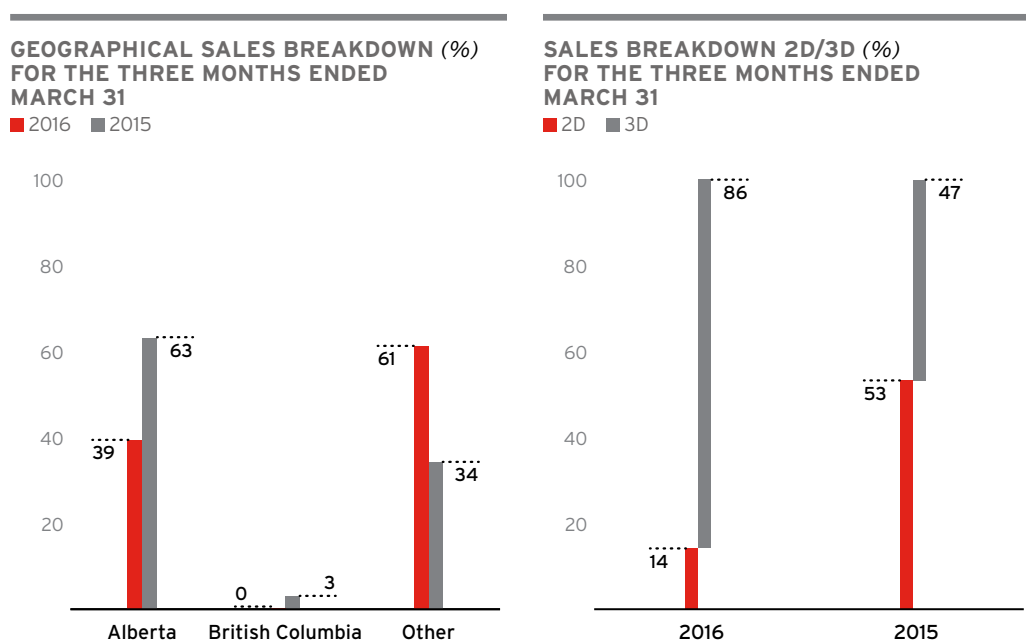
For the quarter ended March 31, 2016, the data library sales of \$1.8 million were all categorized as traditional sales. For the three months ended March 31, 2015, data library sales were \$1.3 million, with more than 75 percent categorized as traditional sales. The Company experienced low data library sales in the first quarter of 2016 and 2015 due to the ongoing drastic cutbacks in the energy-producing sector's capital spending and to lower-than-expected M&A activities that would trigger transaction-based sales.

Geographical Sales Breakdown

The Company's customers are generally focusing on liquids-rich natural gas and oil reservoirs found primarily in a broad corridor running from northwest of Calgary, Alberta, along the Foothills of the Rocky Mountains to the British Columbia border, as compared to "dry" natural gas more often found in British Columbia and on Alberta's eastern prairies. The pricing of natural gas liquids (such as propane, butane and condensate) is linked to crude oil, improving the economics of developing liquids-rich gas targets over "dry" gas, as long as crude oil prices remain above a certain level and natural gas liquids markets operate efficiently. Natural gas has suffered from very low pricing for several years, which has dampened Pulse's traditional sales. The decline in oil prices over the past year further decreased traditional sales due to the deteriorating economics of unconventional light oil and liquids-rich gas plays. In addition, natural gas liquids markets have experienced very low pricing for some commodities. Some oil and gas companies are, however, engaged in a modest level of exploration to develop prospects in anticipation of higher commodity prices. In the first quarter of 2016, the Company licensed 2D data located in Saskatchewan and Manitoba, in addition to 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.



Participation Survey Revenue

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

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

There was no survey activity in the first quarter of 2016. By comparison, in the first quarter of 2015, the Company completed and recognized \$3.2 million of revenue from a participation survey.

Amortization of Seismic Data Library

Seismic data library amortization expense was \$4.9 million for the three months ended March 31, 2016 compared to \$7.3 million for the same period of 2015.

The amortization for the three months ended March 31, 2016 is lower than in the comparable period for 2015 due to the initial 50 percent amortization recorded by the Company upon completion of the 3D participation survey during the first quarter of 2015. As stated above, there was no survey completed in the first quarter of 2016.

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

Salaries, Internal Commissions and Benefits (SCB)

SCB includes salaries, related benefits, incentive compensation and internal commissions. For the three months ended March 31, 2016, SCB was \$814,000, compared to \$802,000 in the comparable period of 2015. While salaries have decreased significantly year-over-year, in 2015, as is normal practice, a portion of the salary expense related to the operations group (\$51,000) was capitalized to the cost of the survey conducted in the first quarter. There was no similar reallocation in 2016. There was also a slight increase in commission expense for the first quarter of 2016 due to higher data library sales, and a higher non-cash expense related to the accounting for the long-term incentive plan. With a lower number of staff, no increase to salaries for 2016 over 2015, and savings in the benefits program, the Company's cash savings related to SCB total \$190,000 for the first quarter of 2016.

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

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

SG&A for the three months ended March 31, 2016 was \$749,000 compared to \$730,000 for the three months ended March 31, 2015.

Net Financing Costs

Net financing costs for the three months ended March 31, 2016 decreased to \$56,000 from \$136,000 for the comparable period in 2015. Financing fees in 2016 do not include interest on long-term debt as the balance had been fully repaid by the end of 2015, but do include stand-by charges on the revolving credit facility and amortization of deferred financing charges related to the renewal of the credit facility.

Income Taxes

The income tax reduction for the three months ended March 31, 2016 was \$1.3 million reflecting an effective tax rate of 27.1 percent, compared to income tax reduction of \$1.1 million for the comparable period of 2015, with an effective tax rate of 25.1 percent.

Review of Financial Position

As at March 31, 2016

Seismic Data Library and Participation Surveys in Progress

The Company's 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 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.

On January 26, 2016 the Company closed an acquisition and added approximately 107,000 net kilometres of 2D seismic data and 58 net square kilometres of 3D seismic data, increasing Pulse's 2D seismic data library by 31.5 percent from approximately 340,000 net kilometres to approximately 447,000 net kilometres. The cost of the acquisition was \$3.65 million.

At March 31, 2016, no indicators of impairment were identified for any CGU and, accordingly, an impairment test was not performed.

The Company continues to evaluate 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 March 31,	
	2016	2015
Weighted average shares outstanding:		
Basic and diluted	56,043,039	56,990,683
Shares outstanding at period-end	56,208,332	56,882,889
Shares outstanding at April 27, 2016	56,193,832	

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

Long-term Incentive Plan (LTIP)

On March 31, 2016 one-third of the awards which were eligible to vest under the LTIP were restricted share units (RSU) and two-thirds were performance share units (PSU). The Company's performance in 2015 did not meet the predetermined performance criteria and, consequently, no PSUs vested on March 31, 2016. RSUs vest automatically based upon time so therefore all of the eligible RSUs vested automatically on March 31, 2016.

To satisfy its obligation, in April 2016 the Company provided \$182,000 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, 2016. The related payroll taxes of \$131,000 will be paid in May 2016 to settle fully the accrued cash-settled portion of the share-based payment liabilities.

At March 31 and April 27, 2016 there were 364,211 RSUs and 527,702 PSUs outstanding. Details of the LTIP are disclosed in the Company's MD&A and audited financial statements for the year ended December 31, 2015.

Deficit

On March 31, 2016 the Company's deficit was \$36.8 million, compared to \$33.3 million at December 31, 2015. Contributing to the deficit was the net loss for the first quarter of 2016 of \$3.5 million.

Dividends

No dividends were declared or paid in the first quarter of 2016.

Deferred Tax Liability

The net deferred income tax liability was \$6.4 million at March 31, 2016 compared to \$7.7 million at December 31, 2015. The decrease in the deferred income tax liability is mainly due to the increase in the non capital-losses carried forward and the reduction of the difference between the tax value and the accounting value of the seismic 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

(thousands of dollars, except per share data)	2016	2015				2014		
	Q1	Q4	Q3	Q2	Q1	Q4	Q3	Q2
Data library sales	1,771	8,759	4,678	6,461	1,316	8,385	14,531	7,321
Participation survey revenue	-	-	-	-	3,220	-	-	-
Total revenue	1,771	8,759	4,678	6,461	4,536	8,385	14,531	7,321
Amortization of seismic data library	4,909	4,979	5,262	5,303	7,292	5,279	5,554	5,842
Impairment loss	-	937	-	-	-	-	-	-
Net earnings (loss)	(3,494)	658	(1,579)	(1,040)	(3,347)	824	5,086	(612)
Per share - basic and diluted	(0.06)	0.01	(0.03)	(0.02)	(0.06)	0.01	0.09	(0.01)

The revenue streams generated by Pulse's operations are data library sales and participation survey revenue. Data library sales consist of traditional sales and transaction-based sales. There are three main types of transaction-based sale: partnership or joint venture sales, corporate merger or acquisition sales, and asset disposition-related sales. For further information on transaction-based sales, see "Transaction-based vs. Traditional Sales: Six-Year History" in the MD&A for the year ended December 31, 2015.

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

In addition to the revenue fluctuations described in "Seismic Industry Cycles and Seasonality", during the second and third quarters of 2014 and 2015, transaction-based sales contributed to data library sales to varying degrees. Very little transaction-based sales revenue was generated in the other four quarters included in the above table. Seismic data library amortization is greater in quarters when participation surveys are completed, as each participation survey is amortized at 50 percent immediately upon delivery of data to the participant, with the remainder amortized equally over seven years.

During the past eight fiscal quarters, the fluctuations in net earnings or loss have largely been a function of revenue, data library amortization and impairment loss. 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 table above is presented in Canadian dollars, the Company's functional currency, and was prepared using the latest international financial reporting standards (IFRS).

Contractual Obligations

Pulse's known contractual obligations at March 31, 2016 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.

Contractual Obligations (thousands of dollars)	Payments due by period				
	Total	Less than 1 year	1 - 3 Years	4 - 5 Years	After 5 Years
Operating leases	628	520	108	-	-
Seismic data services contracts	564	379	185	-	-
Accounts payable and accrued liabilities	792	699	93	-	-
Total contractual obligations	1,984	1,598	386	-	-

On March 23, 2016 the Company executed an agreement with a data services provider to digitize the data acquired in January 2016. The agreement is effective from April 2016 to June 2017.

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

Liquidity, Capital Resources and Capital Requirements

At March 31, 2016 Pulse had working capital of \$2.9 million, including cash of \$1.0 million, compared to working capital of \$5.0 million, with \$222,000 owing on the operating line of credit at December 31, 2015. 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 provided by operating activities during the first quarter of 2016 for the following major cash outlays:

- / Investing activities of \$2.2 million, consisting mostly of additions to the seismic data library; and
- / Purchase and cancellation of 54,000 common shares through its NCIB, for a total of \$123,000 (at an average price of \$2.27 per common share including commissions).

The Company has a \$30 million revolving term credit facility of which up to \$5.0 million can be used as an operating line of credit. The credit facility includes an accordion feature to increase the facility's size up to \$70.0 million with the lenders' consent.

On January 18, 2016, at its own discretion, the Company reduced the facility's available borrowing amount to \$30.0 million from \$50.0 million.

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

- / 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 March 31, 2016 were calculated as follows (financial figures are stated in thousands of dollars):

Total Debt to Adjusted EBITDA Ratio

(thousands of dollars except ratio)

Total debt	-
Divided by:	
Adjusted EBITDA	15,627
Total debt to adjusted EBITDA ratio (not to exceed 2.50:1)	0:00:1

Adjusted EBITDA was calculated as follows:

Cash EBITDA for the twelve months ended December 31, 2015	15,121
Less: cash EBITDA for the three months ended March 31, 2015	(240)
Add: cash EBITDA for the three months ended March 31, 2016	266
TTM cash EBITDA	15,627
Adjustment for acquisitions or dispositions	-
Adjusted EBITDA	15,627

Interest Coverage Ratio (ICR)

(thousands of dollars except ratio)

Adjusted EBITDA	15,627
Divided by:	
Interest expense	257
ICR (to be at least 3:1)	61:1

Interest expense was calculated as follows:

Interest paid for the twelve months ended December 31, 2015	297
Less: interest paid for the three months ended March 31, 2015	87
Add: interest paid for the three months ended March 31, 2016	47
TTM interest paid	257
Adjustments	-
Interest expense	257

The Company was in compliance with the credit facility's covenants at March 31, 2016.

At March 31, 2016, the applicable floating interest rate on the syndicated revolving credit facility was 3.20 percent, which is based on a combination of the bankers' acceptance rate and an applicable margin tied to the Company's total debt to adjusted EBITDA ratio. The Company pays a standby fee based on the daily undrawn balance of the credit facility and its total debt to adjusted EBITDA ratio. The interest and standby fee rates are adjusted two business days after the covenant's calculation for the previous fiscal quarter is received and approved by the lenders. For the first quarter of 2016 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. On December 21, 2015, the Company renewed its NCIB. The Company may purchase, for cancellation, up to a maximum of 3,509,326 common shares, equal to 10 percent of the public float of 35,093,268 common shares as at December 15, 2015. The Company is limited under the NCIB to purchasing up to 5,134 common shares in any one day, subject to the block purchase exemption under TSX rules. The NCIB will continue until December 20, 2016. Purchases will be made on the open market through the TSX or alternative trading platforms at the market price of such shares. All shares purchased under the NCIB will be cancelled.

During the first quarter, the Company bought 54,000 shares at an average price of \$2.27 per common share including commissions. Purchases were made on the open market through the TSX or alternative trading platforms at the market price of such shares. All shares purchased under the NCIB are cancelled.

Funding for Pulse's future capital expenditures will generally depend on the level of future data library sales. Pulse's management believes that the Company's capital resources will be sufficient to finance future operations and carry out the necessary capital expenditures through the remainder of 2016. The Company anticipates that future capital expenditures will be financed through customer pre-funding, cash on hand, available credit facilities, and cash provided by operating activities. The Company has a \$30.0 million revolving credit facility for future draws, and an accordion feature allowing Pulse to increase the facility's size up to \$70.0 million, subject to the lender's 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, including raising additional capital where required to take advantage of opportunities for seismic data acquisitions or participation surveys. Historically, the Company has used a combination of debt and equity to finance growth initiatives, and it continues to rely on key internal measures such as the long-term debt to TTM cash EBITDA ratio and long-term debt to equity ratio, to structure and forecast its capital requirements. Pulse's management considers the current capital structure appropriate.

Long-Term Debt to TTM Cash EBITDA Ratio

	As of March 31,	
(thousands of dollars, except ratio)	2016	2015
Long-term debt	-	5,397
Divided by:		
TTM cash EBITDA	15,627	24,612
Long-term debt to TTM cash EBITDA ratio	0.00:1	0.22:1

The decrease in the long-term debt to TTM cash EBITDA ratio was attributable to the decrease in the long-term debt following repayments made during the fourth quarter of 2015 and no balance owing as of March 31, 2016.

Pulse uses debt strategically, to acquire high-quality seismic datasets that meet economic and technical criteria.

The long-term debt to equity ratio is calculated using the long-term debt balance divided by total equity. At March 31, 2016 and 2015 the long-term debt-to-equity ratios were as follows:

	As of March 31,	
(thousands of dollars, except ratio)	2016	2015
Long-term debt	-	5,397
Divided by: equity	43,341	52,796
Long-term debt to equity ratio	0.00:1	0.10:1

Repayment of the long-term debt during 2015 resulted in the elimination of the long-term debt to equity ratio year over year.

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

Non-Capital Resources

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

Non-GAAP Financial Measures and Reconciliations

This MD&A and the Company's continuous disclosure documents provide discussion and analysis of cash EBITDA and shareholder free cash flow. IFRS do not include standard definitions for these measures and, therefore, they may not be comparable to similar measures used and disclosed by other companies. As IFRS have been incorporated into Canadian generally accepted accounting principles (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 if applicable.

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 if applicable, 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 loss to EBITDA, cash EBITDA and shareholder free cash flow follows:

	Three months ended March 31,	
(thousands of dollars, excepts per share data)	2016	2015
Net loss	(3,494)	(3,347)
Add:		
Amortization of seismic data library	4,909	7,292
Net financing costs	56	136
Income tax reduction	(1,299)	(1,123)
Depreciation	36	46
EBITDA	208	3,004
Deduct:		
Participation survey revenue	-	3,220
Add:		
Non-cash expenses	58	(24)
Non-recurring expenses	-	-
Cash EBITDA	266	(240)
Deduct:		
Net financing costs	56	136
Current income tax expense	-	-
Add:		
Non-cash deferred financing charges	15	29
Shareholder free cash flow (SFCF)	225	(347)
Cash EBITDA per share (basic and diluted)	0.00	0.00
SFCF per share (basic and diluted)	0.00	(0.01)

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.

Credit Risk

There have been no significant changes in Pulse's credit risk as disclosed in the Company's MD&A for the year ended December 31, 2015.

At March 31, 2016, 78 percent of the total accounts receivable were due from three customers. These accounts receivable are expected to be collected subsequent to quarter-end.

Interest Rate Risk

There have been no significant changes in Pulse's interest rate risk as disclosed in the Company's MD&A for the year ended December 31, 2015.

Liquidity Risk

There have been no significant changes in Pulse's liquidity risk as disclosed in the Company's MD&A for the year ended December 31, 2015.

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, has a material impact on the Company's customers' cash flows and influences their capital spending. Changing commodity prices, therefore, indirectly though often powerfully affect Pulse's 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 changing oil and natural gas prices are an indirect influence, the financial impact on the Company 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 yet effective for the three months ended March 31, 2016. They were not applied in preparing the condensed consolidated interim financial statements. None is expected to have a significant effect on the consolidated financial statements, except:

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

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

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

Critical Accounting Estimates

There have been no significant changes in Pulse's critical accounting estimates as disclosed in the Company's MD&A for the year ended December 31, 2015.

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

The Company applies the COSO Internal Control – Integrated Framework (2013 Framework). There were no changes in the ICFR that occurred during the period beginning on January 1, 2016 and ending on March 31, 2016 that materially affected, or are reasonably likely to materially affect, the Company's ICFR. There were no material weaknesses relating to the design of the ICFR identified. As well, there were no limitations on the scope of the design of the DC&P or the ICFR.

Risk Factors

There have been no significant changes in Pulse's risk factors as described in the Company's MD&A for the year ended December 31, 2015.

Additional Information

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

Forward-Looking Information

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

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

- /** Pulse's short term outlook remains more cautious than one year ago;
- /** It is possible that traditional sales for the year will be lower than in 2015;
- /** Pulse continues to see improved prospects for merger and acquisition activity in 2016;
- /** Pulse's capital allocation strategy;
- /** Pulse's dividend policy;
- /** Oil and natural gas prices;
- /** Oil and natural gas drilling activity and land sales activity;
- /** Oil and natural gas company capital budgets;
- /** Future demand for seismic data;
- /** Future seismic data sales;
- /** Future demand for participation surveys;
- /** Pulse's business and growth strategy; and
- /** Other expectations, beliefs, plans, goals, objectives, assumptions, information and statements about possible future events, conditions, results and performance.

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

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

The material risk factors include, without limitation:

- / Oil and natural gas prices;
- / Seismic industry cycles and seasonality;
- / The demand for seismic data and participation surveys;
- / The pricing of data library licensing sales;
- / Relicensing (change-of-control) fees, partner copy sales and asset disposition-related sales;
- / The level of pre-funding of participation surveys, and the Company's ability to make subsequent data library sales from such participation surveys;
- / The Company's ability to complete participation surveys on time and within budget;
- / Environmental, health and safety risks;
- / The effect of seasonality and weather conditions on participation surveys;
- / Federal and provincial government laws and regulations, including those pertaining to taxation, royalty rates, environmental protection and safety;
- / Competition;
- / Dependence on qualified seismic field contractors;
- / Dependence on key management, operations and marketing personnel;
- / The loss of seismic data;
- / Cybersecurity threats;
- / Protection of intellectual property rights; and
- / The introduction of new products.

The foregoing list is not exhaustive. Additional information on these risks and other factors which could affect the Company's operations and financial results is included under "Risk Factors" for the most recently completed financial year and interim periods. Forward-looking information is based on the assumptions, expectations, estimates and opinions of the Company's management at the time the information is presented.