

# This is the Company We Have Built

Generates Cash throughout the Economic Cycle

Has a Unique Asset with Enduring Value

Offers a Window into the Energy Sector

Has an Excellent Balance Sheet

Knows How to Sell

Has an Experienced and Tested Management Team

President's Message

# Pulse Generates Cash throughout the Economic Cycle... And Allocates it Prudently.

Pulse Seismic Inc. is a cash-based business. Headquartered in Calgary, Alberta, Pulse is a pure-play provider of digital seismic data to Western Canada’s oil and natural gas sector. Continuous discipline over spending makes the most of Pulse’s revenue. This results in a high cash margin, enabling Pulse to deliver cash EBITDA and shareholder free cash flow.

\$29.5MM

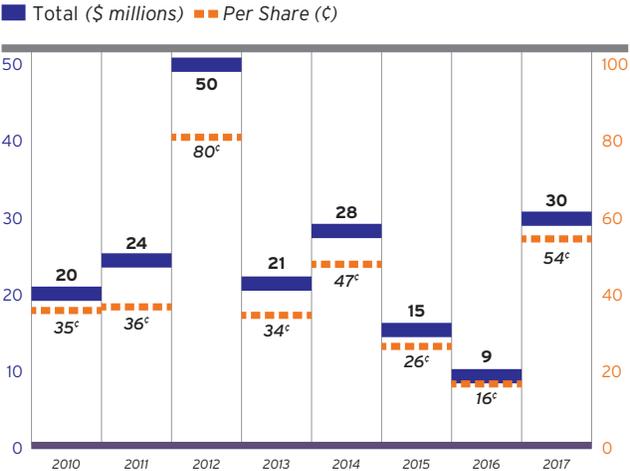
All-time record seismic data library sale, closed in Q3 2017. A “transaction-based” sale driven by M&A activity in Western Canada’s oil and natural gas sector.

Pulse deploys cash to increase its revenue-generating capacity by increasing the size of its seismic data library, and to provide returns to its shareholders. Improved financial results last year facilitated a special dividend equivalent to a 6% annual yield, plus significant buybacks of Pulse’s shares, and further strengthened the balance sheet. With business conditions strengthening in Western Canada’s oil and natural gas sector, the Company is optimistic about the rest of 2018 and 2019.

### Why is shareholder free cash flow (SFCF) Pulse’s most important metric?

SFCF provides investors with clarity regarding how much cash is being generated that can benefit them: to invest in growing Pulse’s seismic data library, pay down debt and to generate shareholder returns by buying back shares or paying dividends. A non-GAAP metric, SFCF is what remains after deducting all cash costs, encumbered revenues used to fund participation surveys, and non-discretionary spending such as interest and taxes. SFCF is a window into Pulse’s ability to create value.

### SHAREHOLDER FREE CASH FLOW



SPECIAL DIVIDEND

**20¢/share** Special dividend totalling \$10.9 million paid in December 2017. Reflects \$29.5 million record sale, strong balance sheet and large cash position.

- Dividend Payments \$30.0MM
- Unallocated Working Capital \$22.3MM
- Debt Repayments \$73.4MM
- Net CAPEX \$123.1MM
- Common Share Purchases \$37.9MM

FUNDS ALLOCATED 2010 - 2017 \$286.7MM

FUNDS AVAILABLE 2010 - 2017 \$286.7MM

2017 CASH MARGIN

**85%** Highly levered to revenues, thanks to Pulse's low cash costs. 2017 was up from 64% in 2016 and outperformed 8-year average of 78%.

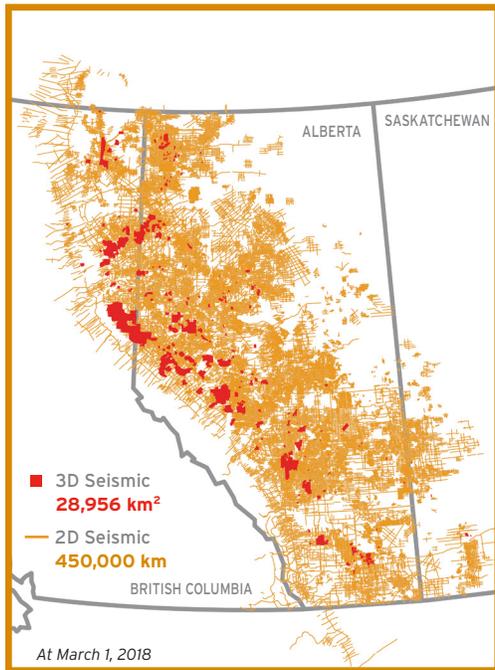
- \$195.6MM Shareholder Free Cash Flow (SFCF)
- \$23.3MM Equity Financing
- \$45.0MM Long-term Debt Drawings
- \$22.8MM Cash and Working Capital

Notes to Reader

1. Please see Pulse's annual President's Message starting on page 13 for a discussion of the performance metrics and key concepts introduced on these pages.
2. Please see Pulse's Management's Discussion and Analysis for the year ended December 31, 2017 for further information on Pulse's financial results, key performance metrics, capital structure, the nature and use of seismic data by the oil and natural gas industry, the business risks to which Pulse is subject, and other important topics.

# Has a Unique Asset with Enduring Value... Fortified by High Barriers to Entry.

Pulse has Western Canada's second-largest licensable dataset of three-dimensional (3D) and two-dimensional (2D) seismic data. Seismic is a key technology for oil and natural gas exploration and development.

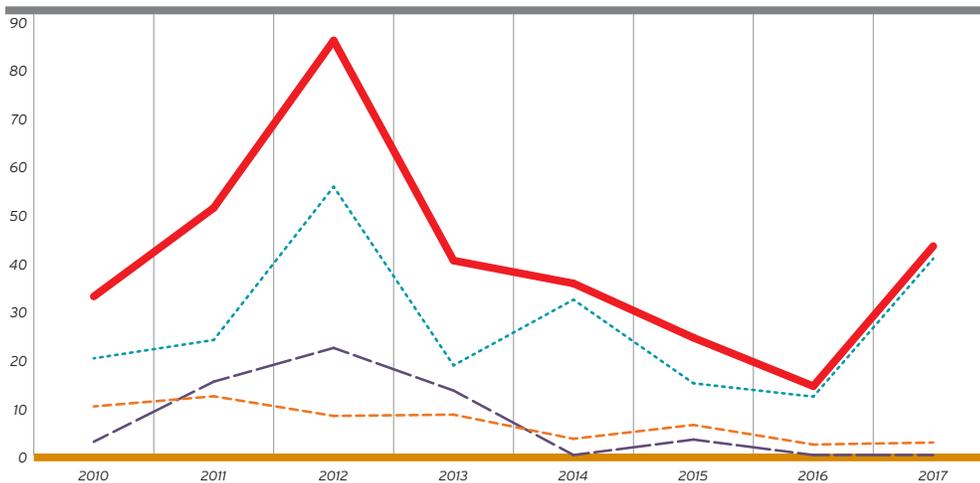


## KEY ASPECTS OF PULSE'S SEISMIC DATA LIBRARY

- High in technical quality - "High-fold" surface-to-basement 2D data and 3D data
- Excellent geographical coverage - Both in traditional producing areas where assets change hands and in newer exploration and development areas or "plays" where companies need new seismic
- Key asset is digital data - We are not a software developer. Seismic data does not deteriorate/expire and can be resold indefinitely an unlimited number of times
- Can generate sales of any size and type at any time
- Unlimited data lifespan and the high costs of shooting new data:
  - Create high barriers to entry by potential new competitors
  - Increase the replacement value of Pulse's seismic data library
  - Protect the pricing of Pulse's seismic data licences

## REVENUE (\$ millions)

— Total — 2D Sales — 3D Sales - - Participation Surveys



## SEISMIC DATA LIBRARY

**\$2B**  
Estimated Replacement Value

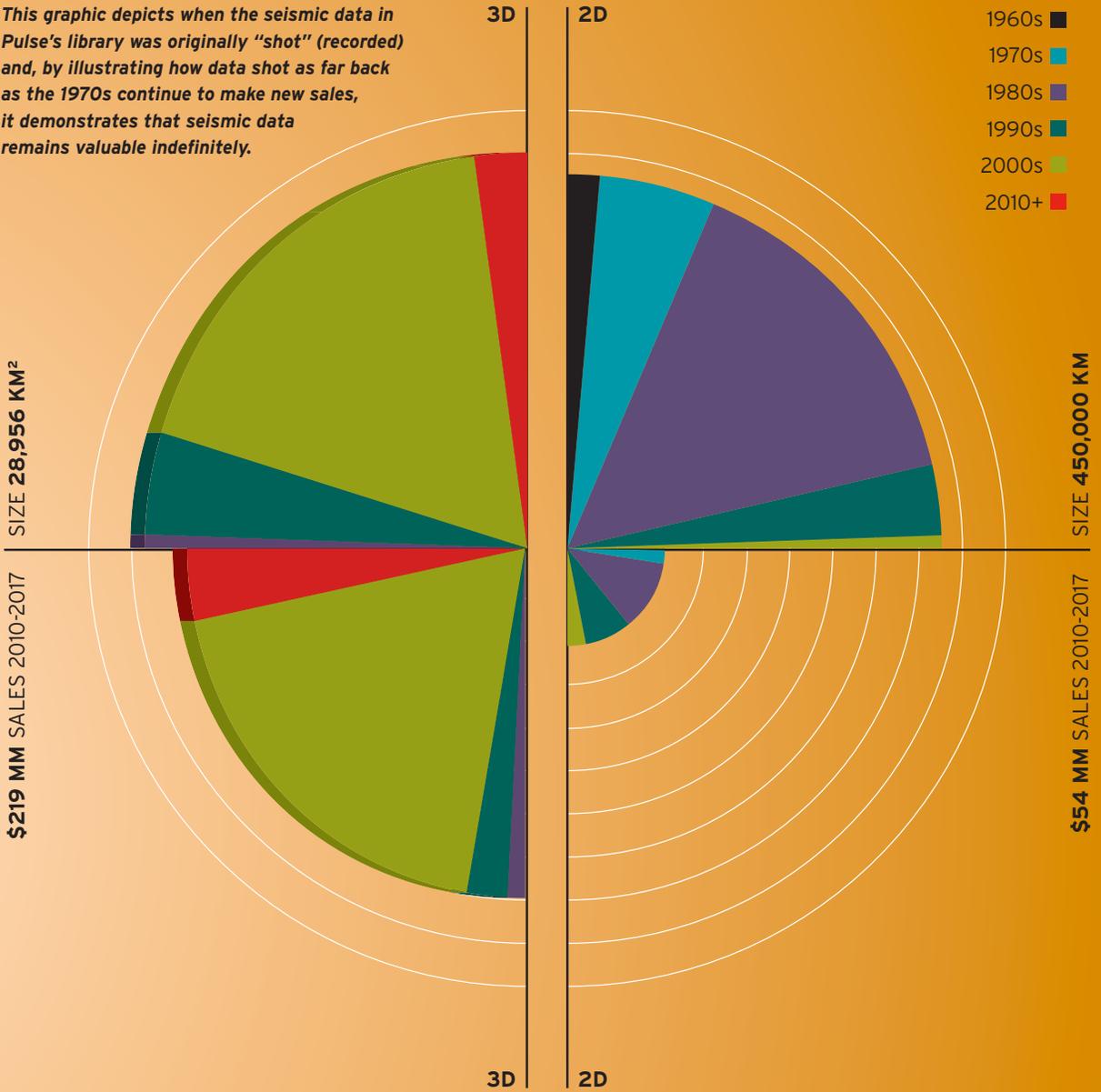
Pulse's Cumulative Acquisition Cost  
**\$444MM**

**\$18MM** Book Value

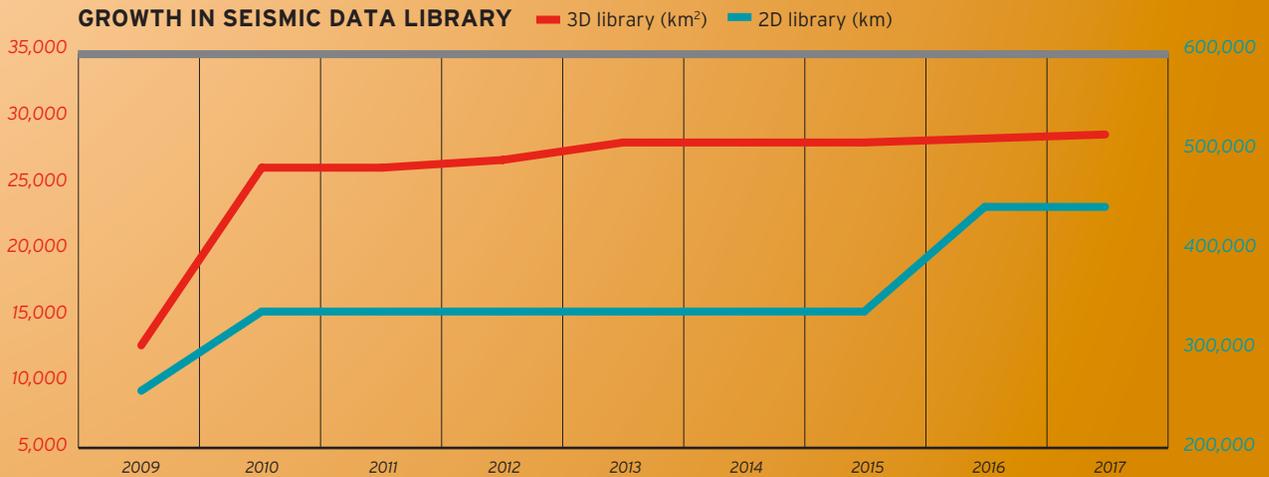
**Pulse generates revenue in three ways. Pulse sells licences to use its seismic data to oil and natural gas companies. There are two forms of licensing sale: "regular" or "traditional" sales, and "transaction-based sales" linked to industry M&A activity. In addition, Pulse organizes shoots of new seismic data called "participation surveys", in which one or more customers co-fund a significant portion of the survey costs.**

## SEISMIC DATA LIBRARY SIZE AND SALES BY DATA VINTAGE

This graphic depicts when the seismic data in Pulse's library was originally "shot" (recorded) and, by illustrating how data shot as far back as the 1970s continue to make new sales, it demonstrates that seismic data remains valuable indefinitely.



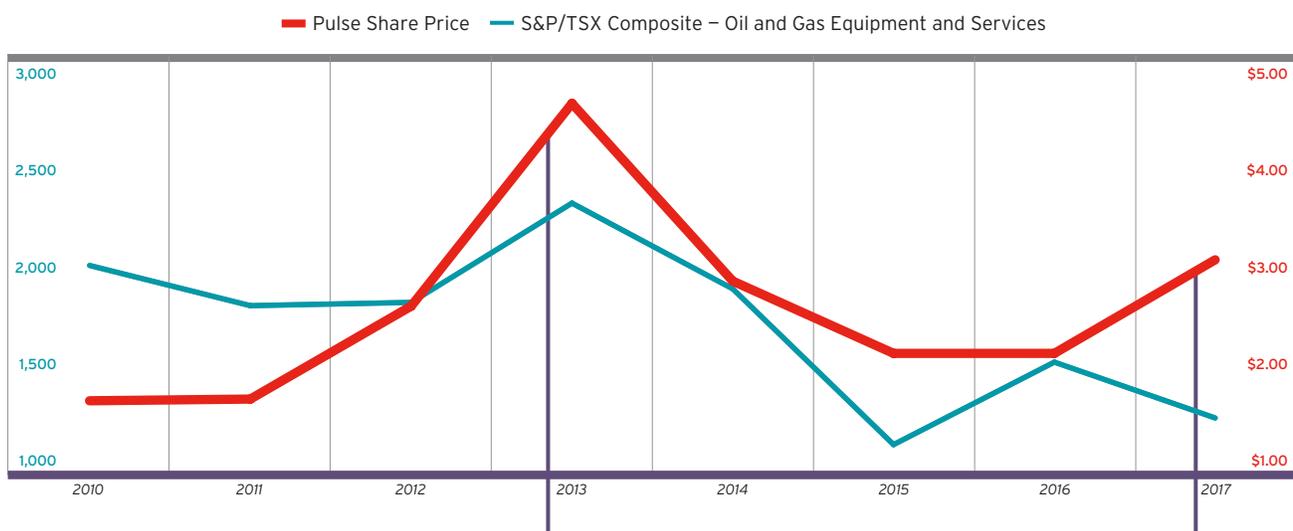
Pulse has a strong track record of success in growing its seismic data library. By increasing the chances that Pulse will have the coverage a given customer needs, enlarging the library expands Pulse's revenue-generating capacity.



Has a Unique Asset with Enduring Value

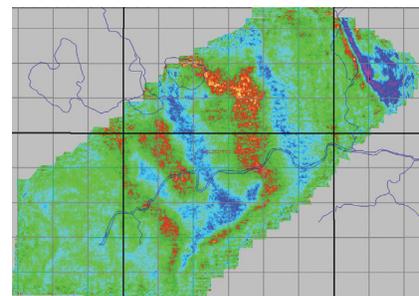
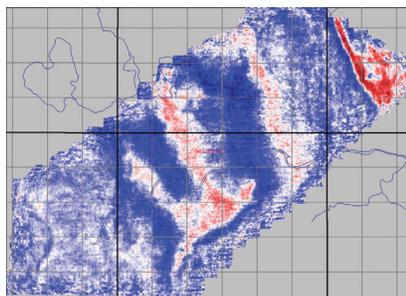
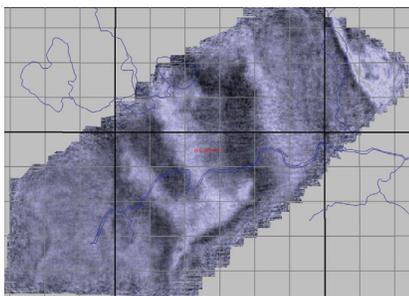
# Offers a Window into the Energy Sector...But is Unlike most Energy Services Companies.

Pulse's business is less volatile than the rest of the energy services sector – and our share price reflects this. Why? Our unique business model creates exposure to the capital spending of Western Canada's oil and natural gas producers, while buffering us against the boom-and-bust cycles suffered by most energy services providers.



A \$27.8 MM transaction-based sale led to record annual SFCF, attracting new investors and interest in the Company and driving the share price to a record high of nearly \$5.00.

A new record deal of \$29.5 MM lifted Pulse's share price despite ongoing economic weakness that continued to affect the rest of the energy services sector.

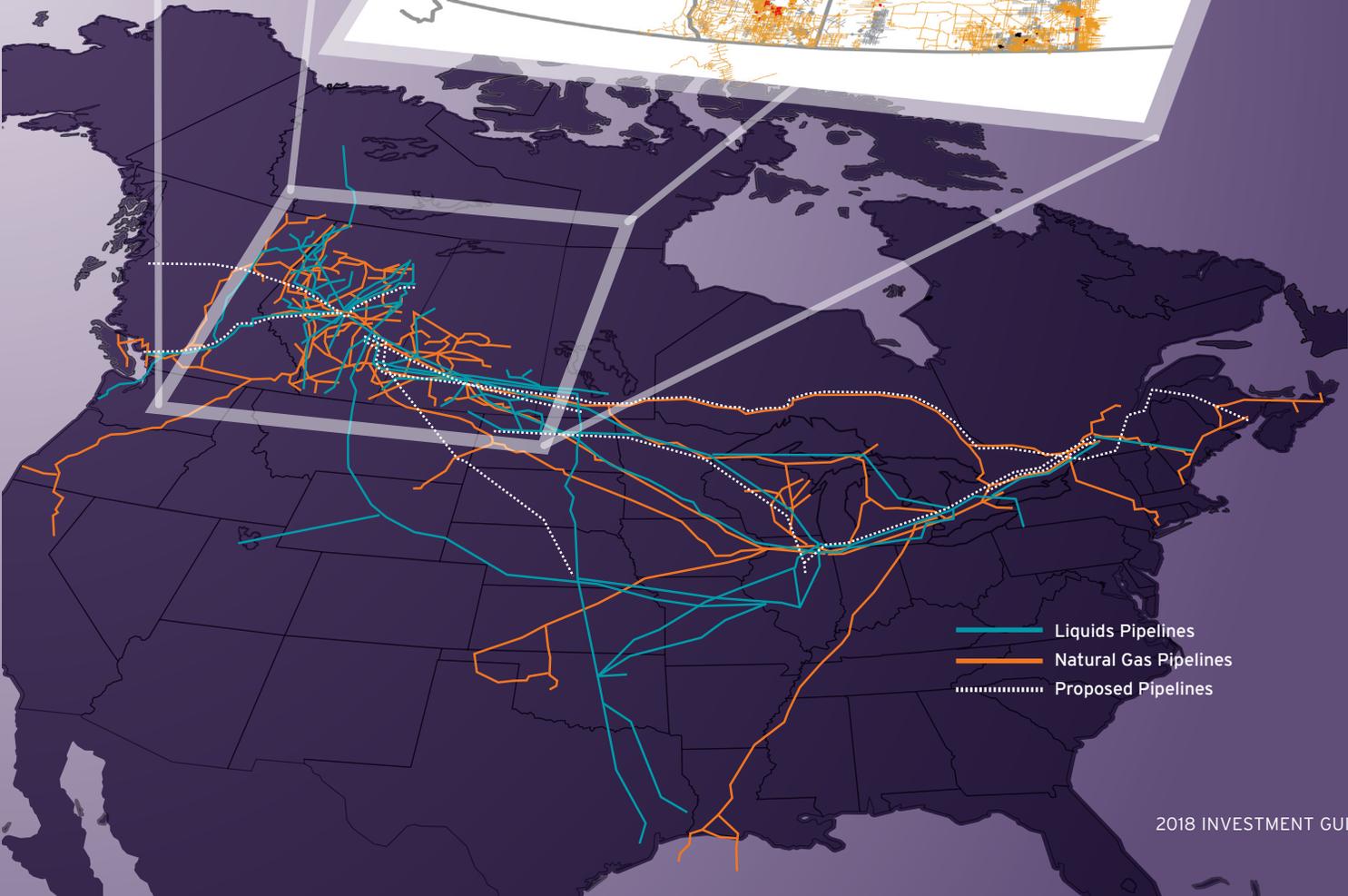
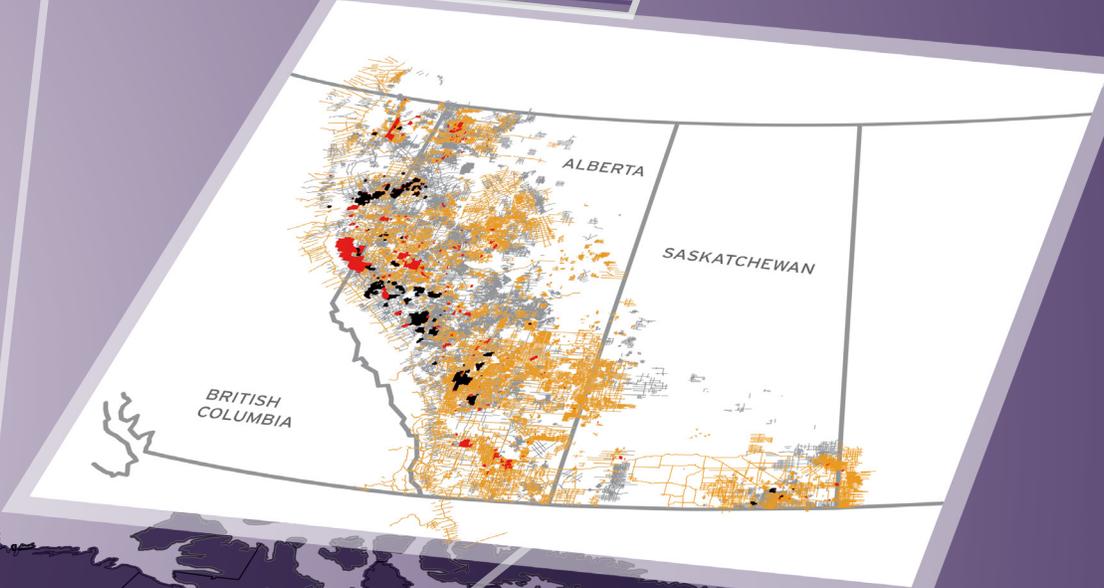
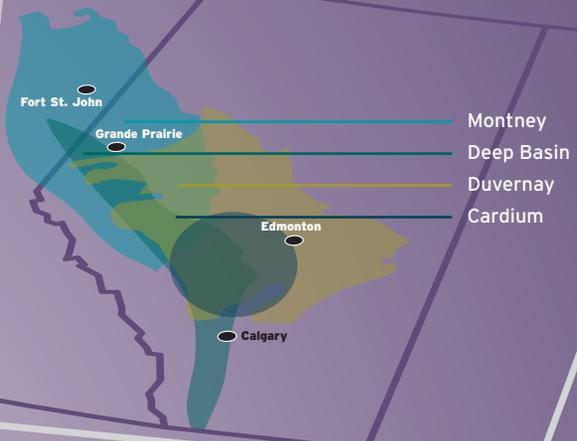


Pulse differs from other energy services companies. Our primary asset is digital – as the seismic renderings above illustrate. We have a lean staff of seventeen people – and our revenues are scalable without “staffing up”. We do not have costly seismic crews and equipment, because we use subcontractors when we conduct participation surveys. We have very low fixed and variable cash costs. We don't

need to make capital expenditures to keep operating and create revenue. We're not subject to the cost spirals common during growth periods in the energy sector. That's why Pulse's share price is determined less by industry cycles and more by our actual financial results and the returns we provide for shareholders through dividends, share buybacks and accretive acquisitions.

# Offers a Window into the Energy Sector

*Pulse's seismic data library provides excellent coverage over some of Western Canada's most active and growing unconventional light oil and natural gas reservoirs or "play areas". With their highly productive wells, their massive, long-life reserves and their improving processing and egress infrastructure, these plays are the main focus of industry capital investment.*



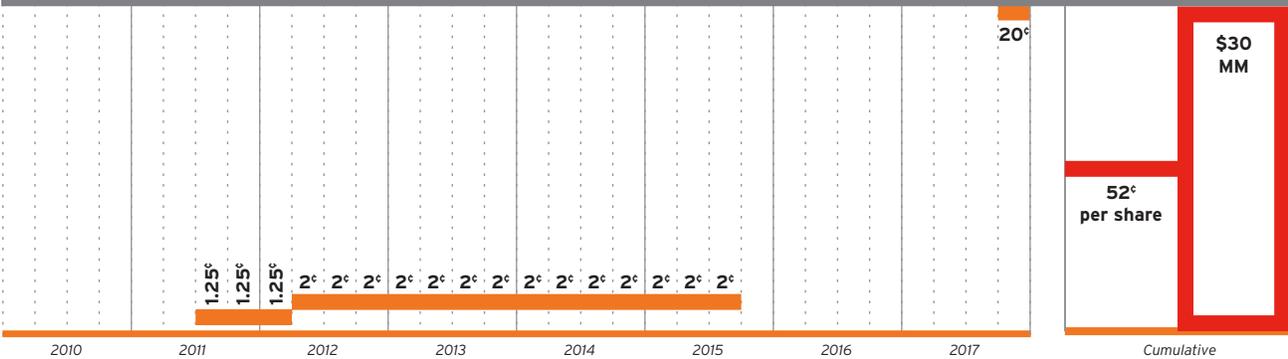
# Has an Excellent Balance Sheet... Exercises Strict Control of its Shares, and Pays a Dividend when Prudent.

Pulse works continually to deliver real returns to its shareholders. Our balance sheet is the foundation. In an industry where excessive debt can kill, Pulse stands out for its strength. Entering 2018 we had zero long-term debt, borrowing capacity of \$30 million (expandable to \$70 million) and a cash balance of \$27.4 million.

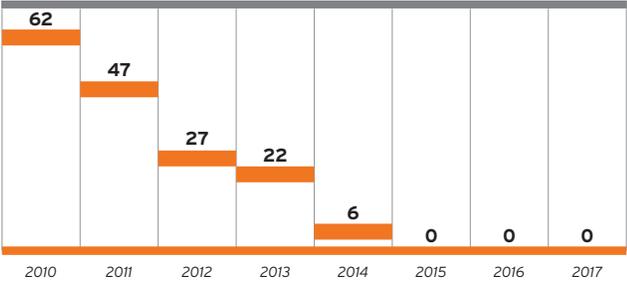
**PULSE GENERATES RETURNS FOR ITS SHAREHOLDERS BY:**

- 1. **Holding down costs (including interest costs).** Pulse’s annual cash costs have been reduced from \$9.3 million per year in 2013 to only \$6.3 million in 2017, including cutting interest costs to virtually zero.
- 2. **Buying back common shares.** From 2006 through year-end 2017 Pulse returned \$45.2 million in capital to shareholders by repurchasing a total of 17.8 million common shares.
- 3. **Shooting new seismic and/or conducting acquisitions** of existing seismic datasets that meet Pulse’s strict technical and economic criteria – thereby increasing Pulse’s revenue-generating capacity.
- 4. **Paying dividends when it is financially prudent to do so.** Pulse has paid quarterly dividends for sustained periods in the past. Based on its strong results in 2017, Pulse issued a special dividend of \$0.20 per share in December, providing \$10.9 million to shareholders – equivalent to a 6% yield for 2017.

**DIVIDENDS** (per share)



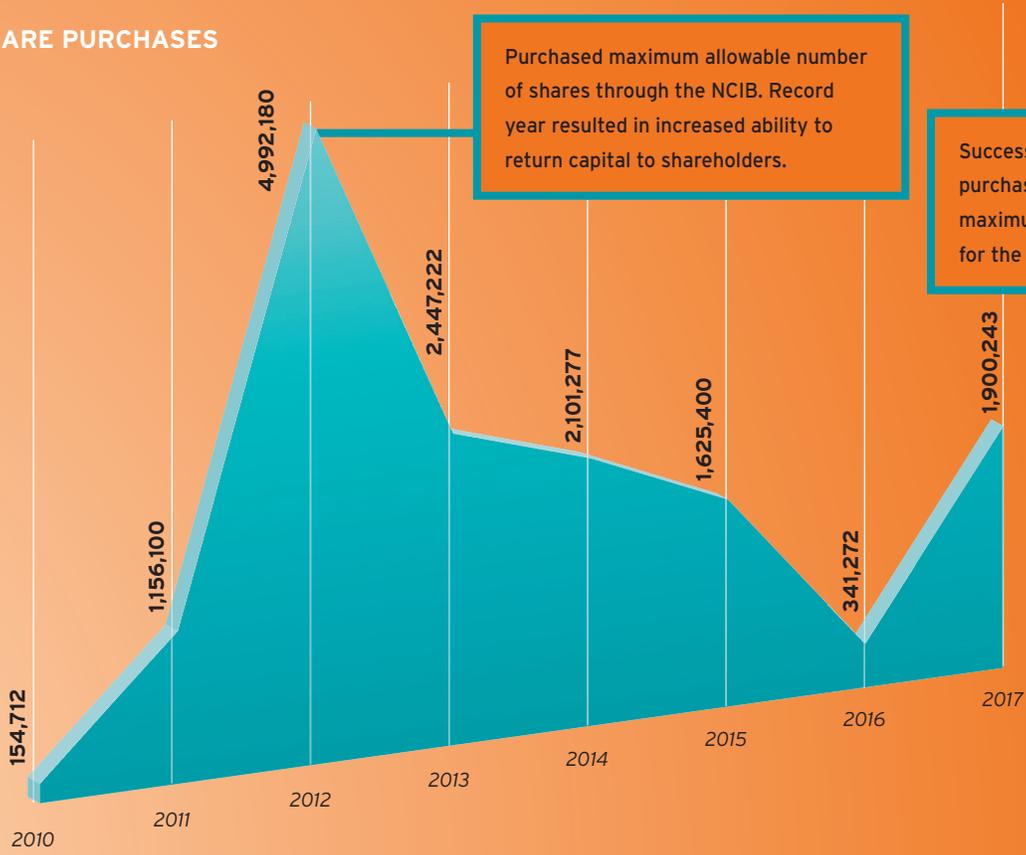
**YEAR-END DEBT** (\$ millions)



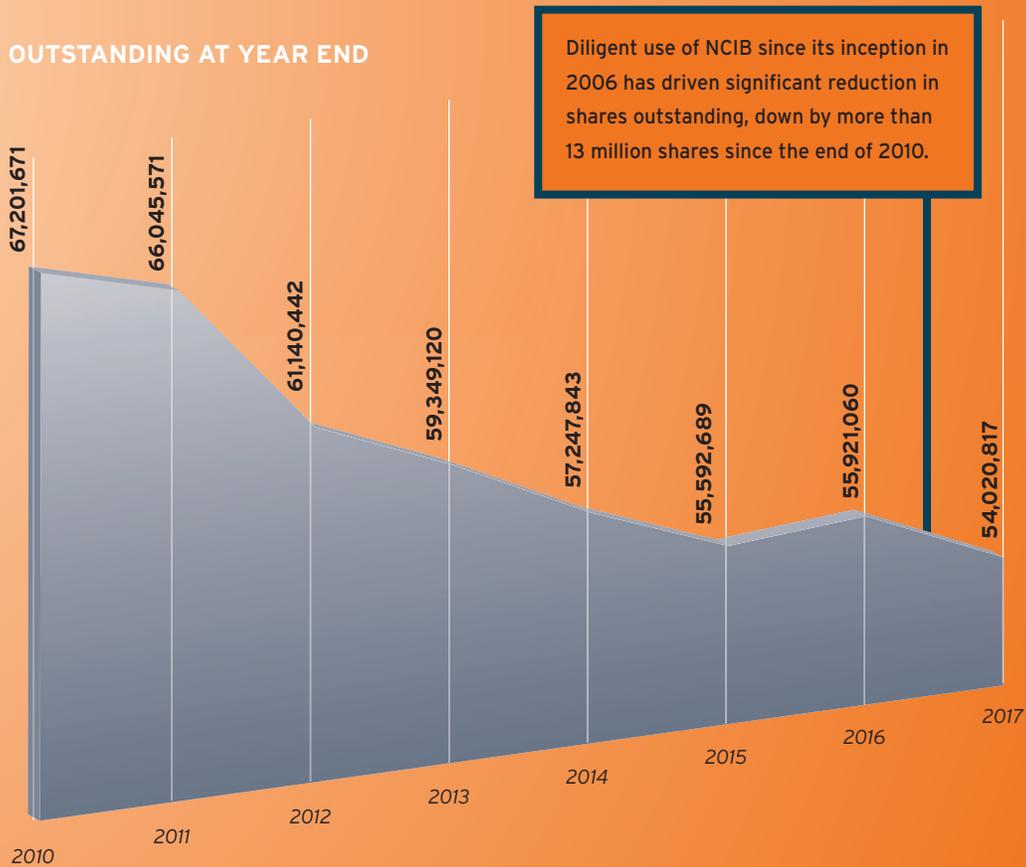
**SPECIAL DIVIDEND 20¢ PER SHARE**

On November 1, 2017, Pulse’s Board of Directors approved and declared a special dividend of \$0.20 per share, enabling shareholders to benefit directly and immediately from the record sale of \$29.5 million in August 2017.

NCIB SHARE PURCHASES



SHARES OUTSTANDING AT YEAR END



# Knows How to Sell... And Makes Sales Throughout the Industry Cycle.

Pulse generates revenue in two main ways: through sales of its data and through customer co-funding of new data shoots. Data sales take two main forms: “traditional” sales and “transaction-based” sales. This revenue mix enables Pulse to realize significant sales in weaker as well as stronger times – and to experience large-scale, surprising upside, such as the record sale of Q3 2017.

## “TRADITIONAL” SALES

Seismic is a universal technology used by oil and natural gas producers to gain clear geological understanding of areas they wish to explore and develop. Pulse’s traditional seismic data sales are straightforward licensing arrangements in which a producer chooses from Pulse’s enormous coverage of high-quality data to support their drilling in a particular area.

Traditional sales tend to rise during periods of vigorous capital investment, high rates of drilling and continuous churn of assets and land positions. Western Canada has

been coming out of an extended cyclical low and Pulse is cautiously optimistic about higher traditional-based sales in 2018 and 2019.

## “TRANSACTION-BASED” SALES

These are relicensing events triggered by changes in control involving the licensee and their assets covered by Pulse’s seismic data. Transaction-based sales reflect deal-making within the highly competitive oil and natural gas industry. This includes changes to corporate structures and sizes, the movement of assets between companies, the addition of joint venture partners and the entry of new companies to Western Canada.

The enormous capital requirements of the large unconventional plays being widely pursued in Western Canada encourage asset owners to seek external capital; the resulting deals often trigger transaction-based relicensing sales. Whether a given M&A event will result in a transaction-based sale depends on multiple variables, ranging from whether the acquiring company already holds the same data to whether it even wishes to drill on the acquired assets.

# 73%

Proportion of total revenue from transaction-based sales in 2017. Since 2010, these sales have ranged from 8% to 73% of total sales.

## 3D PARTICIPATION SURVEYS

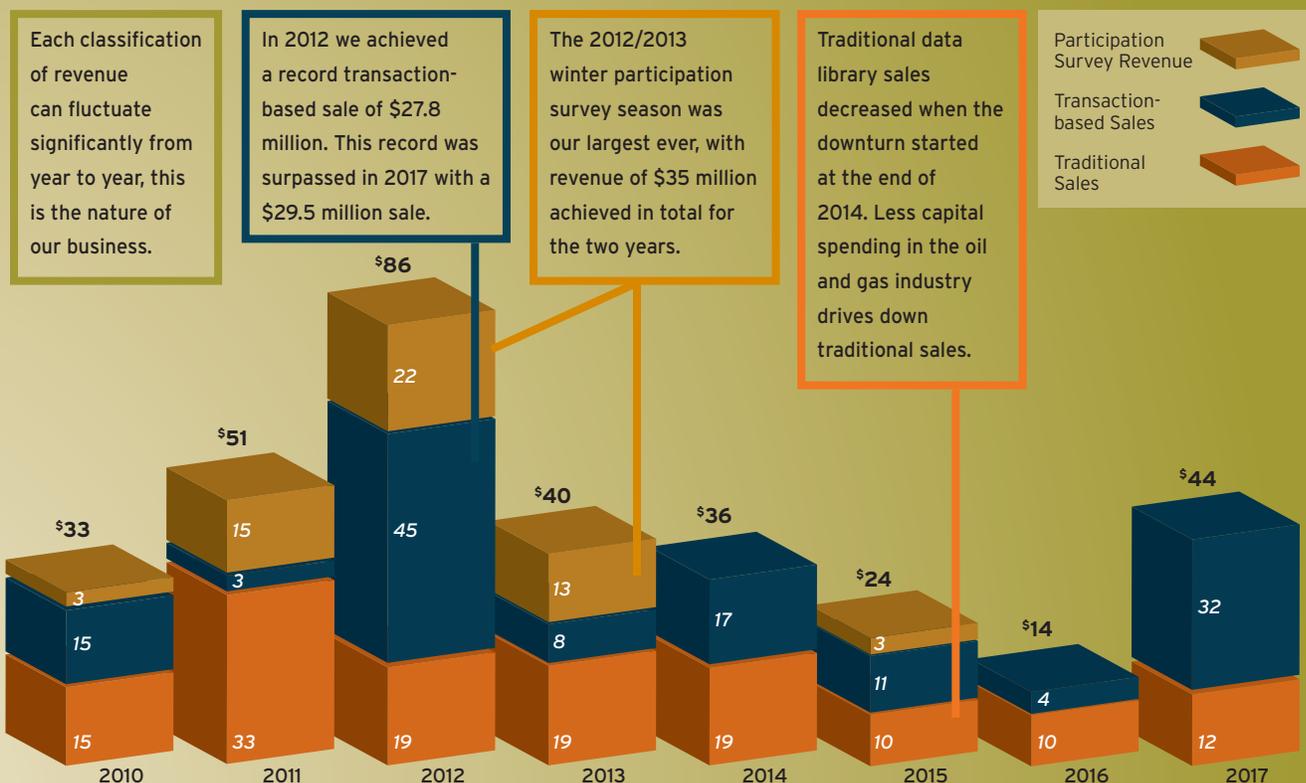
These are programs of new 3D data that Pulse conducts and which customers co-fund in return for a licensed copy of the new data.

Since 2010 Pulse has conducted ten 3D participation surveys. Any prospective survey must meet Pulse’s key criteria of high technical quality, surveying of all potential zones, high ratio of customer pre-funding, and location in a multi-zone play area with available processing and pipeline capacity and competitive industry activity creating high probability of data relicensing. No participation surveys are underway to date in 2018.

# \$29.5MM

All-time record seismic data library sale, closed in Q3 2017. A “transaction-based” sale driven by M&A activity in Western Canada’s oil and natural gas sector.

## TOTAL REVENUE BREAKDOWN (\$ millions)



Knows How to Sell

## UNDERSTANDING PULSE'S TRANSACTION-BASED SALES



### ASSET SALE

**Asset Owner:** Wishes to monetize a particular producing or non-producing asset package to reduce risks or raise capital for use elsewhere.

**New Entrant:** Purchases entire property or mineral rights to particular geological zones.

**Licensing Trigger:** Asset sale does not trigger change-of-control clause, but data licences are not transferred with the asset and the new owner may need seismic data.

**Benefit to Pulse:** Asset sale creates prospects of selling a new data licence and potential for a new customer relationship.



### CORPORATE MERGER/ACQUISITION

**Asset Owner:** A producer needing to realize immediate shareholder value places itself for sale or is subject to a hostile takeover.

**New Entrant:** Acquires the previous owner's assets – but not the seismic data licence.

**Licensing Trigger:** Acquirer has 30 days to act on the change-of-control clause triggered in Pulse's seismic data licensing agreement.

**Benefit to Pulse:** Strong prospects for transfer fees as acquirer may not have data over the same area (especially if a new entrant to Western Canada).



### PARTNERSHIPS AND JOINT VENTURES

**Asset Owner:** Needs additional capital or expertise to develop an oil or natural gas property, to avoid expiry of mineral leases or to reduce risks.

**New Entrant(s):** Participate(s) in the play through partnership or joint venture arrangement. Group pools the assets, expertise and capital.

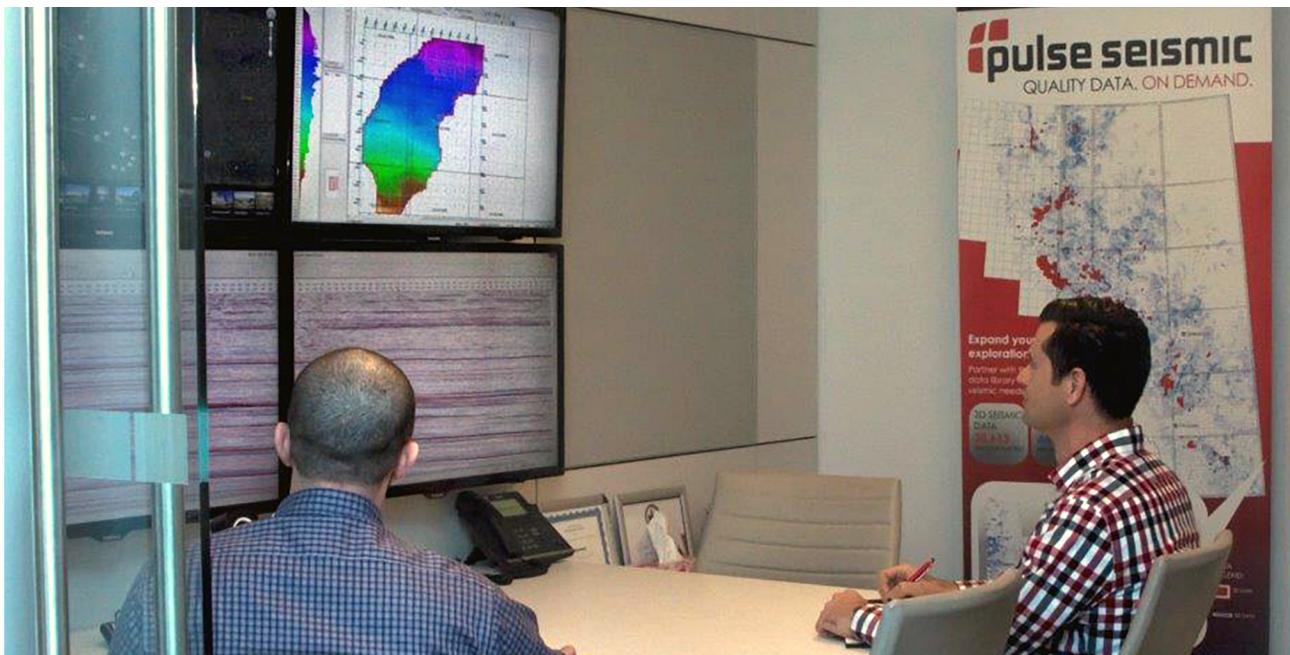
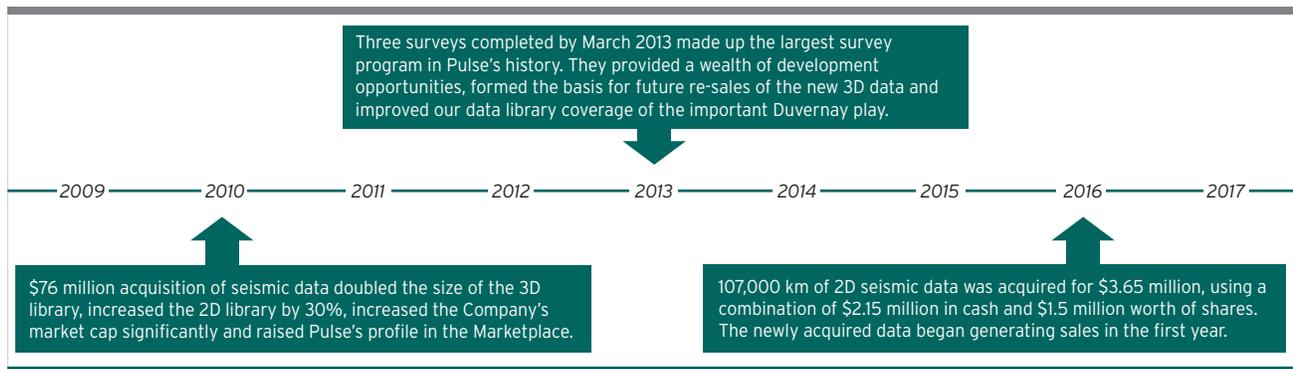
**Licensing Trigger:** Under Pulse's licensing agreements, any new technical or operational participant must purchase a data licence.

**Benefit to Pulse:** Strong prospects of selling a second or third licence for the same data.

# Has an Experienced and Tested Management Team...Committed to Long-term, Profitable Growth

Pulse operates efficiently with a lean team of under 20 staff and a flat management structure headed by executives with longstanding experience in the seismic data business. The long-term strategic objective of the management team and Board of Directors is to grow Pulse into Western Canada's largest licensable seismic dataset while maintaining the pure-play focus that has been key to our success.

## DATA LIBRARY MILESTONES



*Seismic interpretation and visualization software allows oil and natural gas companies to plan their well drilling programs.*



**NEAL COLEMAN**  
President,  
Chief Executive  
Officer and Director



**PAMELA WICKS**  
Vice President,  
Finance and Chief  
Financial Officer



**TREVOR MEIER**  
Vice President,  
Sales and Marketing



**WITH THE STRONGEST BALANCE SHEET IN ITS HISTORY, PULSE IS AS WELL-POSITIONED TO GROW AS IT HAS EVER BEEN.**

Pulse has an optimistic outlook for the rest of 2018 and into 2019. Pulse will continue seeking opportunities to add sets of existing seismic data and/or conduct new participation surveys that meet the Company's strict criteria for high technical

quality, attractive economic valuations, and coverage over active development areas providing strong prospects of repeated re-sales. Pulse is ready to grow while continuing to provide returns-on-investment to its shareholders.

## FINANCIAL HIGHLIGHTS

(thousands of dollars except per share data, numbers of shares and kilometres of seismic data)	Three months ended December 31,		Years ended December 31,	
	2017	2016	2017	2016
Revenue – Data library sales	<b>5,449</b>	4,176	<b>43,525</b>	14,339
Amortization of seismic data library	<b>1,958</b>	4,657	<b>15,870</b>	18,973
Net earnings (loss)	<b>1,311</b>	(1,253)	<b>15,087</b>	(7,490)
Per share basic and diluted	<b>0.02</b>	(0.02)	<b>0.27</b>	(0.13)
Cash provided by operating activities	<b>2,080</b>	2,517	<b>38,755</b>	9,471
Per share basic and diluted	<b>0.04</b>	0.04	<b>0.70</b>	0.17
Cash EBITDA <sup>(a)</sup>	<b>3,791</b>	2,996	<b>37,070</b>	9,119
Per share – basic and diluted <sup>(a)</sup>	<b>0.07</b>	0.05	<b>0.67</b>	0.16
Shareholder free cash flow <sup>(a)</sup>	<b>3,301</b>	3,003	<b>29,729</b>	9,029
Per share – basic and diluted <sup>(a)</sup>	<b>0.06</b>	0.05	<b>0.54</b>	0.16
Capital expenditures				
Seismic data purchases, digitization and related costs	<b>1,450</b>	64	<b>1,575</b>	2,444
Property and equipment	<b>8</b>	–	<b>48</b>	6
Total capital expenditures	<b>1,458</b>	64	<b>1,623</b>	2,450
Special dividend paid	<b>10,915</b>	–	<b>10,915</b>	–
Weighted average shares outstanding				
Basic and diluted	<b>54,404,433</b>	56,042,673	<b>55,135,035</b>	56,105,593
Shares outstanding at year-end			<b>54,020,817</b>	55,921,060
Seismic library at year-end				
2D in kilometres			<b>447,000</b>	447,000
3D in square kilometres			<b>28,956</b>	28,647

## FINANCIAL POSITION AND RATIO AT YEAR-END

(thousands of dollars except ratio)	2017	2016
Working capital	<b>22,486</b>	10,674
Working capital ratio	<b>3.1:1</b>	8.9:1
Cash and cash equivalents	<b>27,422</b>	5,847
Total assets	<b>51,693</b>	44,957
Shareholders' equity	<b>37,810</b>	38,646

(a) These non-GAAP financial measures are defined, calculated and reconciled to the nearest GAAP financial measures in the Management's Discussion and Analysis for the year ended December 31, 2017.

I'm very pleased to present this year's message to Pulse's shareholders, stakeholders and prospective investors. Pulse's balance sheet is as strong as it has ever been. Our operations are as lean and efficient as they have ever been. Activity in Western Canada's oil and natural gas producing sector continues to pick up. And Pulse is fully equipped to pursue opportunities for growth while remaining prudent and focused on providing solid investment returns to its shareholders. While there is always uncertainty, Pulse's unbroken record of positive cash EBITDA and shareholder free cash flow throughout the deepest industry downturn in over 30 years positions us strongly for the future. This is the Company we have built.

Sales in 2017 were 34 percent above the five-year annual average of \$32.5 million. Our critical performance metric, shareholder free cash flow, improved by 238 percent from 2016, reaching \$0.54 per share in 2017. Pulse entered 2018 with no debt, 1.9 million fewer common shares outstanding than one year earlier thanks to renewed pursuit of its Normal Course Issuer Bid (NCIB), and cash of \$27.4 million even after having paid a special dividend of \$0.20 per share in December.

Pulse is grateful for the loyalty and commitment of its long-term individual and institutional shareholders. You are well familiar with the Pulse story and with our quarterly results throughout 2017. In this year's letter, I would like to speak mainly to prospective new investors. Capital markets worldwide are buoyant and economic outlooks are strong – especially in the United States. With valuations having risen markedly, we would like to present Pulse to investors who may be looking for under-the-radar opportunities. We believe Pulse offers a compelling proposition as a value investment.

### Generating Cash and Allocating it Prudently

Pulse is a cash-based business. We generate cash through recurring licensing sales (detailed on pages 8-9) from our enduring asset, the seismic data library (discussed in the next section). We keep costs as low as possible, operating the company with a lean complement of under 20 staff, and incurring minimal maintenance costs on our digital library. This lets us make the most of every revenue dollar, key to Pulse's

high cash margin. Thanks to virtually flat year-over-year fixed costs and higher sales, Pulse's cash margin increased to 85 percent in 2017 from 64 percent the year before, and also exceeded the eight-year average of 78 percent.

Our low-cost, high-margin business translates into positive cash EBITDA and positive shareholder free cash flow (SFCF) at low revenue. This non-GAAP measure provides the best insight into Pulse's ability to generate returns for its shareholders. SFCF moves beyond cash EBITDA by subtracting non-discretionary spending on interest and taxes, as well as participation survey revenue, which is locked into funding the participation survey itself, while ignoring amortization, a non-cash item. SFCF is what Pulse can freely allocate to grow the data library, pay down debt principal, return capital to shareholders through the repurchase of common shares, and pay dividends to shareholders.

The Company's primary objective is to maximize SFCF per share and, in turn, the economic value per common share. Pulse has a strong record of generating SFCF and allocating it prudently. The graphic on page 1 depicts how Pulse has generated cash through data library sales, issuance of equity and borrowing over the past eight years, and how in turn we have allocated cash to invest in growing the library, pay down debt and generate investment returns for our shareholders. In an industry that typically consumes capital and often generates negative cash flows, we are proud of Pulse's record of sustained cash profitability.

## A Unique Asset with Enduring Value

Pulse's core asset takes up almost no space, existing digitally on secure servers and tape back-up. It depreciates but does not deteriorate. It ages but does not "age-out" into obsolescence. It seems like a commodity, but is priced like a scarce good. Its usefulness remains steady, it generates high-margin, recurring revenue for year upon year, its functionality grows as other technology improves, and it becomes arguably more valuable as it becomes ever-harder to replace.

These are some of the intriguing competitive strengths of Pulse's library of seismic data – three-dimensional (3D) as well as two-dimensional (2D) (please see pages 2-3 for geographical coverage and key statistics). The data library is the source of Pulse's long-term value. Yet how can a collection of data with virtually zero book value, in an era when state-of-the-art software can be rendered obsolete and worthless within a few years, be so valuable? It requires understanding a few points about seismic data:

- Nearly all oil and natural gas exploration and development requires the use of 3D and/or 2D seismic to map and visualize underground geology (please see Pulse's Management's Discussion and Analysis for the year ended December 31, 2017 for additional technical information on seismic data). This is particularly so as oil and gas producers have worked to better manage risks and as the average size of geological targets has shrunk over time (Pulse's business is not linked to the oil sands);
- Pulse has Western Canada's second-largest licensable dataset, providing access to over 7 million acres – over 28,000 square kilometres. We have maintained a commitment to high technical quality, including "high-fold" 2D data encompassing all geological zones of interest from surface to basement, and modern three-wave 3D data. Pulse's library covers many traditional producing pools as well as the most resource-rich "unconventional" plays such as the Montney (truly among North America's top long-term reservoirs), Duvernay, Deep Basin and Cardium;
- Seismic data is pure information, not software. It does not deteriorate or expire. It can be used at will, indefinitely, as many times as we can license it. Every year, we generate sales of 2D or 3D data that was shot up to 40 years ago;
- As the software used to process and interpret seismic data and to visualize underground geology continually improves (a job done by other companies, not Pulse), seismic data in some respects actually grows in value;
- Competition is limited. Although Western Canada has several other seismic data providers, there is little overlap between 3D datasets. This gives each dataset unique value. Seismic is too expensive to "overshoot" (duplicate) except in rare instances where the initial shoot was zone or play-specific or the sole owner will not license the data to others. When an oil or gas producer decides to drill in an area covered by Pulse's seismic, chances are we have the only 3D data;
- Shooting seismic is expensive. In Alberta, costs for a new 3D shoot can range from \$30,000 to \$50,000 per square kilometre. Seismic shoots also face increasing regulatory burdens, including ever-increasing environmental restrictions and no-go zones, as well as landowner and community opposition. Any prospective competitor would face very high barriers to entry, while an oil and gas producer considering a proprietary shoot would have to invest months of time and several times the cost of licensing Pulse's data. Among other benefits, the high barriers to entry avert downward pricing pressure faced by "commodity"-style businesses.

That is why, with a book value of only \$18 million at December 31, 2017, Pulse has an asset of enduring value that has generated anywhere from 80 percent to 350 percent of that amount in any given year, and that would require decades of work and capital investment of over \$2 billion to replicate – if it could be done at all.

## An Exception in a Volatile Sector

Energy services – the companies that provide drilling rigs, downhole tools, hydraulic fracturing, fluids and myriad other services to oil and natural gas producers – are a notoriously boom-and-bust sector – even more so than the producing sector itself. As a provider of seismic data, Pulse is classified as part of the energy services sector. But we are not really “in” it. Pulse’s business, and the financial numbers that go with it, are intrinsically less volatile than energy services that rely on supplying “iron and muscle” for field operations. Our share price performance (please see the graph on page 4) clearly reflects the lower volatility of Pulse’s business model – particularly during the recent, extended industry downturn.

Why? Most energy services companies are both capital- and labour-intensive. When field activity picks up, they need to build or buy equipment and staff up in a hurry. Their costs balloon, and they often borrow heavily or issue equity. As producers demand more and faster services, pricing escalates and the service providers’ revenues, margins and profits all shoot up.

When the boom ends and commodity prices fall, field activity slumps and the services sector is whipsawed with exaggerated effects. Workers are laid off *en masse* and equipment is parked or auctioned for pennies on the dollar. While most of the oil and gas producing companies endure, downturns typically eat service companies alive. In the most recent occurrence, billion-dollar fracturing companies went bankrupt while some of the sector’s strongest players barely pulled through.

Thanks to its “asset-light” business model, by contrast, Pulse generated cash EBITDA and SFCF the entire time. Because we provide a digital product, we don’t need to build or maintain equipment fleets or large field teams, or hold expensive buildings, yards or material stockpiles. Generating revenue is independent of capital spending. Our sales are almost limitlessly scalable without either capital investment or higher operating costs (sales commissions and incentive payments do go up). This creates strong revenue-to-margin leverage. We don’t gouge our customers during good times, and we suffer virtually no price erosion during downturns.



Pulse should, therefore, be thought of less like a traditional energy services operator and more like a digitally-based company providing a valuable virtual product that is always needed by the sector it serves.

## Delivering Value to Shareholders



Virtually every company says it, quite a few companies manage to do it in good times, but relatively few companies really live it. At Pulse, everyone on the management team and every member of the Board of Directors is truly mindful of what is best for shareholders in every decision we make, every step of the way.

Here is how Pulse provides value to its shareholders:

1. Pulse’s ability to generate cash in good times and bad does not come out of nowhere. It is based on our decision to become and remain a pure-play seismic data library provider focused on Western Canada, coupled with the particular advantages of our unique asset. The resulting high cash margin enables us to maintain a strong balance sheet and repay debt incurred from time-to-time to act on growth opportunities.
2. We exercise discipline in capital allocation. We grow when we find opportunities that meet our strict technical and valuation criteria. We avoid risky deals, overpaying for acquisitions or branching out into non-core businesses that would be lower-margin, capital-intensive or otherwise sub-optimal. Data library growth on these terms has been the prevailing priority over the years. When we don’t believe we have opportunities that will lead to the best returns, we re-evaluate our position with respect to share buybacks and dividends.
3. This approach maintains the high cash margin. Remarkably, Pulse was able to repay all its long-term debt and effectively eliminate interest costs going into a serious downturn in which some large energy-services companies became casualties.
4. The resulting SFCF is then available to be used to our shareholders’ direct benefit.

5. We are into the 12<sup>th</sup> year of our NCIB. Pulse issues equity from time to time to help finance additions to its seismic data library, then allocates a portion of the resulting cash flow to steadily repurchase the shares. Since 2006 Pulse has repurchased 17.8 million shares, returning \$45.2 million of capital to shareholders, including \$5.3 million in 2017.

The NCIB is an efficient use of funds, generating a better than dollar-for-dollar return by immediately using available cash, without imposing any commitments on Pulse, as it can be scaled back or suspended whenever we wish. Buying back shares increases future SFCF per share and reduces future dividend costs at a given per-share level.

6. We pay a dividend when we can do so without weakening Pulse's financial position. In 12 of the past 15 years, Pulse paid a quarterly dividend that typically generated a yield of 3-4 percent. Our shareholders like the dividend, and we are pleased to pay it. But we avoided becoming wedded to paying a dividend at all costs. In times of economic weakness or lower sales, we have not hesitated to suspend the dividend, and we did so in November 2015 and for 2009 and 2010.

Last year, our record \$29.5 million transaction-based sale brought in so much cash that the Board concluded our shareholders deserved an immediate return of a portion of this sale. Accordingly, we declared a special dividend of \$0.20 per common share, which was paid in December. The special dividend equalled 10 regular quarterly dividends, thereby making up for the suspended dividend from its suspension through the first quarter of this year. Another way of looking at the special dividend was that it provided a yield of approximately 6 percent for 2017.

### Proven Management Team

Pulse's management team is experienced, tested, and has demonstrated long-term strategic continuity. I'm proud of them. The team has proved its ability to:

- Grow the Company through well-timed, transformative acquisitions that add high-quality, well-situated, re-sellable data at favourable

valuations. Growth increases coverage, and more data over more land area strengthens the chances of providing customers with what they need, increasing Pulse's revenue-generating capacity. The current corporate structure can manage significantly higher revenue levels in any given year;

- Protect the Company's finances – and shareholders' interests – by limiting long-term debt, avoiding unsuitable or unfavourably priced acquisitions, negotiating favourable lending agreements, and paying down debt whenever possible. Pulse's clean balance sheet proved key to surviving the recent downturn. Currently, our ample borrowing capacity is a major advantage in maximizing SFCF and enabling us to act on any growth opportunities we might find;
- Hold costs down. In the period 2013-2017, the team reduced Pulse's annual fixed cash operating costs by approximately \$2.0 million per year;
- Keep the business focused as a pure-play seismic data library provider; and
- Make the best use of the Company's internal capital by appropriately allocating cash in furtherance of increasing shareholder value.

Pulse's management team is well-suited to Pulse's current business. We are focused where a publicly traded data library provider should be: on serving the evolving needs of our valued, loyal customers, and on growing the library with a disciplined focus on profitability which will lead to returns for our shareholders.

### Outlook

Following a 2017 that delivered more upside than we expected, Pulse's optimism is strengthening. While Western Canada's oil and gas producing sector has lagged the strong recovery experienced in the U.S., things are picking up. Higher crude oil prices and lower Canada-U.S price differentials (offset only slightly by a strengthening Canadian dollar) have been positive for producers focused on crude oil and natural gas liquids, and the price outlook remains positive. Industry capital spending announcements so far this year have been relatively strong and drilling rates are forecast to climb

over 2017. These are all positive signs for Pulse's traditional seismic data sales. Continued significant industry M&A activity, if forecasts are realized, will be broadly conducive to Pulse's transaction-based sales of seismic data licences.

For 2018, Pulse anticipates continuing moderate recovery in its traditional sales, providing a reasonable revenue base to the year. Whether total revenues and financial performance underperform or exceed 2017 should, accordingly, be determined by the strength of transaction-based sales. Large or small transaction-based sales can occur at any time, creating potential upside. As always, we caution shareholders and potential new investors that, first, visibility as to Pulse's traditional sales remains poor due to the weakening connection between leading industry indicators and seismic-related activity and, second, that transaction-based sales are innately unpredictable.

Unlike most companies in the energy services sector, however, Pulse's business has been assembled, enlarged and fine-tuned to be resilient against industry volatility and negative market forces. 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 just \$6 million. Pulse's lowest annual sales in the depths of the energy industry's downturn were \$14.3 million.

Looking ahead through this year and into 2019, the Company we have built is financially strong and well-positioned to continue generating sales to our valued customers and investment returns for our shareholders, and to seek further opportunities to advance our goal to profitably grow into Western Canada's largest seismic data library provider. I extend warm thanks to Pulse's skilled and dedicated team of employees and managers, to the Board of Directors for their sound judgment and governance, and to the Company's supportive and committed shareholders, who see the true value of Pulse.

On behalf of the Board of Directors,

A handwritten signature in black ink, appearing to read 'Neal Coleman', with a long horizontal flourish extending to the right.

Neal Coleman  
President, CEO and Director

April 17, 2018

# Advisories

## **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 forward-looking information and material risk factors that could affect this forward-looking information are discussed in detail in the Forward-Looking Information and Risk Factors sections of Pulse’s MD&A for the most recent calendar year and interim periods, which can be found on SEDAR at [www.sedar.com](http://www.sedar.com) and on Pulse’s corporate website at [www.pulseseismic.com](http://www.pulseseismic.com).

## **NON-GAAP MEASURES**

This document makes use of non-GAAP measures. The Company’s continuous disclosure documents provide discussion and analysis of “cash EBITDA”, “cash EBITDA per share”, “shareholder free cash flow” and “shareholder free cash flow per share”. These financial measures do not have standard definitions prescribed by International Financial Reporting Standards and, therefore, may not be comparable to similar measures disclosed by other companies. The Company has included these non-GAAP financial measures because management, investors, analysts and others use them as measures of the Company’s financial performance. The non-GAAP measures are discussed in detail in the Non-GAAP Financial Measures and Reconciliations section of Pulse’s MD&A for the most recent calendar year and interim periods, which can be found on SEDAR at [www.sedar.com](http://www.sedar.com) and on Pulse’s corporate website at [www.pulseseismic.com](http://www.pulseseismic.com).





[www.pulseseismic.com](http://www.pulseseismic.com)