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

Three and Nine Months Ended September 30, 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 and nine months ended September 30, 2016 was prepared taking into consideration information available to November 2, 2016 and should be read with the unaudited condensed consolidated interim financial statements and related notes for the three and nine months ended September 30, 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 and nine months ended September 30, 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

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 EBITDA, shareholder free cash flow, and the long-term debt to trailing twelve-month (TTM) cash EBITDA ratio. Cash EBITDA and shareholder free cash flow are non-GAAP financial measures. The definitions, calculations and reconciliations of cash EBITDA and shareholder free cash flow to the nearest GAAP financial measures are provided in "Non-GAAP Financial Measures and Reconciliations". The calculations of TTM cash EBITDA and the 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 and nine months ended September 30, 2016, with comparative figures for 2015, are set out in the following table:

	Three months ended September 30,			Nine months ended September 30,		
(thousands of dollars except per share data and ratios)	**2016**	2015	Variance	**2016**	2015	Variance
Data library sales	**5,613**	4,678	935	**10,163**	12,455	(2,292)
Participation survey revenue	**-**	-	-	**-**	3,220	(3,220)
Total seismic revenue	**5,613**	4,678	935	**10,163**	15,675	(5,512)
Net loss	**(302)**	(1,579)	1,277	**(6,237)**	(5,966)	(271)
Per share basic and diluted	**(0.01)**	(0.03)	0.02	**(0.11)**	(0.10)	(0.01)
Cash EBITDA	**4,353**	3,332	1,021	**6,123**	8,078	(1,955)
Per share basic and diluted	**0.08**	0.06	0.02	**0.11**	0.14	(0.03)
Shareholder free cash flow	**4,336**	3,249	1,087	**6,026**	7,773	(1,747)
Per share basic and diluted	**0.08**	0.06	0.02	**0.11**	0.14	(0.03)
Long-term debt to TTM cash EBITDA ratio				**0.00:1**	0.10:1	(0.10):1

All key performance indicators improved in the third quarter of 2016 from the third quarter of 2015.

Data library sales were higher by $935,000 quarter-over-quarter and the net loss for the three months ended September 30, 2016 was $302,000 compared to $1.6 million for the three months ended September 30, 2015. In the third quarter of 2016, higher data library sales along with a reduction in amortization expense and salaries, internal commissions and benefits contributed to reducing the net loss from the same period of 2015.

Cash EBITDA for the three months ended September 30, 2016 was $4.4 million versus $3.3 million for the three months ended September 30, 2015. Shareholder free cash flow for the three months ended September 30, 2016 was $4.3 million versus $3.2 million for the three months ended September 30, 2015. The main factor behind the increases in cash EBITDA and shareholder free cash flow period-over-period was the increase in data library sales.

Regarding the nine months of 2016, the $2.3 million decrease in data library sales and the $3.2 million decrease in participation survey revenue from the comparative period of 2015 are the main factors contributing to the decline in the Company's key performance metrics period-over-period. The Company has experienced lower data library sales in 2016 due to drastic cutbacks in the energy-producing sector's capital spending. Also, there were no participation surveys conducted in 2016. While the net loss increased by only $271,000 over the nine months of 2015, cash EBITDA was $2.0 million less and shareholder free cash flow was $1.7 million less period-over-period. The main factor behind the decrease in cash EBITDA and shareholder free cash flow period-over-period was the decrease in data library sales, as participation survey revenue is not included in the calculation of cash EBITDA or shareholder free cash flow.

Participation Surveys Seasonality

Participation survey revenue varies significantly from quarter to quarter and year to year. 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. The number and size of participation surveys undertaken from 2014 to 2016 has been considerably less than historical averages.

Outlook

The Company is observing a number of positive signs that, although individually modest, collectively point towards a strengthened oil and natural gas industry outlook. Pulse's improved seismic data library sales in the third quarter made up some of the ground lost in the weak second quarter. Pulse continues to have poor visibility regarding both traditional and transaction-based data library sales for the remainder of the year and, accordingly, overall data library sales for 2016 could be lower year-over-year.

Industry merger and acquisition activity, the primary source of Pulse's transaction-based sales, has been lower than expected to date this year. Although many producing asset packages and companies continue to be marketed, bid-ask spreads remain high and some management teams appear to be attempting to "hold on" until better times.

Mineral lease auctions across western Canada have remained extremely low, as has oil and natural gas drilling activity. The Canadian Association of Oilwell Drilling Contractors' revised 2016 drilling forecast, issued in late September, calls for only 3,562 wells to be drilled in 2016, down by 25 percent from the organization's original forecast of 4,728 wells and down from 5,300 wells drilled in 2015. Drilling rig utilization was only 17 percent in the third quarter compared to 24 percent utilization of a larger drilling fleet in the same months of 2015.

These figures mainly confirm, however, that 2016 will be a weak year for the industry and suggest low field activity for the short term. Certain other forward-looking indicators appear to be improving. In mid-October crude oil prices did briefly climb above US$50 per barrel WTI amidst indicators that the growth in crude oil inventories has halted and may begin to decline.

Natural gas prices have improved markedly. The Alberta benchmark AECO price closed at $3.25 per mcf on October 20. This was up from $2.61 per mcf one year earlier and is significantly higher than the year-to-date average price of $1.95 per mcf. Natural gas storage volumes in the United States, though high, are now tracking the upper end of the five-year weekly range. The Energy Information Administration (EIA) recently predicted robust growth in U.S. residential natural gas consumption over the winter. Meanwhile, with barely 100 rigs drilling for natural gas in the U.S., production from unconventional shale reservoirs is continuing its decline.

Pipeline exports to Mexico continue to grow, while Cheniere Energy's Sabine Pass project, North America's first large-scale LNG export operation, now has two liquefaction trains licensed for commercial operations. The EIA forecasts that U.S. LNG exports will average 1.3 billion cubic feet per day in 2017, marking the country's first material export volumes spanning an entire year. In Canada, federal approval (with numerous conditions) of the Pacific Northwest LNG export facility is a positive step towards a final investment decision for this landmark project.

Together, these factors suggest potential for a supply-demand rebalancing to take hold in North America. For western Canada's upstream oil and gas sector, low to negative cash flows, typically heavy debt loads, low share prices and investor caution are likely to delay by a number of months or quarters a noticeable supply response in the form of greater field capital expenditures, land acquisitions and drilling.

The price-related trends for both major hydrocarbon commodities are, however, generally positive for the first time in at least two years. Higher industry capital spending historically has been associated with higher data library sales. For this reason, Pulse remains very cautious about the short term, but is becoming more optimistic regarding the medium term.

Due to its low cost structure, Pulse is a high-margin business under even modestly positive levels of data library sales, and creates significant leverage for cash EBITDA and shareholder free cash flow under a significant rebound in data library sales.

In the meantime, Pulse will remain financially prudent. With zero long-term debt and cash of $3.9 million at September 30, the Company's balance sheet is even stronger than at the end of the first or second quarters. The Company's ability to generate cash EBITDA and shareholder free cash flow in all three quarters underscores the benefits of the Company's cash-focused business model. Pulse's long-term goal continues to be growing into Western Canada's largest licensable seismic data library.

Discussion of Operating Results

Summary for the Three and Nine Months Ended September 30, 2016

Loss Before Income Taxes

For the three months ended September 30, 2016, the Company had a loss before income taxes of $468,000 ($0.01 per share basic and diluted) compared to a loss of $2.2 million ($0.04 per share basic and diluted) for the comparable period of 2015.

The main reasons for the decreased loss in the three-month periods was the increase in data library sales and a reduction in the amortization expense.

For the nine months ended September 30, 2016, the Company had a loss before income taxes of $8.6 million ($0.15 per share basic and diluted) compared to a loss of $7.2 million ($0.13 per share basic and diluted) for the comparable period of 2015.

The main reasons for the increased loss in the nine-month periods was the reduction in total seismic revenue, which was offset only partially by a reduction in the amortization expense.

Revenue

Total revenue, which includes data library sales and participation survey revenue, for the three months ended September 30, 2016 was $5.6 million compared to $4.7 million for the three months ended September 30, 2015. Both quarters consisted solely of data library sales.

Total revenue for the nine months ended September 30, 2016 was $10.2 million, consisting solely of data library sales, compared to $15.7 million for the nine months ended September 30, 2015, which comprised $12.5 million in data library sales and $3.2 million in participation survey revenue.

Data Library Sales

Data library sales consist of traditional sales and transaction-based sales, which are further broken down according to their type of triggering event: corporate merger or acquisition sales, partnership or joint venture 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 three months ended September 30, 2016, data library sales were $5.6 million, with 52 percent categorized as traditional sales. For the three months ended September 30, 2015, data library sales were $4.7 million, with 17 percent categorized as traditional sales.

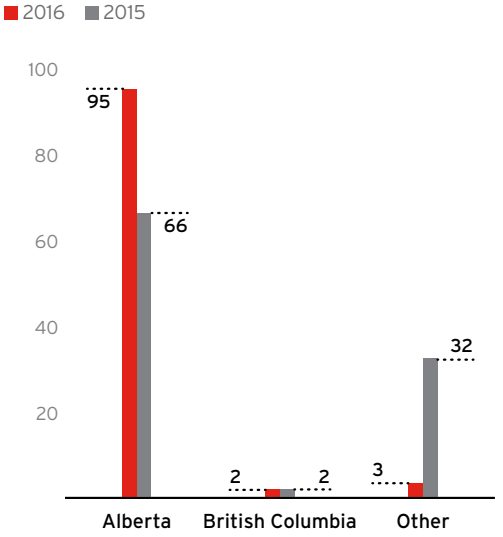
For the nine months ended September 30, 2016, data library sales were $10.2 million, with 62 percent categorized as traditional sales. For the nine months ended September 30, 2015, data library sales were $12.5 million, with 26 percent categorized as traditional sales.

The Company experienced lower data library sales in both 2016 and 2015 due to the ongoing cutbacks in the energy-producing sector's capital spending and lower-than-expected merger-and-acquisition activities that could trigger transaction-based sales.

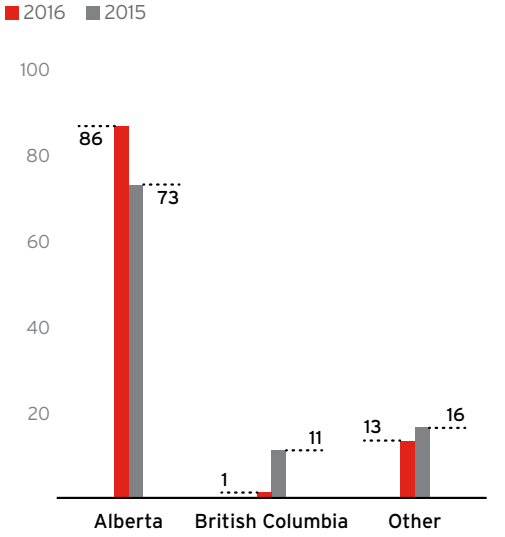
Geographical Sales Breakdown

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 two years has further hampered 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 both 2016 and 2015, the Company licensed 2D data located in Saskatchewan and Manitoba, in addition to Alberta.

GEOGRAPHICAL SALES BREAKDOWN *(%)* FOR THE THREE MONTHS ENDED SEPTEMBER 30

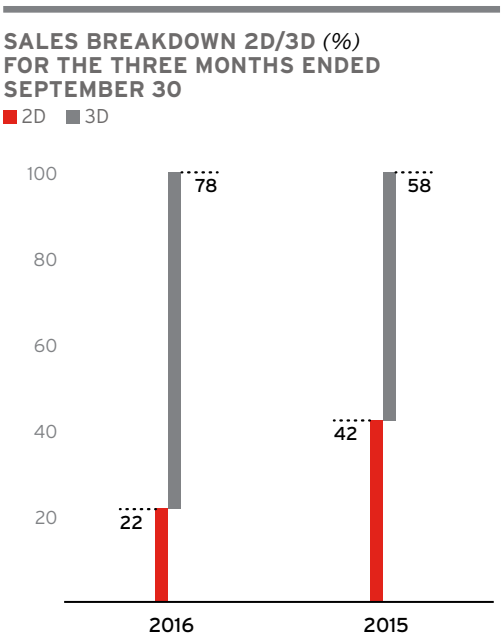


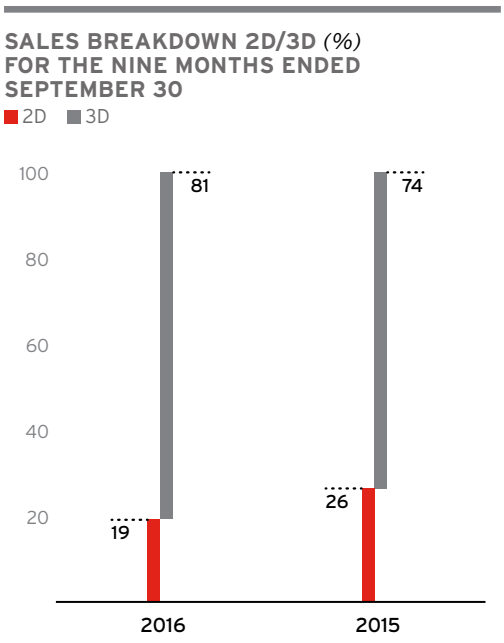
GEOGRAPHICAL SALES BREAKDOWN *(%)* FOR THE NINE MONTHS ENDED SEPTEMBER 30



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 can fluctuate significantly depending on the number of 3D seismic sale contracts signed during a given period. In both the three and nine months ended September 30, 2016, the Company licensed more 3D data than in the comparable periods in 2015.





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 2016. By comparison, in the first quarter of 2015, the Company recognized $3.2 million of revenue from the conduct of a participation survey.

Amortization of Seismic Data Library

Seismic data library amortization expense was $4.7 million for the third quarter of 2016 compared to $5.3 million in the third quarter of 2015. For the nine months of 2016, the Company recognized $14.3 million in seismic data library amortization expense, compared to $17.9 million during the comparable period of 2015.

Amortization expense for the three months ended September 30, 2016 fell from the comparable period of 2015 as certain older data sets reached full amortization. This also contributed to the reduction in amortization expense for the nine months ended September 30, 2016 from the comparable period of 2015, which was mainly driven by the initial 50 percent amortization expense of $2.0 million recorded upon completion of the 3D participation survey during the first quarter of 2015. As stated above, there were no surveys completed in 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 September 30, 2016, SCB was $714,000, compared to $925,000 in the comparable period of 2015. During the nine months ended September 30, 2016 SCB was $2.3 million, compared to $2.7 million in the comparable period in 2015.

Salaries and internal commissions have decreased significantly year-over-year due mainly to staff reduction and lower sales. Also in 2015, as is normal practice, $51,000 of the salary expense related to the operations group was capitalized to the cost of the survey conducted in the first quarter. There was no similar reallocation in 2016.

With a lower number of staff, no increase in salaries for 2016 over 2015, and savings related to changes made to the employee benefits programs, the Company's savings related to SCB are $382,000 so far in 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 September 30, 2016 was $594,000 compared to $492,000 for the three months ended September 30, 2015. The increase in the SG&A is a combination of increases in external commissions paid to brokers, consulting fees and hardware and software maintenance.

SG&A for the nine months ended September 30, 2016 was $1.9 million compared to $1.8 million for the nine months ended September 30, 2015. The increase in the SG&A is again due to increases in external commissions paid to brokers, consulting fees and hardware and software maintenance.

Net Financing Costs

Net financing costs for the three months ended September 30, 2016 were $36,000, compared to $112,000 for the comparable period in 2015. For the nine months ended September 30, 2016 net financing costs decreased to $131,000 from $393,000 for the comparable period in 2015.

Financing expenses 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. Both were lower in 2016 than in 2015, in line with the reduction to the size of the revolving facility from $50.0 million to $30.0 million.

Taxes

The income tax reduction for the three months ended September 30, 2016 was $166,000 compared to income tax reduction of $581,000 for the comparable 2015 period. The income tax reduction for the nine months ended September 30, 2016 was $2.4 million, reflecting an effective tax rate of 27.5 percent, compared to the income tax reduction of $1.3 million and an effective tax rate of 17.6 percent for the comparable 2015 period.

Effective July 1, 2015 the government of Alberta increased the general corporate income tax rate from 10 percent to 12 percent.

Review of Financial Position

As at September 30, 2016

Seismic Data Library

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.

On September 27, 2016 the Company closed a small acquisition and added approximately 29 net square kilometres of 3D seismic data. The cost of the acquisition was $100,000.

At September 30, 2016, the Company has considered indicators of impairment for each of its cash-generating units, and based on that review no impairment tests were performed.

The Company continues to evaluate new opportunities to partner with customers on potential future participation surveys but to date has made no commitments for the 2016/2017 winter season.

Other

In the third quarter of 2016 the Company closed a $1.0 million data licensing sale with extended payment terms. Of that amount, $500,000 has been paid. The balance is due in two payments: 50 percent on June 30, 2017 and 50 percent on December 31, 2017. The final payment is therefore recorded as a long-term asset.

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 September 30,		Nine months ended September 30,	
	2016	2015	**2016**	2015
Weighted average shares outstanding:				
Basic and diluted	**56,161,432**	56,618,252	**56,126,720**	56,826,409
Shares outstanding at period-end			**56,161,432**	56,352,989
Shares outstanding at November 2, 2016			**56,161,432**	

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; all of the eligible RSUs, therefore, 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.

At September 30 and November 2, 2016, there were 343,440 RSUs and 519,717 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 September 30, 2016 the Company's deficit was $39.6 million, compared to $33.3 million at December 31, 2015. Contributing to the deficit was the $6.2 million net loss in 2016.

Dividends

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

Deferred Tax Liability

The net deferred income tax liability was $5.4 million at September 30, 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.

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.

Financial Summary of Quarterly Results

		2016			2015			2014
(thousands of dollars, except per share data)	**Q3**	**Q2**	**Q1**	Q4	Q3	Q2	Q1	Q4
Data library sales	**5,613**	**2,779**	**1,771**	8,759	4,678	6,461	1,316	8,385
Participation survey revenue	**-**	**-**	**-**	-	-	-	3,220	-
Total revenue	**5,613**	**2,779**	**1,771**	8,759	4,678	6,461	4,536	8,385
Amortization of seismic data library	**4,701**	**4,706**	**4,909**	4,979	5,262	5,303	7,292	5,279
Impairment loss	**-**	**-**	**-**	937	-	-	-	-
Net earnings (loss)	**(302)**	**(2,441)**	**(3,494)**	658	(1,579)	(1,040)	(3,347)	824
Per share – basic and diluted	**(0.01)**	**(0.04)**	**(0.06)**	0.01	(0.03)	(0.02)	(0.06)	0.01

The revenue streams generated by Pulse's operations are data library sales and participation survey revenue. Revenue fluctuations are a normal part of the seismic data library business and data library sales can vary significantly from quarter to 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. Data library sales consist of traditional sales and transaction-based sales. There are three main types of transaction-based sale: corporate merger or acquisition sales, partnership or joint venture 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.

During the second and third quarters of 2015, transaction-based sales contributed to data library sales to varying degrees. Very little transaction-based sales revenue was generated in the other six quarters covered by 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

There have been no material changes to Pulse's contractual obligations from those discussed in the Company's MD&A for the three months ended March 31, 2016.

Liquidity, Capital Resources and Capital Requirements

At September 30, 2016 Pulse had working capital of $8.0 million, including cash of $3.9 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, when the Company has debt outstanding it maintains only the minimum cash balance required for operations.

In the first nine months of 2016 the Company generated cash from operating activities of $7.0 million compared to $14.2 million for the same period in 2015.

The Company utilized $3.0 million of the cash provided by operating activities during 2016 for the following major cash outlays:

- Investing activities of $2.4 million, consisting mostly of additions to the seismic data library;
- The purchase and cancellation of 100,900 common shares through its normal course issuer bid (NCIB), for a total of $231,000 (at an average price of $2.29 per common share including commissions);
- Repaid the $222,000 balance owning on the operating line of credit; and
- To purchase shares to settle the 2015 LTIP obligation for $166,000.

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 12-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 September 30, 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	13,166
Total debt to adjusted EBITDA ratio (not to exceed 2.50:1)	0.00:1

Total debt was calculated as follows:
(thousands of dollars)

Long-term debt	–
Add: operating line of credit	–
Add: deferred financing charges	–
Total debt	–

Adjusted EBITDA was calculated as follows:

(thousands of dollars)

Cash EBITDA for the 12 months ended December 31, 2015	15,121
Less: cash EBITDA for the nine months ended September 30, 2015	8,078
Add: cash EBITDA for the nine months ended September 30, 2016	6,123
TTM cash EBITDA	13,166
Adjustment for acquisitions or dispositions	–
Adjusted EBIDTA	13,166

Interest Coverage Ratio (ICR)

(thousands of dollars except ratio)

Adjusted EBITDA	13,166
Divided by:	
Interest expense	148
Interest coverage ratio (to be at least 3:1)	89:1

Interest expense was calculated as follows:

(thousands of dollars)

Interest paid for the 12 months ended December 31, 2015	297
Less: interest paid for the nine months ended September 30, 2015	251
Add: interest paid for the nine months ended September 30, 2016	102
TTM interest paid	148
Adjustments	–
Interest expense	148

The Company was in compliance with the credit facility's covenants at September 30, 2016.

At September 30, 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 third 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 annual 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.

The Company did not buy any shares during the third quarter of 2016. For the nine months ended September 30, 2016 the Company bought 100,900 shares at an average price of $2.29 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 were 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

	September 30,	
(thousands of dollars, except ratios)	**2016**	2015
Long-term debt	**-**	1,456
Divided by:		
TTM cash EBITDA	**13,166**	14,739
Long-term debt to TTM cash EBITDA ratio	**0.00:1**	0.10:1

TTM cash EBITDA was calculated as follows:

	September 30,	
(thousands of dollars)	**2016**	2015
Cash EBITDA for the 12 months ended December 31, 2015 and 2014	**15,121**	28,615
Less: cash EBITDA for the nine months ended September 30, 2015 and 2014	**8,078**	21,954
Add: cash EBITDA for the nine months ended September 30, 2016 and 2015	**6,123**	8,078
TTM cash EBITDA	**13,166**	14,739

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 2015, with no balance owing as of September 30, 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 September 30, 2016 and 2015 the long-term debt-to-equity ratios were as follows:

Long-Term Debt to Equity Ratio

	September 30,	
(thousands of dollars, except ratios)	**2016**	2015
Long-term debt	**-**	1,456
Divided by: equity	**40,406**	46,396
Long-term debt-to-equity ratio	**0.00:1**	0.03:1

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, as discussed below.

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.

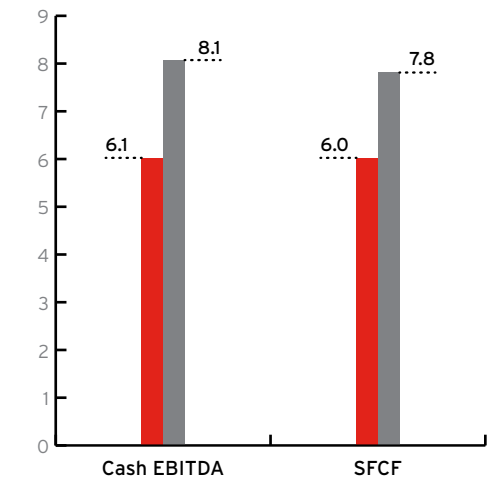
Cash EBITDA is calculated as earnings or loss from operations before interest, taxes, depreciation and amortization (EBITDA) less participation survey revenue, plus non-cash and non-recurring expenses. Cash EBITDA excludes participation survey revenue as this revenue is directly used to fund specific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

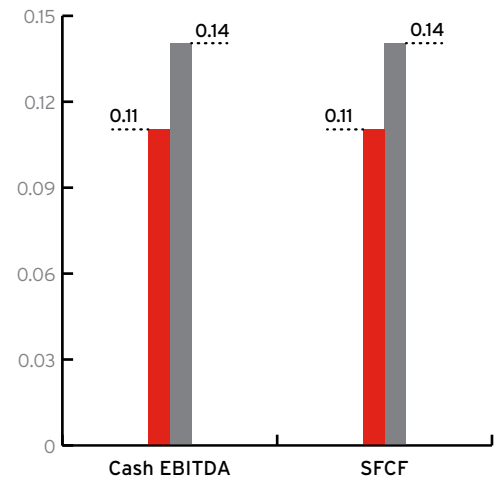
A reconciliation of net loss to EBITDA, cash EBITDA and shareholder free cash flow follows:

	Three months ended September 30,		Nine months ended September 30,	
(thousands of dollars, except per share data)	**2016**	2015	**2016**	2015
Net loss	**(302)**	(1,579)	**(6,237)**	(5,966)
Add:				
Amortization of seismic data library	**4,701**	5,262	**14,316**	17,857
Net financing costs	**36**	112	**131**	393
Income tax reduction	**(166)**	(581)	**(2,371)**	(1,270)
Depreciation	**36**	47	**108**	139
EBITDA	**4,305**	3,261	**5,947**	11,153
Deduct:				
Participation survey revenue	**-**	-	**-**	(3,220)
Add:				
Non-cash expenses	**48**	71	**176**	145
Non-recurring expenses	**-**	-	**-**	-
Cash EBITDA	**4,353**	3,332	**6,123**	8,078
Deduct:				
Net financing costs	**(36)**	(112)	**(131)**	(393)
Current income tax expense	**-**	-	**-**	-
Add:				
Non-cash deferred financing charges	**-**	29	**15**	88
Current income tax reduction	**19**	-	**19**	-
Shareholder free cash flow (SFCF)	**4,336**	3,249	**6,026**	7,773
Cash EBITDA per share (basic and diluted)	**0.08**	0.06	**0.11**	0.14
SFCF per share (basic and diluted)	**0.08**	0.06	**0.11**	0.14

CASH EBITDA AND SFCF FOR THE NINE MONTHS ENDED SEPTEMBER 30 *($ millions)*



CASH EBITDA AND SFCF PER SHARE (BASIC AND DILUTED) FOR THE NINE MONTHS ENDED SEPTEMBER 30 *($)*



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 September 30, 2016, 85 percent of the total accounts receivable were due from three customers. They 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, and amendments to standards and interpretations have been issued by the International Accounting Standards Board but are not effective for the year ending 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 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 July 1, 2016 and ending on September 30, 2016 that materially affected, or are reasonably likely to materially affect, the Company's ICFR. No material weaknesses relating to the design of the ICFR were 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 continues to have poor visibility regarding both traditional and transaction-based data library sales for the reminder of the year;
- Overall data library sales for 2016 could be lower year-over-year;
- Pulse remains very cautious about the short term but is becoming more optimistic regarding the medium term;
- 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.