CONDENSED CONSOLIDATED INTERIM STATEMENTS OF FINANCIAL POSITION

(thousands of Canadian dollars) (unaudited) As at	Note	**June 30, 2016**	December 31, 2015
Assets			
Cash and cash equivalents		**1,849**	-
Trade and other receivables		**2,857**	6,158
Prepaid expenses		**404**	292
Total current assets		**5,110**	6,450
Seismic data library	6	**41,723**	47,623
Property and equipment		**423**	489
Other		**-**	56
Total non-current assets		**42,146**	48,168
Total assets		**47,256**	54,618
Liabilities and Shareholders' Equity			
Operating line of credit	7	**-**	222
Accounts payable and accrued liabilities		**602**	809
Deferred revenue		**423**	423
Total current liabilities		**1,025**	1,454
Deferred income tax liabilities		**5,506**	7,699
Other long-term payable		**58**	76
Total non-current liabilities		**5,564**	7,775
Total liabilities		**6,589**	9,229
Shareholders' Equity			
Share capital	8	**77,864**	76,504
Contributed surplus		**2,128**	2,184
Deficit		**(39,325)**	(33,299)
Total shareholders' equity		**40,667**	45,389
Total liabilities and shareholders' equity		**47,256**	54,618

See accompanying notes to condensed consolidated interim financial statements.

CONDENSED CONSOLIDATED INTERIM STATEMENTS OF COMPREHENSIVE LOSS

(thousands of Canadian dollars except per share data) (unaudited)	Note	Three months ended June 30, **2016**	2015	Six months ended June 30, **2016**	2015
Revenue					
Data library sales		**2,779**	6,461	**4,550**	7,777
Participation surveys		**-**	-	**-**	3,220
Total revenue		**2,779**	6,461	**4,550**	10,997
Operating expenses					
Amortization of seismic data library		**4,706**	5,303	**9,615**	12,595
Salaries, internal commissions and benefits		**821**	1,004	**1,635**	1,806
Other selling, general and administrative costs		**524**	569	**1,273**	1,299
Depreciation		**36**	46	**72**	92
Total operating expenses		**6,087**	6,922	**12,595**	15,792
Results from operating activities		**(3,308)**	(461)	**(8,045)**	(4,795)
Financing costs					
Financing expenses		**39**	145	**95**	282
Interest income		**-**	-	**-**	(1)
Net financing costs		**39**	145	**95**	281
Loss before income taxes		**(3,347)**	(606)	**(8,140)**	(5,076)
Current income tax reduction		**-**	-	**-**	-
Deferred income tax (reduction)		**(906)**	434	**(2,205)**	(689)
Income tax expense (reduction)		**(906)**	434	**(2,205)**	(689)
Net loss and comprehensive loss		**(2,441)**	(1,040)	**(5,935)**	(4,387)
Net loss per share, basic and diluted	10	**(0.04)**	(0.02)	**(0.11)**	(0.08)

See accompanying notes to condensed consolidated interim financial statements.

CONDENSED CONSOLIDATED INTERIM STATEMENTS OF CHANGES IN EQUITY

(thousands of Canadian dollars, except number of shares) (unaudited)	Note	Number of shares issued (repurchased)	Share capital	Contributed surplus	Deficit	Total equity
Balance at January 1, 2015		57,247,843	78,782	2,399	(22,780)	58,401
Net loss for the period		-	-	-	(4,387)	(4,387)
Share-based compensation		-	-	72	-	72
Settlement of vested long-term incentive plan award		-	-	(325)	-	(325)
Tax effect of equity-settled share-based compensation		-	-	(117)	-	(117)
Normal course issuer bid		(421,400)	(580)	-	(648)	(1,228)
Shares cancelled and related dividends		(29,754)	(41)	41	28	28
Dividends paid	8	-	-	-	(2,276)	(2,276)
Balance at June 30, 2015		56,796,689	78,161	2,070	(30,063)	50,168

	Note	**Number of shares issued (repurchased)**	**Share capital**	**Contributed surplus**	**Deficit**	**Total equity**
Balance at January 1, 2016		**55,592,689**	**76,504**	**2,184**	**(33,299)**	**45,389**
Net loss for the period		**-**	**-**	**-**	**(5,935)**	**(5,935)**
Share-based compensation		**-**	**-**	**128**	**-**	**128**
Settlement of vested long-term incentive plan award		**-**	**-**	**(172)**	**-**	**(172)**
Shares issued	8	**669,643**	**1,500**	**-**	**-**	**1,500**
Tax effect of equity-settled share-based compensation		**-**	**-**	**(12)**	**-**	**(12)**
Normal course issuer bid		**(100,900)**	**(140)**	**-**	**(91)**	**(231)**
Balance at June 30, 2016		**56,161,432**	**77,864**	**2,128**	**(39,325)**	**40,667**

See accompanying notes to condensed consolidated interim financial statements.

CONDENSED CONSOLIDATED INTERIM STATEMENTS OF CASH FLOWS

(thousands of Canadian dollars) (unaudited) For the six months ended June 30,	Note	**2016**	2015
Cash flows provided by (used in):			
Operating:			
Net loss and comprehensive loss		**(5,935)**	(4,387)
Adjustment for:			
Amortization of seismic data library		**9,615**	12,595
Depreciation		**72**	92
Loss on disposition of capital assets		**-**	2
Income tax reduction		**(2,205)**	(689)
Equity-settled share-based compensation		**128**	72
Net financing costs		**95**	281
Interest paid		**(76)**	(190)
Interest received		**-**	1
		1,694	7,777
Net change in non-cash working capital	11	**2,995**	(1,416)
Cash provided by operating activities		**4,689**	6,361
Financing:			
Normal course issuer bid		**(231)**	(1,228)
Shares purchased for equity-settled share-based payments		**(166)**	(325)
Dividends paid		**-**	(2,276)
Dividend recovery from share cancellation		**-**	28
Cash used in financing activities		**(397)**	(3,801)
Investing:			
Additions to seismic data library through participation surveys		**-**	(3,968)
Seismic data purchases, digitization and related costs	6	**(2,215)**	(183)
Additions to property and equipment		**(6)**	(14)
Net change in non-cash working capital		**-**	(1,774)
Cash used in investing activities		**(2,221)**	(5,939)
Increase (decrease) in cash and cash equivalents		**2,071**	(3,379)
Cash and cash equivalents (operating line of credit), beginning of period		**(222)**	901
Cash and cash equivalents (operating line of credit), end of period		**1,849**	(2,478)

See accompanying notes to condensed consolidated interim financial statements.

NOTES TO CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS (UNAUDITED)

Information as at June 30, 2016, December 31, 2015 and for the six months ended June 30, 2016 and 2015.
(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 condensed consolidated interim financial statements were prepared in accordance with International Financial Reporting Standards (IFRS).

The condensed consolidated interim financial statements were prepared by the Company's management and were approved by the Board of Directors on July 27, 2016.

(b) Basis of presentation

The condensed consolidated interim financial statements include the accounts of the Company's wholly-owned subsidiaries. Certain comparative figures have been reclassified to conform to the current year's presentation.

(c) Basis of measurement

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

(d) Functional and presentation currency

The condensed consolidated interim financial statements are presented in Canadian dollars, which is the Company's functional currency. All financial information presented 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 condensed consolidated interim 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 condensed consolidated interim financial statements.

(f) Use of estimates and judgements

Preparing the condensed consolidated interim 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.

The significant judgments made by management in applying the accounting policies and the key sources of estimation uncertainty in preparing the condensed consolidated interim financial statements were the same as those applied to the audited consolidated financial statements as at and for the year ended December 31, 2015.

The Canada Revenue Agency (CRA) may revise the way it assesses amortization for income tax purposes of certain seismic data library costs. To date the CRA has issued no policy related to this matter and, therefore, the Company is not able to estimate the impact any changes might have on its income tax calculations, carry-forward balances or consolidated financial statements.

3 | Significant accounting policies

The accounting policies adopted by the Company are described in the audited consolidated financial statements for the year ended December 31, 2015.

A number of new standards, and amendments to standards and interpretations, have been issued by the International Accounting Standards Board (IASB) but are not effective for the year ended December 31, 2016. Accordingly, they were not applied in preparing the condensed consolidated interim financial statements. None is expected to have a significant effect on the Company's future 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 also 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.

4 | Seismic industry cycles and seasonality

Revenue fluctuations are a normal part of the seismic data library business and data library sales can vary significantly from quarter to quarter. Fourth-quarter data library sales have frequently been stronger than in other quarters, with seismic data sales being triggered as oil and natural gas companies finalize capital expenditures near year-end. Third-quarter data library sales are often lower than in other quarters due to slower business conditions during the summer months. Data library sales can, however, occur at any time during any quarter. This is due to the nearly continual changes in general oil and natural gas industry conditions, increased demand for seismic data covering a specific area or play, timing of public offerings of petroleum and natural gas rights (land sales), as well as corporate merger-and-acquisition, joint venture and asset disposition activity by Pulse's clients.

Participation survey revenue also varies significantly from quarter to quarter. The majority of new 3D seismic data is typically acquired under frozen ground conditions from November to March. Summer seismic programs can only be completed in certain areas that have drier ground conditions and can be easily accessed without environmental harm. In addition, the size and pre-funding levels of individual participation surveys can vary significantly.

5 | Participation surveys in progress

As at	June 30, 2016	December 31, 2015
Opening balance, January 1	-	36
Costs incurred	-	3,959
Transferred to seismic data library	-	(3,995)
Closing balance	-	-

No participation survey was in progress at June 30, 2016. The Peco South 3D survey was delivered during the first quarter of 2015.

6 | Seismic data library

As at	June 30, 2016	December 31, 2015
Cost		
Opening balance, January 1	**439,455**	434,527
Acquisitions through purchases and related cost	**3,715**	933
Transferred from participation surveys in progress	-	3,995
Closing balance	**443,170**	439,455
Accumulated amortization		
Opening balance, January 1	**391,832**	368,059
Amortization for the period	**9,615**	22,836
Impairment loss for the period	-	937
Closing balance	**401,447**	391,832
Carrying amount	**41,723**	47,623

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

At June 30, 2016, no indicators of impairment were identified for any cash-generating unit and, accordingly, an impairment test was not performed.

7 | Long-term debt and operating line of credit

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

On January 18, 2016 the Company elected to reduce the facility's available borrowing amount to $30.0 million from $50.0 million. Up to $5.0 million of the revolving facility is available as an operating line of credit. As at June 30, 2016, the operating line of credit was $nil (December 31, 2015 – $222,000), and long term-debt was $nil (December 31, 2015 – $nil). The credit facility includes an accordion feature which allows the Company to increase the facility to $70.0 million with the lenders' consent. The accordion incurs no renewal or standby fees. At the same time, the Company negotiated a one-year extension and the maturity date is currently February 13, 2019. The Company has the option on an annual basis to extend the maturity date for one additional year with the lenders' approval and has done so each year.

Interest on the syndicated revolving bank loan is calculated based on the lender's prime rate, bankers' acceptance rate or LIBOR, plus an applicable margin based on the covenant ratio of total debt to adjusted earnings before interest, tax, depreciation and amortization (adjusted EBITDA). At June 30, 2016 the applicable interest rate on the long-term debt was 3.2 percent if the Company was to use its credit facility.

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

The covenants include two financial ratio tests. The first is that the total debt to adjusted EBITDA must not exceed a ratio of 2.50:1. The ratio was 0.00:1 at June 30, 2016. The second financial covenant is that the interest coverage ratio must be at least 3:1 at all times. The ratio was 66:1 at June 30, 2016. The Company was in compliance with all covenants at June 30, 2016.

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

8 | Equity

(a) Share capital

The purchase price of the $3.65 million acquisition discussed in Note 6 was funded with $2.15 million cash plus the issuance of 669,643 Pulse common shares valued at approximately $2.24 per share, based on the 10-day volume- weighted average price of the shares on the Toronto Stock Exchange at close of trading on January 21, 2016.

(b) Dividends

On March 31, 2015, the Company declared a quarterly dividend of $0.02 per common share. It was paid on April 10, 2015 to shareholders of record at the close of business on March 27, 2015.

On May 6, 2015, the Company declared a quarterly dividend of $0.02 per common share. The dividend was paid on June 19, 2015 to shareholders of record at the close of business on June 5, 2015.

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

9 | Share-based payments

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

The LTIP awards consist of restricted share units (RSU) and performance share units (PSU), 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, if applicable, on the common shares.

On March 31, 2016 one-third of the awards which were eligible to vest were RSUs and two-thirds were PSUs. The Company's performance in 2015 did not meet the predetermined performance measures and, consequently, no PSUs vested on March 31, 2016. RSUs vest automatically based upon time and, consequently, 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 were paid in June 2016 to settle fully the accrued cash-settled portion of the share-based payment liabilities.

In determining the amount of equity-settled share-based compensation related to PSUs, management makes estimates about future results and vesting criteria. It is reasonably possible that future outcomes could differ from the estimates, which are based on current knowledge, 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.

In the condensed consolidated interim statement of comprehensive loss for the six months ended June 30, 2016, the Company recognized $219,000 in compensation expense (six months ended June 30, 2015 – $82,000) related to the LTIP in salaries, internal commissions and benefits. The equity-settled portion was $128,000 (six months ended June 30, 2015 – $72,000) and the cash-settled portion was $91,000 (six months ended June 30, 2015 – $10,000). At June 30, 2016 the obligation related to the cash-settled portion of the LTIP was $131,000 with $73,000 included in accounts payable and accrued liabilities and $58,000 included in other long-term liabilities.

The following summarizes activity in the Company's LTIP notional accounts during the periods ended March 31, 2016 and 2015:

	Three months ended June 30,		Six months ended June 30,	
RSUs	**2016**	2015	**2016**	2015
Outstanding, beginning of period	**364,211**	385,404	**344,729**	427,359
Vested	**-**	–	**(121,713)**	(174,577)
Granted	**-**	–	**142,055**	133,520
Dividend-equivalent share units	**-**	5,826	**-**	5,826
Cancelled or forfeited	**(16,797)**	(3,276)	**(17,657)**	(4,174)
Outstanding, end of period	**347,414**	387,954	**347,414**	387,954

	Three months ended June 30,		Six months ended June 30,	
PSUs	**2016**	2015	**2016**	2015
Outstanding, beginning of period	**527,702**	585,639	**498,746**	658,896
Vested	**-**	–	**-**	(10,910)
Granted	**-**	–	**208,469**	201,950
Dividend-equivalent share units	**-**	8,892	**-**	8,892
Cancelled or forfeited	**(38)**	(8,118)	**(179,551)**	(272,415)
Outstanding, end of period	**527,664**	586,413	**527,664**	586,413

On March 31, 2016, 121,713 RSUs vested and were settled in June 2016. The 177,812 PSUs which were eligible to vest did not meet the performance criteria and were cancelled from the notional account on the vesting date.

The RSUs and PSUs cancelled or forfeited during the period relate to employees no longer with the Company on June 30, 2016.

10 | Earnings per share

(a) Basic earnings per share

The calculation of basic earnings per share for the three and six months ended June 30, 2016 was based on the net loss attributable to common shareholders of $5.9 million (six months ended June 30, 2015 – net loss of $4.4 million) and a weighted average number of common shares outstanding of 56,109,173 (six months ended June 30, 2015 – 56,932,213), calculated as follows:

	Three months ended June 30,		Six months ended June 30,	
	2016	2015	**2016**	2015
Common shares outstanding at beginning of period	**56,208,332**	56,882,889	**55,592,689**	57,247,843
Effect of common shares issued during period	**-**	-	**573,980**	-
Effect of common shares purchased and cancelled during period	**(33,026)**	(8,504)	**(57,496)**	(315,630)
Weighted average number of common shares (basic)	**56,175,306**	56,874,385	**56,109,173**	56,932,213

(b) Diluted earnings per share

The Company does not have any dilutive securities.

11 | Net change in non-cash operating working capital

For the six months ended June 30,	**2016**	2015
Trade and other receivables	**3,301**	(9)
Prepaid expenses	**(112)**	(8)
Accounts payable and accrued liabilities	**(207)**	(786)
Deferred revenue	**-**	(473)
Other long-term payable	**(18)**	(109)
Others	**31**	(31)
Net change in non-cash operating working capital	**2,995**	(1,416)

12 | Financial instruments

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.

13 | Major customers

Data library sales to three customers represented approximately $3.8 million or 85 percent of the Company's total data library sales for the six months ended June 30, 2016 (six months ended June 30, 2015 – sales to two customers represented approximately $5.8 million or 74 percent).