pulse seismic

TSX: PSD
OTCQX: PLSDF

Q2 For the three and six months ended June 30, 2018

SELECTED FINANCIAL AND OPERATING INFORMATION

(thousands of dollars except per share data, numbers of shares and kilometres of seismic data)	Three months ended June 30, 2018 (unaudited)	2017	Six months ended June 30 2018 (unaudited)	2017	Year ended December 31, 2017
Revenue – Data library sales	**1,941**	2,929	**4,269**	5,648	43,525
Amortization of seismic data library	**1,836**	4,638	**3,714**	9,273	15,870
Net earnings (loss)	**(1,016)**	(2,426)	**(1,712)**	(4,928)	15,087
Per share basic and diluted	**(0.02)**	(0.04)	**(0.03)**	(0.09)	0.27
Cash provided by (used in) operating activities	**213**	833	**(8,379)**	4,131	38,755
Per share basic and diluted	**0.00**	0.02	**(0.16)**	0.07	0.70
Cash EBITDA [(a)]	**482**	1,542	**1,416**	2,872	37,070
Per share basic and diluted [(a)]	**0.01**	0.03	**0.03**	0.05	0.67
Shareholder free cash flow [(a)]	**630**	1,605	**1,510**	2,859	29,729
Per share basic and diluted [(a)]	**0.01**	0.03	**0.03**	0.05	0.54
Capital expenditures					
Seismic data purchase, digitization and related costs	**–**	60	**62**	125	1,575
Property and equipment	**2**	10	**4**	37	48
Total capital expenditures	**2**	70	**66**	162	1,623
Special dividend	**–**	–	**–**	–	10,915
Weighted average shares outstanding					
Basic and diluted	**53,850,917**	55,337,560	**53,868,998**	55,539,541	55,135,035
Shares outstanding at period-end			**53,850,917**	55,337,560	54,020,817
Seismic library					
2D in kilometres			**450,000**	447,000	447,000
3D in square kilometres			**28,956**	28,647	28,956

FINANCIAL POSITION AND RATIO

(thousands of dollars except ratio)	June 30, 2018	June 30, 2017	December 31, 2017
Working capital	**22,586**	11,811	22,486
Working capital ratio	**15.3:1**	11.2:1	3.1:1
Cash and cash equivalents	**18,040**	8,263	27,422
Total assets	**39,246**	36,632	51,693
Shareholders' equity	**35,305**	32,338	37,810

[(a)] This non-GAAP financial measure is defined, calculated and reconciled to the nearest GAAP financial measure in the Management's Discussion and Analysis.

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

THREE AND SIX MONTHS ENDED JUNE 30, 2018

CONTENTS

The following Management's Discussion and Analysis (MD&A) of the financial condition and results of operations of Pulse Seismic Inc. ("Pulse" or "the Company") for the three and six months ended June 30, 2018 was prepared taking into consideration information available to July 19, 2018 and should be read with the unaudited condensed consolidated interim financial statements and related notes for the three and six months ended June 30, 2018. This MD&A is supplemental to the MD&A, audited consolidated financial statements and related notes for the year ended December 31, 2017.

The condensed consolidated interim financial statements were prepared in accordance with International Financial Reporting Standards (IFRS) with comparative figures for the prior year. The condensed consolidated interim financial statements and the MD&A were reviewed by Pulse's Audit and Risk 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 28,956 net square kilometres of 3D seismic and 450,000 net kilometres of 2D seismic. The library extensively covers the Western Canada Sedimentary Basin (WCSB), where most of Canada's oil and natural gas exploration and development occur.

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

MISSION AND STRATEGY

Pulse is a pure-play seismic data library company focused on the acquisition, marketing and licensing of seismic data to western Canada's oil and natural 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 data library sales, net earnings, cash EBITDA and shareholder free cash flow. 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".

Results for the key performance indicators for the three and six months ended June 30, 2018, with comparative figures for 2017, are set out in the following table:

	Three months ended June 30,			Six months ended June 30,		
(thousands of dollars except per share data)	**2018**	2017	Variance	**2018**	2017	Variance
Revenue – Data library sales	**1,941**	2,929	(988)	**4,269**	5,648	(1,379)
Net loss	**(1,016)**	(2,426)	1,410	**(1,712)**	(4,928)	3,216
Per share basic and diluted	**(0.02)**	(0.04)	0.02	**(0.03)**	(0.09)	0.06
Cash EBITDA	**482**	1,542	(1,060)	**1,416**	2,872	(1,456)
Per share basic and diluted	**0.01**	0.03	(0.02)	**0.03**	0.05	(0.02)
Shareholder free cash flow	**630**	1,605	(975)	**1,510**	2,859	(1,349)
Per share basic and diluted	**0.01**	0.03	(0.02)	**0.03**	0.05	(0.02)

In the second quarter of 2018 the Company continued to experience low traditional data library sales, as it has since the end of 2014, due to the ongoing low level of capital spending in western Canada's energy-producing sector. The reduction in data library sales during the three months ended June 30, 2018 from the second quarter of 2017 is the main factor contributing to the period-over-period decline in most of the Company's key performance metrics. The second quarter's net loss, however, is lower than for the same period in 2017 mainly because of the significant decrease in the seismic data library's non-cash amortization expense.

SEISMIC REVENUE FLUCTUATIONS

Revenue fluctuations are a normal part of the seismic data library business, and data library sales can vary significantly year-over-year.

Traditional data library sales can occur at any time. This is due to the nearly continual changes in oil and natural gas industry conditions, sudden or increased demand for seismic data covering a specific area or play, and the timing of public offerings of petroleum and natural gas rights (land sales). Pulse no longer sees any patterns in traditional sales by quarter or by season.

Transaction-based sales can also occur at any time. This is due to corporate merger-and-acquisition, joint venture and asset disposition activity involving Pulse's customers, which is unpredictable.

Participation survey revenue can also vary significantly from 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 through 2018 have been considerably less than historical averages. The most recent survey was conducted in the first quarter of 2015.

OUTLOOK

With second-quarter and first-half 2018 sales considerably lower than in the comparable periods of 2017, Pulse continues to look ahead cautiously to the rest of the year. Visibility as to Pulse's traditional sales remains poor and transaction-based sales are innately unpredictable.

As in Pulse's first-quarter 2018 Outlook, traditional industry indicators remain contradictory. Among these are:

- Crude oil prices have continued to strengthen since the last Outlook, with benchmark West Texas Intermediate remaining close to US$70 per barrel throughout the first third of July, maintaining this benchmark's highest prices since the steep decline of world crude oil prices in late 2014;
- Weakening the benefits of this trend, the West Texas Intermediate to western Canada Select oil price differential has remained even higher so far in 2018 than in 2017, averaging $28.34 per barrel from January 1 through July 18, according to the Petroleum Services Association of Canada, and is forecast to remain relatively high, which reduces revenue for producers in western Canada;
- Alberta natural gas prices remain extremely weak, having fallen since the last Outlook, with the AECO daily benchmark fluctuating between $1.09 and $1.64 per GJ in the first third of July, with a monthly index price of only $1.45 per GJ;
- In the United States:
    - Use of natural gas has increased, with overall consumption averaging 11 percent higher in the first half of 2018 than in the first half of 2017, according to the Energy Information Administration;
    - Supply, however, also continues to grow strongly, having increased by 10 percent year-over-year in the same period;
    - On the other hand, exports in the form of LNG sendout and pipeline shipments to Mexico have grown by 23 percent in the same period. LNG exports are averaging 3 bcf per week, with additional liquefaction trains and new export facilities nearing completion;
    - Natural gas storage in the U.S. has remained well below the five-year weekly average since the start of the injection season in late April. In early July, natural gas storage levels were 19 percent below the five-year weekly average;
    - The U.S. active drilling rig count was approximately 1,050 rigs in early July, according to Baker Hughes, suggesting the past year's continual increase in rig activity has reached a plateau;
    - On balance, these factors are conducive to higher prices and increasing gas imports from Canada;
- Mineral lease auctions or "land sales" in western Canada to date in 2018 are on par with the comparable period of 2017, totaling approximately $273 million compared to $277 million by the end of June last year. This is much stronger than in 2016 and 2015, when the first half year land sales were $50 million and $205 million respectively;

- Capital spending in western Canada's conventional oil and gas sector (excluding the oilsands), as forecast in the first quarter of the year by the Alberta Energy Regulator, is moderately positive, with an expectation that spending will be similar to 2017 and increase from $19.4 billion this year to $20.9 billion in 2027;
- The industry continues to expect significant merger-and-acquisition activity, which has the potential to trigger transaction-based seismic data library sales, but activity to date in 2018 has been low;
- The Canadian Association of Oilwell Drilling Contractors' drilling forecast for 2018 remains unchanged at 6,138 wells, up slightly from 2017. To date in 2018, rig utilization and total drilling days are roughly comparable to 2017; and
- The Petroleum Services Association of Canada is forecasting 7,400 wells across Canada this year, up from 7,100 last year but down from its initial forecast for 2018.

Western Canada's oil and gas producing sector continues to struggle to achieve a solid recovery from its extremely difficult, three-and-a-half-year-long downturn. The industry has not benefited from the virtually across-the board strengths driving U.S. industry activity. Pulse anticipates the Canadian sector's slower recovery will continue.

Further barriers to accelerated field activity are ongoing takeaway pipeline constraints, weak intra-Alberta gas demand, strong productivity from newly drilled wells in the Montney, Duvernay, Deep Basin and other unconventional plays, fluctuating gas exports to the U.S., and Canada's failure to move forward with large LNG export projects. These are significant handicaps for a gas-focused supply basin.

Government policies at all levels in Canada remain, on balance, less supportive of oil and gas industry capital investment than in the past (or in the U.S. at present). The ongoing nationwide controversy over the politically-driven holdup of the National Energy Board-approved expansion of the Trans-Mountain Pipeline from Alberta to tidewater in Burnaby, B.C., is an example.

Fortunately, Pulse's business has been grown, enlarged and fine-tuned to be resilient against industry volatility, negative market forces and unpredictable government policies. The Company's strong balance sheet, with effectively zero cash financing costs, its low cash operating costs and the absence of other spending commitments make Pulse cash-flow positive at annual revenue of approximately $6 million. Despite poor sales in the first and second quarters, Pulse's first-half sales are approaching that level. Pulse's lowest annual sales in the depths of the energy industry's downturn were $14.3 million. Even with weaker first- and second-quarter sales, Pulse generated positive cash EBITDA and shareholder free cash flow in each quarter.

For the rest of 2018, Pulse remains cautious about the level of traditional sales. Large or small transaction-based sales can occur at any time, creating potential upside to Pulse's quarterly and annual revenues. The strength or weakness of transaction-based sales will determine whether 2018 financial results exceed or underperform historical averages.

DISCUSSION OF OPERATING RESULTS

SUMMARY FOR THE THREE AND SIX MONTHS ENDED JUNE 30, 2018

LOSS BEFORE INCOME TAXES

For the three months ended June 30, 2018, the Company incurred a loss before income taxes of $1.4 million ($0.03 per share basic and diluted) compared to a loss before income taxes of $3.3 million ($0.06 per share basic and diluted) for the comparable period of 2017.

For the six months ended June 30, 2018, the Company incurred a loss before income taxes of $2.4 million ($0.04 per share basic and diluted) compared to a loss before income taxes of $6.8 million ($0.12 per share basic and diluted) for the comparable period of 2017.

REVENUE

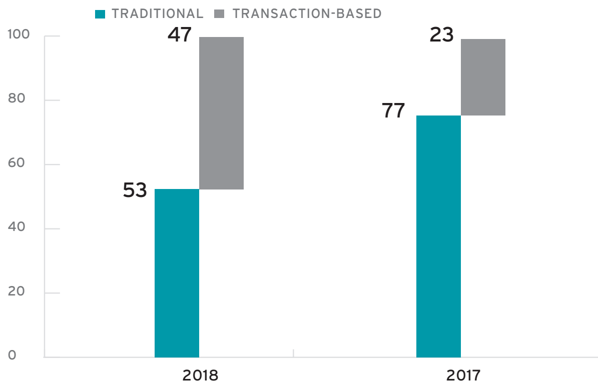
As there were no participation surveys conducted in 2017 or as of June 30, 2018, total revenue for all periods under discussion consists of data library sales revenue.

DISAGGREGATED DATA LIBRARY SALES BREAKDOWN

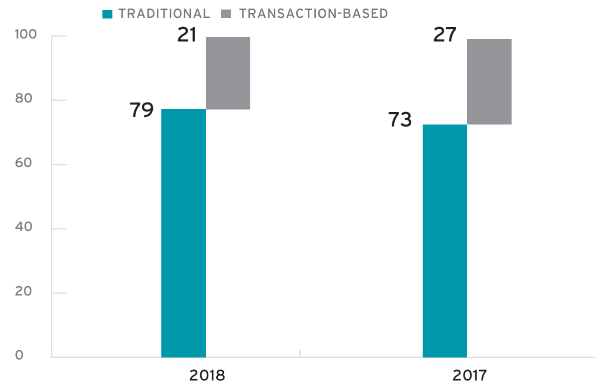
Pulse uses three ways to disaggregate its data library sales. The following graphs illustrate the comparative disaggregated sales for the three-and-six month periods ended June 30, 2018 and 2017.

The first way, transaction type, separates sales between traditional and transaction-based sales. There is great fluctuation between these two types from period to period and year to year. An eight-year historical breakdown is provided in the 2018 Investment Guide and is available on the Company's website and on SEDAR.

SALES TYPE BREAKDOWN
TRADITIONAL/TRANSACTION-BASED SALES (%)
FOR THE THREE MONTHS ENDED JUNE 30

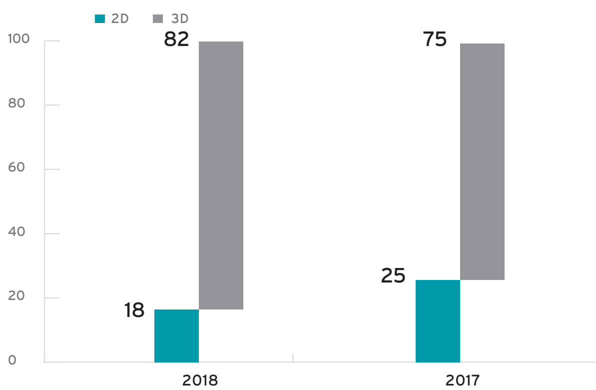


SALES TYPE BREAKDOWN
TRADITIONAL/TRANSACTION-BASED SALES (%)
FOR THE SIX MONTHS ENDED JUNE 30

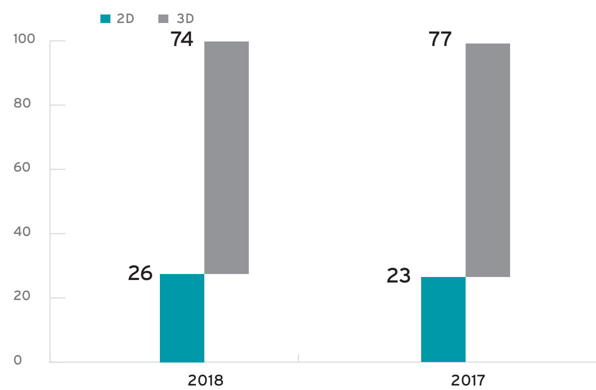


The second way is data type, meaning sales of 2D and 3D seismic data. As 3D seismic licence contracts are generally larger than 2D seismic licence contracts, the percentage of seismic data library revenues generated from 2D and 3D seismic data fluctuates significantly depending on the number of 3D seismic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

SALES BREAKDOWN 2D/3D (%)
FOR THE THREE MONTHS ENDED JUNE 30

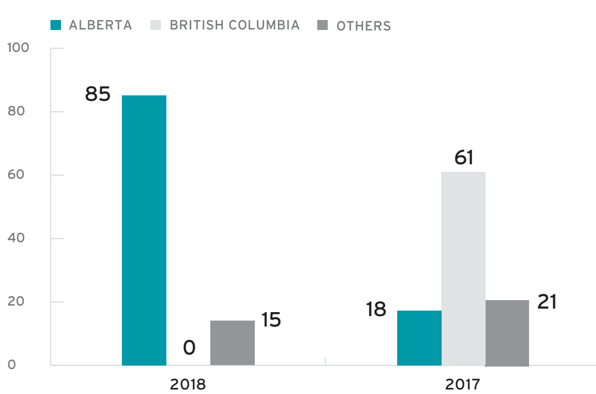


SALES BREAKDOWN 2D/3D (%)
FOR THE SIX MONTHS ENDED JUNE 30

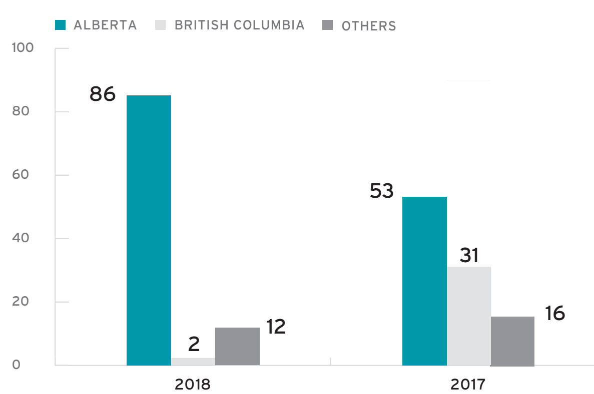


The third way is geographical. The largest proportion of data sales usually comes from data in Alberta, as that is where the majority of Pulse's data coverage and current industry activity are.

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



GEOGRAPHICAL SALES BREAKDOWN (%)
FOR THE SIX MONTHS ENDED JUNE 30



The Company's customers are currently and generally focusing on liquids-rich natural gas and light oil pools found primarily in a broad corridor running from northwest of Calgary, Alberta, along the Foothills of the Rocky Mountains to the British Columbia border, as compared to "dry" natural gas more often found in British Columbia, on Alberta's eastern prairies and in Saskatchewan and Manitoba. During the first six months of 2018, 86 percent of the data library sales were from data located in Alberta, 2 percent from British Columbia and 12 percent from other areas.

AMORTIZATION OF SEISMIC DATA LIBRARY

For the three months ended June 30, 2018, seismic data library amortization expense was $1.8 million compared to $4.6 million in the comparable period of 2017. For the six months ended June 30, 2018, seismic data library amortization expense was $3.7 million compared to $9.3 million in the comparable period of 2017. The significant decrease is due to data acquired in previous years becoming fully amortized by the end of the third quarter of 2017.

Amortization of the seismic data library is described further under "Critical Accounting Estimates" in the Company's MD&A for the year ended December 31, 2017

SALARIES, INTERNAL COMMISSIONS AND BENEFITS (SCB)

SCB for the three months ended June 30, 2018 was $1.0 million compared to $927,000 in the comparable period of 2017. SCB for the six months ended June 30, 2018 was $2.0 million compared to $1.8 million in the comparable period of 2017. The increase is mainly attributable to an increase in salaries, benefits and severance costs for 2018.

OTHER SELLING, GENERAL AND ADMINISTRATIVE COSTS (SG&A)

SG&A for the three months ended June 30, 2018 was $518,000 compared to $652,000 for the three months ended June 30, 2017. SG&A for the six months ended June 30, 2018 was $1.1 million compared to $1.2 million for the six months ended June 30, 2017. The decrease is attributable to reduced rent expense, partially offset by minor differences in other general office expenses.

NET FINANCING COSTS (INCOME)

For the three months ended June 30, 2018, the Company generated net financing income of $75,000 compared to $7,000 of net financing costs for the same period in 2017. For the six months ended June 30, 2018, the Company generated net financing income of $170,000 compared to $13,000 of net financing costs for the same period in 2017.

For both periods, financing expenses consisted of stand-by fees on the unused long-term debt facility. The interest income increased due to having a higher cash surplus which also earned higher rates of interest through investments in term deposits. Additionally, the Company discounted accounts receivable from clients benefiting from extended payment terms, and allocated part of the proceeds received form those data library agreements as interest income. For the three months ended June 30, 2018, the Company reallocated $35,000 compared to $16,000 for the same period in 2017. For the six months ended June 30, 2018, the Company reallocated $75,000 compared to $37,000 for the same period in 2017.

INCOME TAXES

The income tax reduction for the three months ended June 30, 2018 was $381,000, reflecting an effective tax rate of 27.3 percent, compared to an income tax reduction of $897,000 and an effective tax rate of 27.0 percent for the comparable 2017 period. The income tax reduction for the six months ended June 30, 2018 was $642,000, reflecting an effective tax rate of 27.3 percent, compared to an income tax reduction of $1.8 million and an effective tax rate of 27.1 percent for the comparable 2017 period.

The federal-provincial corporate income tax rate for both 2018 and 2017 was 27 percent. The effective rate for the three months ended June 30, 2018 was slightly higher than the enacted income tax rate as a result of the change in valuation allowance related to future resource deductions and non-deductible expenditures.

REVIEW OF FINANCIAL POSITION

AS AT JUNE 30, 2018

CURRENT TAX ASSETS

Included in current tax assets are the income tax instalments paid for the fiscal year 2018, offset by the current tax expense for the six months ended June 30, 2018.

SEISMIC DATA LIBRARY

The Company's business model includes seismic data library growth as a priority. Pulse acquires seismic data to add to its library through two main methods. When opportunities arise that meet the Company's criteria, proprietary rights to complementary seismic datasets may be purchased, or participation surveys may be conducted. 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 in return for their contribution to the capital costs of the survey.

On January 16, 2018 the Company closed a small acquisition, adding approximately 2,489 net kilometres of 2D seismic data to the library. The total amount capitalized for the data and its digitization was $62,000.

At June 30, 2018, the Company 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.

LONG-TERM TRADE RECEIVABLES

Included in the long-term trade receivables is the amount due from one customer with payment terms. The payment is due in July 2019.

OTHER LONG-TERM PAYABLE

Included in the other long-term payable is the long-term portion of the cash-settled liability related to the long-term incentive plan.

SHARE CAPITAL SUMMARY

The Company's authorized share capital consists of an unlimited number of common shares and an unlimited number of preferred shares, issuable in series.

The following table provides details of the Company's outstanding share capital:

	Three months ended June 30,		Six months ended June 30,	
	2018	2017	**2018**	2017
Weighted average shares outstanding: basic and diluted	**53,850,917**	55,337,560	**55,868,998**	55,539,541
Shares outstanding at period-end			**53,850,917**	55,337,560
Shares outstanding at July 19, 2018			**53,850,917**	

DILUTED EARNINGS PER SHARE RECONCILIATION

The Company does not have any dilutive securities.

LONG-TERM INCENTIVE PLAN (LTIP)

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

RSUs and PSUs have accompanying dividend-equivalent rights and, therefore, additional RSUs and PSUs are issued to reflect dividends declared on the common shares. The plan's trustee will purchase common shares on the open market for the after-tax number of RSUs and PSUs vested with funds provided by the Company.

On March 31, 2018, 169,152 RSUs and 218,419 PSUs were eligible to vest. Based on the Company's performance in 2017 and the predetermined performance measures, 30 percent or 65,526 of the eligible PSUs vested. RSUs vest automatically based upon time and, consequently, all of the eligible RSUs vested automatically on March 31, 2018.

To satisfy its obligation, the Company provided $411,000 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, 2018. The related payroll taxes of $308,000 were paid in May 2018 to settle the fully accrued cash-settled portion of the share-based payment liabilities.

At June 30, 2018 and July 19, 2018 there were 528,670 RSUs and 687,938 PSUs outstanding.

DEFICIT

On June 30, 2018 the Company had a deficit of $41.7 million, compared to $39.6 million at December 31, 2017. Contributing to the deficit is the net loss for the period of $1.7 million and the reduction of $299,000 due to the Company purchasing and cancelling its common shares. The adjustment relates to the difference between the price paid by the Company for the shares purchased and cancelled under the normal course issuer bid (NCIB) and the average historical cost of the Company's shares. The average historical cost of the shares purchased and cancelled was recorded as a reduction to share capital.

DIVIDENDS

On November 1, 2017, following its record $29.5 million sale, the Company declared a special dividend of $0.20 per common share. The dividend of $10.9 million was paid on December 8, 2017 to shareholders of record at the close of business on November 16, 2017.

Pulse confirmed that all dividends paid to shareholders in 2017 were designated as "eligible dividends" entitling Canadian resident individuals to a higher gross-up and dividend tax credit. For non-resident shareholders, Pulse's dividends are subject to Canadian withholding tax.

In November 2015, with lower period-over-period seismic data library sales and the strong possibility of an extended downturn, Pulse's Board of Directors suspended the Company's quarterly dividend of $0.02 per share. Suspension of the dividend helped the Company maintain a strong financial position and remain well-positioned for future opportunities. The quarterly dividend remains suspended.

DEFERRED INCOME TAX LIABILITIES

The deferred income tax liability was $2.3 million at June 30, 2018 compared to $2.9 million at December 31, 2017. The change is mainly due to the decrease in the difference between the tax base of the seismic data library and its carrying amount on the statement of financial position, which is the most significant item in the deferred tax liability.

FINANCIAL SUMMARY OF QUARTERLY RESULTS

	2018		2017				2016	
(thousands of dollars, except per share data)	**Q2**	**Q1**	Q4	Q3	Q2	Q1	Q4	Q3
Data library sales	**1,941**	**2,328**	5,449	32,428	2,929	2,719	4,176	5,613
Amortization of seismic data library	**1,836**	**1,878**	1,958	4,639	4,638	4,635	4,657	4,701
Net earnings (loss)	**(1,016)**	**(696)**	1,311	18,704	(2,426)	(2,502)	(1,253)	(302)
Per share basic and diluted	**(0.02)**	**(0.01)**	0.02	0.34	(0.04)	(0.04)	(0.02)	(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, as described under "Traditional Sales vs. Transaction-based Sales: Eight-Year History" in the Company's MD&A for the year ended December 31, 2017. See also "Seismic Revenue Fluctuations" on page 4.

During the second quarter of 2018, the second and third quarters of 2017 and the third quarter of 2016, transaction-based sales contributed to data library sales to varying degrees, most significantly in the third quarter of 2017, when the record $29.5 million transaction-based sale was recorded in revenue.

Very little transaction-based sales revenue was generated in the other quarters depicted in the table above.

Pulse has not conducted any participation surveys since the first quarter of 2015 and, therefore, there has been no participation revenue to report in these last eight quarters.

The significant decrease in amortization expense in the first quarter of 2018 and the fourth quarter of 2017 from the prior quarters is due to a large seismic data library asset acquired in 2010 becoming completely amortized by the end of the third quarter of 2017. As amortization is a non-cash expense, the Company continued to generate cash EBITDA and shareholder free cash flow in each quarter.

During the past eight quarters, the fluctuations in net earnings or loss have largely been a function of the corresponding quarterly fluctuations in data library sales. For the first and second quarters of 2018 and the fourth quarter of 2017, the reduced amortization expense also positively affected the net result.

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 very 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 IFRS.

CONTRACTUAL OBLIGATIONS

There have been no material changes to Pulse's contractual obligations from those discussed in the Company's MD&A for the year ended December 31, 2017.

LIQUIDITY, CAPITAL RESOURCES AND CAPITAL REQUIREMENTS

At June 30, 2018 Pulse had working capital of $22.6 million and a working capital ratio of 15.3:1.

In the first six months of 2018 the Company used $8.4 million of cash for operating activities compared to generating $4.1 million for the same period in 2017. The main difference consisted of the payment of $7.5 million of income tax owing for 2017 and $1.5 million of income tax instalments paid for fiscal year 2018.

In the first six months of 2018 the Company also utilized cash for the following outlays:

- Purchase and cancellation of 169,900 common shares through its NCIB, for a total of $534,000 (at an average price of $3.15 per common share including commissions);
- Purchasing shares to settle the 2017 LTIP obligation for $403,000;
- Investing activities of $62,000, for additions to the seismic data library; and
- Additions of property and equipment for $4,000.

The cash balance at June 30, 2018 was $18.0 million.

The Company has a three-year extendible revolving credit facility of $30.0 million with a syndicate of two banks. Up to $5.0 million of the revolving facility remains available as an operating line of credit.

On an annual basis, the Company has the option to extend the maturity for one additional year with the lenders' approval. On December 19, 2017, the Company extended the maturity date to February 13, 2021.

Highlights of the credit facility:

- Four-tier margin structure based on the Company's total debt to adjusted EBITDA ratio as described below;
- Accordion feature allowing the Company to increase the facility's size up to an additional $40.0 million, subject to the lenders' consent;
- No regularly scheduled principal payments, with voluntary prepayments permitted in whole or part at any time, without premium or penalty; and
- Three-year term, with an extension of up to one year available on February 15 of every year with the approval of the lenders. If the extension is not granted, any outstanding amounts will be payable on the then-current applicable maturity date.

At June 30, 2018 and July 19, 2018 the Company had no balance owing on the revolving credit facility and $30 million available for future draws.

The credit facility is secured by a charge on all of the assets of the Company and its material subsidiaries. The credit facility also includes the following two financial covenants:

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

  Adjusted EBITDA is to be calculated on a trailing 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 for the trailing twelve-month period. When there is no balance owing on the credit facility, the interest expense includes stand-by fees only for purposes of this calculation.

The total debt to adjusted EBITDA ratio was zero as there was no debt at June 30, 2018.

The interest coverage ratio was 339:1 at June 30, 2018. Adjusted EBITDA was $35.6 million and interest expense was $105,000.

The Company was therefore in compliance with the credit facility's covenants at June 30, 2018.

The Company pays a standby fee based on the daily undrawn balance of the credit facility and its total debt to adjusted EBITDA ratio. The interest and standby fee rates are adjusted two business days after the covenant's calculation for the previous fiscal quarter is received and approved by the lenders. On June 30, 2018 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 19, 2017, the Company renewed its NCIB. The Company may purchase, for cancellation, up to a maximum of 3,053,815 common shares, equal to 10 percent of the public float of 30,538,152 common shares as at December 15, 2017. The Company is limited under the NCIB to purchasing up to 8,494 common shares in any one day, subject to the block purchase exemption under TSX rules. The NCIB will continue until December 20, 2018. 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.

From January 1, 2018 to June 30, 2018, the Company purchased 169,900 common shares under the NCIB. All purchases were made in the first quarter of 2018 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 2018. The Company anticipates that future capital expenditures will be financed through cash on hand, available credit facilities and funds from operations. The Company has a $30.0 million revolving credit facility for future draws in 2018, and an accordion feature allowing Pulse to increase the facility's size by up to $40.0 million, subject to the lenders' consent. If deemed appropriate by management and the Board of Directors, Pulse can also issue common or preferred shares.

Pulse requires flexibility in managing its capital structure to take advantage of opportunities in raising additional capital to better enable it to act on opportunities for seismic data acquisitions or participation surveys as these arise. Historically, the Company has used a combination of debt and equity to finance various growth initiatives, and it continues to rely on internal measures such as the long-term debt to cash EBITDA ratio and long-term debt to equity ratio, to structure and forecast its capital requirements. Long-term debt is defined as long-term debt, excluding deferred financing costs. At June 30, 2018, both ratios were 0.00:1. Pulse's management considers the current capital structure appropriate.

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 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, 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.

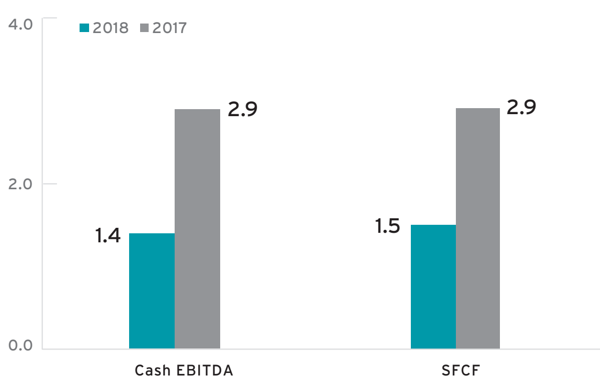
Cash EBITDA is calculated as earnings or loss from operations before interest, taxes, depreciation and amortization less participation survey revenue, plus non-cash and non-recurring expenses. Cash EBITDA excludes participation survey revenue as this revenue is directly used to fund specific participation surveys and is unavailable for discretionary expenditures. The Company believes cash EBITDA helps investors compare Pulse's results on a consistent basis without regard to participation survey revenue and non-cash items, such as depreciation and amortization, which can vary significantly depending on accounting methods or non-operating factors such as historical cost.

Shareholder free cash flow further refines the calculation of capital available to invest in growing the Company's 2D and 3D seismic data library, to repay debt, to purchase its common shares and to pay dividends, by deducting non-discretionary expenditures from cash EBITDA. Non-discretionary expenditures are defined as debt financing costs (net of deferred financing expenses amortized in the current period) and current tax provisions.

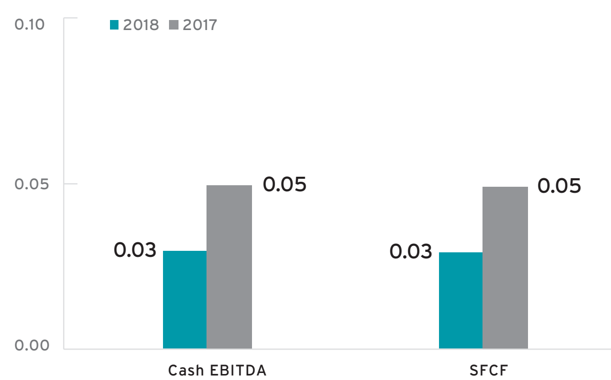
A reconciliation of net loss to EBITDA, cash EBITDA and shareholder free cash flow follows:

	Three months ended June 30,		Six months ended June 30,	
(thousands of dollars, except per share data)	**2018**	2017	**2018**	2017
Net loss	**(1,016)**	(2,426)	**(1,712)**	(4,928)
Add:				
Amortization of seismic data library	**1,836**	4,638	**3,714**	9,273
Net financing costs (income)	**(75)**	7	**(170)**	13
Income tax reduction	**(381)**	(897)	**(642)**	(1,828)
Depreciation	**18**	28	**35**	63
EBITDA	**382**	1,350	**1,225**	2,593
Deduct:				
Participation survey revenue	**-**	-	**-**	-
Add:				
Non-cash expenses	**100**	192	**191**	279
Non-recurring expenses	**-**	-	**-**	-
Cash EBITDA	**482**	1,542	**1,416**	2,872
Deduct:				
Net financing costs (income)	**(75)**	7	**(170)**	13
Current income tax expense	**-**	-	**76**	-
Add:				
Non-cash deferred financing charges	**-**	-	**-**	-
Current income tax reduction	**73**	70	**-**	-
Shareholder free cash flow (SFCF)	**630**	1,605	**1,510**	2,859
Cash EBITDA per share basic and diluted	**0.01**	0.03	**0.03**	0.05
SFCF per share basic and diluted	**0.01**	0.03	**0.03**	0.05

CASH EBITDA AND SFCF
FOR THE SIX MONTHS ENDED JUNE 30
($ millions)



CASH EBITDA AND SFCF PER SHARE (BASIC AND DILUTED)
FOR THE SIX MONTHS ENDED JUNE 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. The fair value of the long-term debt approximates the carrying value because interest charges under the bank loan are based on current Canadian bankers' acceptance rates and margins.

CREDIT RISK

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, 2017.

At June 30, 2018, 91 percent of the total accounts receivable were due from four customers. They are expected to be collected subsequent to quarter-end.

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, 2017.

COMMODITY PRICE RISK

The Company is not directly exposed to commodity price risk as it does not have any contracts directly based on commodity prices. A change in commodity prices, specifically oil and natural gas prices, could have a material impact on the Company's customers' cash flows and could therefore affect seismic data library sales and participation surveys. Commodity prices are affected by many factors, including supply and demand. The Company has not entered into any commodity price risk contracts. Given that this is an indirect influence, the financial impact on the Company of changing oil and natural gas prices is not reasonably determinable.

NEW IFRS STANDARDS

A number of new standards, amendments to standards and interpretations have been issued by the International Accounting Standards Board (IASB) but were not yet effective for the year ending December 31, 2018. 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 for:

- 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 has determined that the office space lease restatement related to IFRS 16 will have a material impact on its financial statements beginning in 2019.

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, 2017.

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 April 1, 2018 and ending on June 30, 2018 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, 2017.

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 look ahead cautiously to the rest of the year;
- Pulse anticipates the Canadian energy sector's slow recovery will continue;
- For the rest of 2018, Pulse remains cautious about the level of traditional 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 2018;
- 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;
- The demand for seismic data and participation surveys;
- The pricing of data library licence sales;
- Cybersecurity;
- Relicensing (change-of-control) fees and partner copy sales;
- The level of pre-funding of participation surveys, and the Company's ability to make subsequent data library sales from such participation surveys;
- The Company's ability to complete participation surveys on time and within budget;
- Environmental, health and safety risks;
- Federal and provincial government laws and regulations, including those pertaining to taxation, royalty rates, environmental protection and safety;
- Competition;
- Dependence on qualified seismic field contractors;
- Dependence on key management, operations and marketing personnel;
- The loss of seismic data;
- Protection of intellectual property rights;
- The introduction of new products; and
- Climate change.

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". Forward-looking information is based on the assumptions, expectations, estimates and opinions of the Company's management at the time the information is presented.

CORPORATE INFORMATION

Pulse is a market leader in the acquisition, marketing and licensing of 2D and 3D seismic data to the western Canadian energy sector. Pulse owns the second-largest licensable seismic data library in Canada, currently consisting of approximately 28,956 net square kilometres of 3D seismic and 450,000 net kilometres of 2D seismic. The library extensively covers the Western Canada Sedimentary Basin where most of Canada's oil and natural gas exploration and development occur.

OFFICERS

Neal Coleman
President and CEO

Pamela Wicks
Vice President Finance and CFO

Trevor Meier
Vice President, Sales and Marketing

Patrick Burgess
Corporate Secretary

BOARD OF DIRECTORS

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

Karen El-Tawil (2) (4)
Director

Paul Crilly (1) (3)
Director

Dallas Droppo (1) (2) (3)
Director

Grant Grimsrud (1) (4)
Director

Neal Coleman (4)
Director

(1) Member of the Audit and Risk Committee

(2) Member of the Compensation Committee

(3) Member of the Corporate Governance and Nominating Committee

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

BANKERS

The Toronto-Dominion Bank
Calgary, Alberta

Alberta Treasury Branches
Calgary, Alberta

REGISTRAR AND TRANSFER AGENT

Computershare Trust Company of Canada
Calgary, Alberta

SOLICITORS

Gowling WLG
Calgary, Alberta

AUDITORS

KPMG LLP
Calgary, Alberta

STOCK EXCHANGE LISTING

TSX: PSD
OTCQX: PLSDF

HEAD OFFICE

Suite 2700, 421-7th Avenue S.W.
Calgary, Alberta T2P 4K9

Telephone: 403-237-5559
Toll Free: 1-877-460-5559
Facsimile: 403-531-0688
E-mail: info@pulseseismic.com

www.pulseseismic.com

pulse seismic

www.pulseseismic.com