

FINANCIAL HIGHLIGHTS

	Three months ended December 31,		Years ended December 31,	
	2018	2017	2018	2017
(thousands of dollars except per share data, numbers of shares and kilometres of seismic data)				
Revenue – Data library sales	4,313	5,449	10,188	43,525
Amortization of seismic data library	1,811	1,958	7,337	15,870
Net earnings (loss)	1,024	1,311	(1,730)	15,087
Per share basic and diluted	0.02	0.02	(0.03)	0.27
Cash provided by operating activities	2,457	2,080	(3,250)	38,755
Per share basic and diluted	0.05	0.04	(0.06)	0.70
Cash EBITDA ^(a)	3,209	3,791	5,037	37,070
Per share – basic and diluted ^(a)	0.06	0.07	0.09	0.67
Shareholder free cash flow ^(a)	2,616	3,301	4,671	29,729
Per share – basic and diluted ^(a)	0.05	0.06	0.09	0.54
Capital expenditures				
Seismic data purchases, digitization and related costs	-	1,450	62	1,575
Property and equipment	9	8	18	48
Total capital expenditures	9	1,458	80	1,623
Special dividend paid	-	10,915	-	10,915
Weighted average shares outstanding				
Basic and diluted	53,793,317	54,404,433	53,838,106	55,135,035
Shares outstanding at period-end			53,793,317	54,020,817
Seismic library				
2D in kilometres			450,000	447,000
3D in square kilometres			28,956	28,956

FINANCIAL POSITION AND RATIO

	December 31, 2018	December 31, 2017
(thousands of dollars except ratio)		
Working capital	25,804	22,486
Working capital ratio	15:1	3:1
Cash and cash equivalents	23,016	27,422
Total assets	38,847	51,693
Shareholders' equity	35,238	37,810

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

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

YEAR ENDED DECEMBER 31, 2018

The Annual Meeting of Shareholders of Pulse Seismic Inc. will be held on Wednesday, May 8, 2019 at 3:00 p.m. MDT in the Cardium Room of the Calgary Petroleum Club, located at 319 - 5th Avenue S.W., Calgary, Alberta.

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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 year ended December 31, 2018 was prepared taking into consideration information available to February 27, 2019 and is supplemental to the audited consolidated financial statements and related notes for the year ended December 31, 2018. Throughout this MD&A reference will be made in the text and tables to "2018", which refers to the year ended December 31, 2018, and to "2017", which refers to the year ended December 31, 2017.

The consolidated financial statements were prepared in accordance with International Financial Reporting Standards (IFRS) with comparative figures for the prior year. The consolidated 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.

Following the acquisition on January 15, 2019, Pulse owns the largest licensable seismic data library in Canada, currently consisting of approximately 65,310 net square kilometres of 3D seismic and 829,207 net kilometres of 2D seismic. In January 2019 Pulse more than doubled the size of its data library through its acquisition of Seitel Canada Limited. 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.

SEISMIC DATA

Seismic data is an essential part of the oil and natural gas exploration and development process. Companies engaged in oil and natural gas exploration and development use seismic data to assist in exploring for and developing new reserves and in establishing the extent of existing reserves. In acquiring seismic data, acoustical energy waves are transferred from an energy source at or near the surface of the Earth to the subsurface. The seismic waves reflect off various geological beds or strata in the Earth's subsurface. Sophisticated sensors and recording instruments at the surface collect the reflected waves and convert them to digital form. The data is subsequently processed and an image of the subsurface formations is created, providing explorationists with valuable data on the potential of a particular area to yield oil or natural gas reserves, and assisting in the selection of drilling locations.

2D SEISMIC

2D seismic data is measured in linear kilometres and after processing provides a sectional illustration of geological formations directly below the line on which the data was acquired. 2D seismic can extend over a distance spanning many kilometres. Intersecting 2D lines can enable explorers to map large pools of oil and natural gas, but without the precision required for smaller or more complex targets. Exploration companies typically use 2D seismic to get a sense of the regional geology of an area they think is prospective for oil and natural gas. 2D seismic data continues to be used to generate regional leads and prospects in oil and natural gas exploration areas.

3D SEISMIC

3D seismic data is measured in square kilometres and after processing provides map-like overhead views as well as three-dimensional visualizations of the subsurface geology. 3D seismic data is shot in grids, generating a three-dimensional image of the subsurface. 3D seismic data enables a more precise definition of geologically complex targets, facilitating precise placement of oil and natural gas wells. 3D seismic is generally used to zero-in on a discrete area of geological interest initially identified with 2D seismic. 3D seismic data is particularly important for horizontal drilling, unconventional plays (such as shale gas and tight sands) and complex conventional drilling. Typical 3D seismic surveys cover an area anywhere from a few square kilometres to several hundred square kilometres.

MISSION AND STRATEGY

Pulse is a pure-play seismic data library company focused on the acquisition, marketing and licensing of seismic data to the western Canadian oil and natural gas sector. The Company's business model is designed to generate a continual stream of cash flow by repeatedly licensing the data in its seismic data library to oil and natural gas exploration and production companies. Pulse's strategy is to pursue growth opportunities that meet its financial and technical criteria while maintaining a low cost structure.

Current seismic processing and visualization software allows historical 2D and 3D data to be reprocessed and reinterpreted, thereby maintaining the technical usefulness and marketability of historical data and, through repeated licensing sales, generating recurring revenue. The Company is continuously seeking and evaluating opportunities to expand its data library by acquiring high-quality 2D and 3D datasets that cover some of western Canada's most prospective current exploration regions, are complementary to its current library, and are available at favourable valuations. This is accomplished in two ways. Pulse purchases proprietary rights to complementary 2D and 3D seismic datasets when the opportunity arises, and it partners with customers on surveys for new 3D seismic data. Participating customers are provided with a licensed copy while Pulse retains proprietary rights to the seismic data acquired. Pulse uses Company personnel to market and manage participation surveys, and subcontracts field acquisition activities to third parties.

ECONOMIC ENVIRONMENT AND SEISMIC INDUSTRY

Pulse has been successful throughout prior commodity price cycles, due to its low cost structure and ability to generate a high level of shareholder free cash flow relative to revenue. Shareholder free cash flow is a non-GAAP measure that the Company considers important in evaluating its financial performance.

Pulse's success depends on its ability to provide seismic coverage over the geographical areas associated with certain geological development areas or "play types" that the exploration and development sector focuses on in a given period. Activity in various plays is driven by commodity prices, geological understanding, the economic application of available and improving technologies and the availability of oil and natural gas processing and transportation egress ("take-away") capacity at reasonable cost. Pulse has worked diligently through the years to enlarge its coverage.

The oil and natural gas exploration and development industry targets natural gas reservoirs that are high in natural gas liquids and crude oil, lying in unconventional shale and less-permeable or tight formations. 2D and 3D seismic data are important tools for these plays. 2D seismic data is used to map the regional faults in shale gas prospects and 3D seismic data is used to map the exact contours of variable reservoirs, as well as small-scale fractures in shale formations, to plan accurate paths for horizontal wells.

Pulse's business results depend to a large extent on the level of capital spending on exploration activities by oil and natural gas companies. A sustained increase or decrease in the price of natural gas or crude oil, therefore, which could have a material impact on exploration activities, could also materially affect the Company's revenue, financial position, results of operations, cash EBITDA and shareholder free cash flow. The relationship is not direct, however, and the Company has generated high revenue in periods of weak oil and natural gas prices and vice-versa.

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 months and year ended December 31, 2018, with comparative figures for 2017, are set out in the following table:

(thousands of dollars except per share data)	Three months ended December 31,			Years ended December 31,		
	2018	2017	Variance	2018	2017	Variance
Revenue – Data library sales	4,313	5,449	(1,136)	10,188	43,525	(33,337)
Net earnings (loss)	1,024	1,331	(287)	(1,730)	15,087	(16,817)
Per share – basic and diluted	0.02	0.02	0.00	(0.03)	0.27	(0.30)
Cash EBITDA	3,209	3,791	(582)	5,037	37,070	(32,033)
Per share – basic and diluted	0.06	0.07	(0.01)	0.09	0.67	(0.58)
Shareholder free cash flow	2,616	3,301	(685)	4,671	29,729	(25,058)
Per share – basic and diluted	0.05	0.06	(0.01)	0.09	0.54	(0.45)

The record \$29.5 million transaction-based seismic data sale in the third quarter of 2017 accounts for most of the difference in data library sales between the comparative years. With weak industry conditions continuing in 2018 and no material transaction-based sales occurring in the year, all of the Company's key performance metrics declined from the prior year's periods. In 2017 and 2018 the Company experienced low traditional data library sales due to drastic cutbacks in the energy-producing sector's capital spending. Traditional sales in 2018 were even lower than in 2017 and much lower than the historical average. See "Traditional Sales vs. Transaction-based Sales: Eight-Year History".

There were no participation surveys conducted in 2018 or 2017.

CORPORATE UPDATE

On January 15, 2019 the Company acquired 100 percent of the shares of Seitel Canada Limited (Seitel) for initial cash consideration of \$53.6 million paid at closing plus potential additional payments of up to \$5 million, in the aggregate, within two years of closing. Pulse also assumed an estimated \$4.2 million in additional future liabilities.

The acquisition more than doubled the size of the Company's seismic data library, making it the largest provider of licensable seismic data to the oil and natural gas industry in the Western Canada Sedimentary Basin.

The assets of Seitel, a privately held company, consisted primarily of its 2D and 3D seismic data library in Western Canada. The newly acquired seismic data library includes approximately 36,354 net square kilometres of 3D data and 379,207 net kilometres of 2D data. Pulse more than doubled its 3D library to be the owner of approximately 65,310 net square kilometres and nearly doubled the 2D library to approximately 829,207 net kilometres. The acquisition was completed pursuant to the terms of a share purchase agreement dated January 15, 2019.

The newly acquired seismic data is unique and complementary to Pulse's data, with minimal overlap in the most valuable asset, the 3D library, and only a small percentage of overlap in the 2D library.

The initial consideration of \$53.6 million was paid in cash and financed by a combination of Pulse's cash on hand of \$20.6 million and \$33.0 million of debt. In connection with the acquisition, Pulse amended and restated its syndicated credit agreement with the Toronto-Dominion Bank and ATB Financial. The facilities are now comprised of \$15 million in term debt, all of which was utilized for the acquisition, and a \$30 million revolving facility, \$8 million of which was drawn for the acquisition. There is also a \$25 million accordion feature which allows the Company to increase the facility's size up to \$70.0 million, subject to the lenders' consent. The facility contains favourable repayment terms, interest rates and financial covenants.

Further, Pulse has also entered into a five-year subordinated debt agreement with Edgepoint Investment Group Inc. for an additional \$10 million. The agreement terms and conditions are competitive, market based terms and conditions. The agreement has no requirement to repay the principal prior to the end of term (the "Subordinated Credit Agreement").

The balance of up to \$5 million is a deferred payment that will be paid out at a rate representing 50 percent of the sales revenue generated from the former Seitel database over the next two years.

To complete the financing of the acquisition Pulse incurred \$73,000 of financing costs as of December 31, 2018 which were deferred and, starting in January 2019, are being amortized over the duration of the term debt. The Company also incurred \$85,000 of transaction costs as of December 31, 2018. These costs include professional fees related to the settlement of the acquisition. The cost will be capitalized and will increase the total cost of the acquisition.

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 lower than historical averages. The most recent survey was conducted in the first quarter of 2015.

OUTLOOK

As a result of the January 15, 2019 acquisition, Pulse has more than doubled the size of its primary asset and its revenue-generating potential. While there are an estimated \$4.2 million in additional future liabilities associated with the purchase of the shares of Seitel Canada Ltd., Pulse considered these costs to be part of the negotiated purchase price. Those costs aside, the low cost structure of the business model facilitates significant synergies on future sales. Additionally, the financing structure for this acquisition positions the Company to comfortably meet its new level of obligations which includes interest expense, deferred payments to the vendor based on sales of the newly acquired data, and a very low level of debt principal payments for three years post acquisition.

The Company intends to pay down debt, continue to manage costs conservatively and to continue to be stringent in assessing potential new opportunities. Pulse also has unused borrowing capacity on the credit facility of up to a further \$22 million if needed. Pulse's management team is pleased with the Company's financial position and go-forward cost structure, and confident in its ability to handle its indebtedness in the current economic environment.

The Company does not see indications of an industry rebound, and therefore is very cautious about the coming year. Not only are the industry signals generally weak, the situation is so dominated by shifting political and regulatory affairs - including looming elections in Alberta and federally - that it would be imprudent to attempt even broad predictions. Pulse is, accordingly, prepared for additional quarters of weak traditional sales, and continues to caution that visibility as to future traditional sales remains very poor. An industry rebound will depend on some combination of export pipeline approvals, LNG projects proceeding, political resolution of seemingly intractable issues and more favourable government tax and industry policies - all without another downturn in crude oil prices.

Pulse has been structured to survive and even grow through all phases of the industry cycle. It has clearly demonstrated that its business is strong, that its model works, that its capabilities meet its aspirations, and that its management team is capable and prudent. The Company's low cost structure and the immense coverage of its seismic database make Pulse's revenue, cash margin and shareholder free cash flow highly levered to any uptick in industry field activity and demand for seismic data.

Pulse's sales are highly scalable without either capital investment or higher operating costs, and a transaction-based sale of any size could occur at any time (transaction-based sales are innately unpredictable). These ongoing advantages are compounded by the seismic data library's larger size and greatly expanded coverage. Now Canada's largest pure-play seismic data library provider, Pulse is able to weather additional short-term weakness, while positioned for and confident of a longer-term recovery in western Canada's oil and natural gas sector.

DISCUSSION OF OPERATING RESULTS

SUMMARY FOR THE YEAR ENDED DECEMBER 31, 2018

EARNINGS (LOSS) BEFORE INCOME TAXES

Pulse incurred a loss before income taxes of \$2.4 million (\$0.04 per share basic and diluted) in 2018 compared to earnings before income taxes of \$20.7 million (\$0.37 per share basic and diluted) for 2017. The record seismic data licensing agreement of \$29.5 million in the third quarter of 2017 explains the variance in the earnings or loss before income taxes.

REVENUE

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

DATA LIBRARY SALES

Data library sales are conducted under various types of sale contracts. These are classified as data library sales, library cards (discount agreement, paid on predetermined payment terms with periods of up to one year to select data), commitment cards (discount agreement, paid when data is selected and delivered within a one-year period) and review-and-possession agreements (client is provided with data to review and selects a portion of this data to license long-term, with the agreement often having set payment terms). Pulse plans to continue providing customers with a variety of contract options in order to maximize future data library sales. The unearned portion of a contract's value is deferred until Pulse's revenue recognition criteria are met, with data library sales revenue being recognized upon delivery of seismic data to the customer.

Data library sales consist of traditional sales and transaction-based sales. There are three main types of transaction-based sale: corporate merger or acquisition sales, partnership or joint venture sales, and asset disposition-related sales. For further information on transaction-based sales, see "Traditional Sales vs. Transaction-based Sales: Eight-Year History" below.

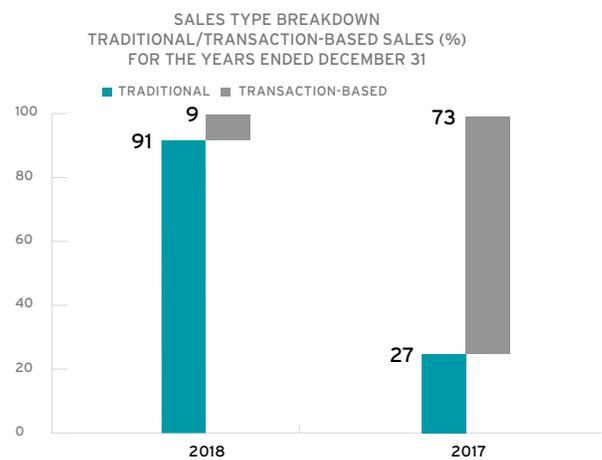
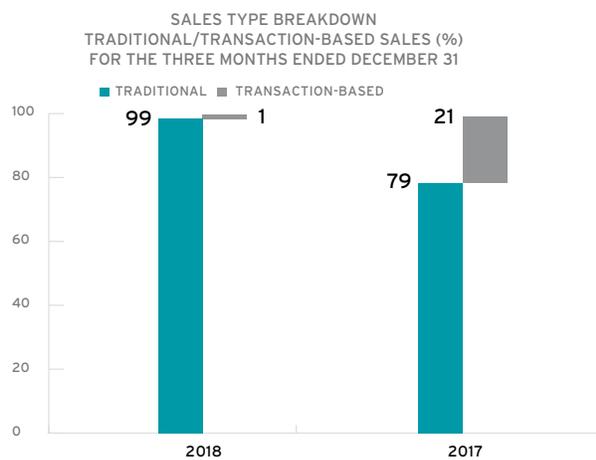
For 2018, seismic data library sales were \$10.2 million compared to \$43.5 million in 2017. The Company experienced a slight decrease in traditional data library sales and a large decrease in transaction-based sales because of the record \$29.5 million seismic data sale in the third quarter of 2017.

In 2018, 92 percent of seismic data library sales were generated internally by Pulse’s sales staff compared to 98 percent in 2017. Large seismic data sales and relicensing (change-of-control) fees are negotiated by the Company’s internal sales and marketing department as opposed to an external broker.

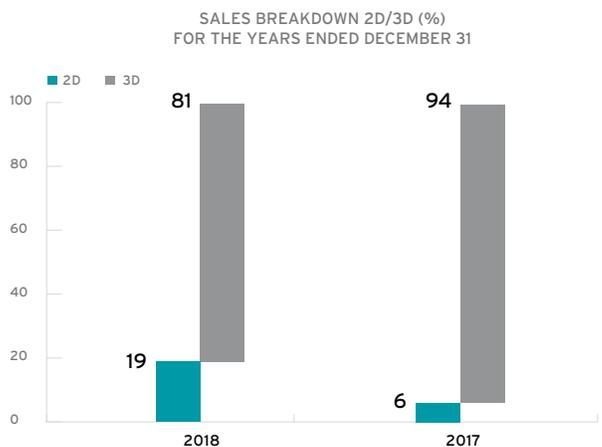
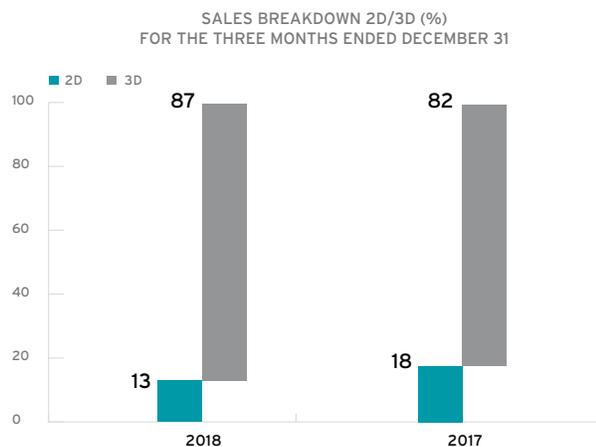
DISAGGREGATED DATA LIBRARY SALES BREAKDOWN

Pulse uses three ways to disaggregate its data library sales. The following graphs illustrate the comparatives disaggregated sales for the three-and twelve-month periods ended December 31, 2018 and 2017.

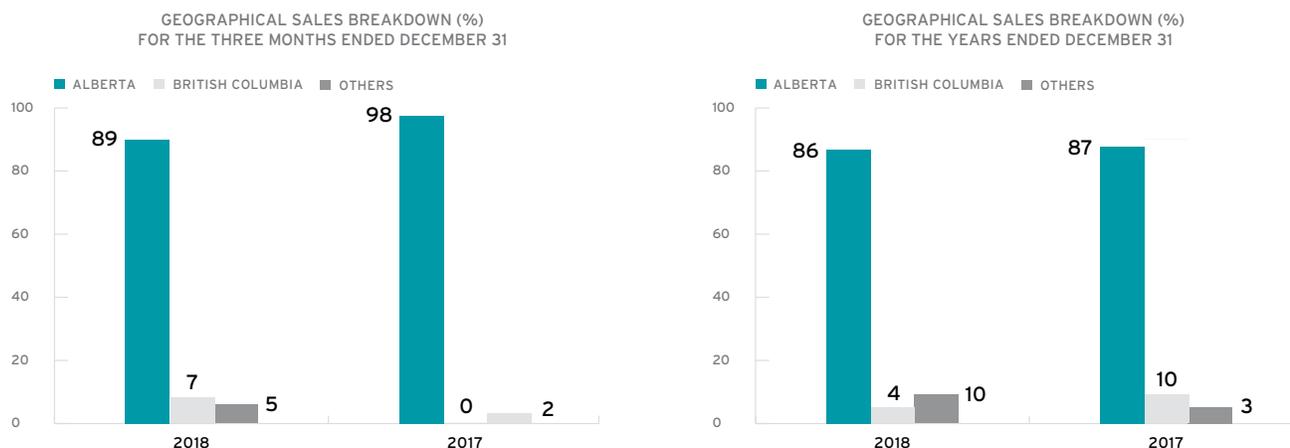
The first breakdown, transaction type, separates sales between traditional and transaction-based sales. There is great fluctuation between these two types from period to period and year to year. An eight-year historical breakdown is provided in the 2018 Investment Guide and is available on the Company’s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



The second breakdown, data type, compares 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 can fluctuate significantly depending on the number of 3D seismic sale contracts signed during a given period.



The third breakdown 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.



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 year ended December 31, 2018, 86 percent of the data library sales were from data located in Alberta, 4 percent from British Columbia and 10 percent from other areas.

AMORTIZATION OF SEISMIC DATA LIBRARY

Seismic data library amortization expense was \$7.3 million for 2018 compared to \$15.9 million in 2017. The decrease in the amortization expense is due to certain data acquired in previous years becoming fully amortized.

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

SALARIES, COMMISSIONS AND BENEFITS (SCB)

SCB includes salaries, related benefits, incentive compensation and internal commissions. For 2018, SCB was \$3.5 million, a decrease of \$1.4 million from \$4.9 million in 2017.

The decrease is mainly attributable to lower internal selling commissions and short-term and long-term incentive plan expenses, which are all variable expenses and dependent on the level of shareholder free cash flow per share generated in the year.

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

SG&A includes external commissions, occupancy costs, office and general costs, information technology expenses, reprocessing, data storage expenses, directors' fees and corporate costs, consulting fees and professional fees. For 2018 SG&A was \$2.0 million and was \$2.1 million for 2017.

NET FINANCING COSTS (INCOME)

Net financing income for 2018 was \$318,000 compared to \$141,000 in 2017.

Financing expenses are primarily stand-by fees on the undrawn credit facility and, in 2018 and 2017, were more than offset by interest income earned from having the cash surplus invested in term deposits as well as the interest income from discounted accounts receivable from clients that had benefited from extended payment terms. The Company's long-term debt balance was nil at both December 31, 2018 and 2017.

INCOME TAXES

The income tax reduction for 2018 was \$678,000, consisting of \$684,000 of current tax and a \$1.4 million reduction to deferred income tax, reflecting an effective income tax rate of 28.2 percent. In 2017, current tax was \$7.5 million and there was a \$1.9 million deferred income tax reduction, for an effective income tax rate of 27.0 percent.

The federal-provincial corporate income tax rate for 2018 and 2017 was 27 percent. The effective rate for 2018 was slightly different from the enacted income tax rate as a result of the change in valuation allowance related to future resource deductions and non-deductible expenditures.

SUMMARY FOR THE THREE MONTHS ENDED DECEMBER 31, 2018

EARNINGS (LOSS) BEFORE INCOME TAXES

For the three months ended December 31, 2018, the Company generated earnings before income taxes of \$1.4 million (\$0.03 per share basic and diluted) compared to earnings before income taxes of \$1.8 million (\$0.03 per share basic and diluted) for the comparable period of 2017.

REVENUE

Total revenue, comprised of data library sales (with no participation revenue for 2018 or 2017), for the three months ended December 31, 2018 was \$4.3 million compared to \$5.4 million for the three months ended December 31, 2017.

AMORTIZATION OF SEISMIC DATA LIBRARY

For the three months ended December 31, 2018, seismic data library amortization expense was \$1.8 million compared to \$2.0 million in the comparable period of 2017. The slight decrease is due to data acquired in previous years becoming fully amortized.

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

SALARIES, COMMISSIONS AND BENEFITS (SCB)

SCB for the three months ended December 31, 2018 was \$707,000 million compared to \$1.3 million in the comparable period of 2017. The decrease is mainly attributable to incentive plan expenses due to lower data library sales.

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

SG&A for the three months ended December 31, 2018 was \$470,000 compared to \$502,000 for the three months ended December 31, 2017.

NET FINANCING INCOME

For the three months ended December 31, 2018, net financing income was \$72,000 compared to \$118,000 for the same period in 2017. The net interest income decreased because of the lower cash balance during the fourth quarter of 2018 than in the same period in 2017.

INCOME TAXES

The income tax expense for the three months ended December 31, 2018 was \$355,000, reflecting an effective tax rate of 25.7 percent, compared to an income tax expense of \$500,000 and an effective tax rate of 27.6 percent for the comparable 2017 period. The federal-provincial corporate income tax rate for 2018 and 2017 was 27 percent.

REVIEW OF FINANCIAL POSITION

AS AT DECEMBER 31, 2018

CURRENT TAX ASSETS

Included in current tax assets are the income tax instalments paid for 2018 offset by the current tax expense for year ended December 31, 2018.

SEISMIC DATA LIBRARY

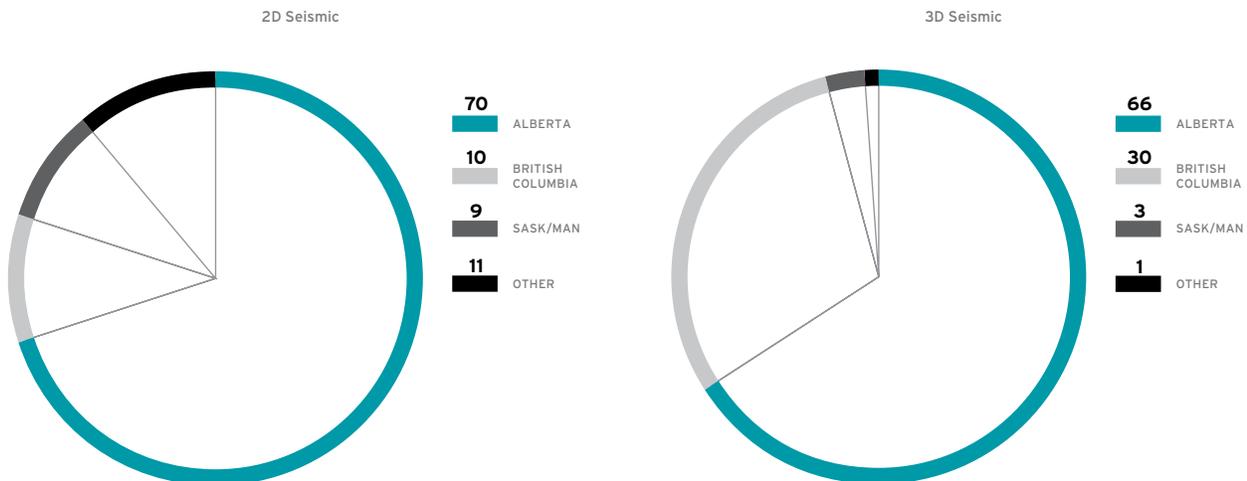
The Company's business model includes seismic data library growth as a priority. Pulse acquires seismic data to add to its library through two main methods. When opportunities arise that meet the Company's criteria, proprietary rights to complementary seismic datasets may be purchased, or participation 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 December 31, 2018, the Company considered indicators of impairment for each of its cash-generating units and, based on that review, no impairment tests were performed.

Additionally, as discussed above in the Corporate Update, on January 15, 2019 the Company acquired Seitel and more than doubled its seismic data library.

As of January 15, 2019, following the acquisition, the breakdown of Pulse's 2D and 3D seismic data by geographical location is as shown in the following graphs.



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 December 31,		Years ended December 31,	
	2018	2017	2018	2017
Weighted average shares outstanding: Basic and diluted	53,793,317	54,404,433	53,838,106	55,135,035
Shares outstanding at period-end			53,793,317	54,020,817
Shares outstanding at February 27, 2019			53,793,317	

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, when applicable. 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 December 31, 2018 there were 528,670 RSUs and 687,938 PSUs outstanding.

At February 27, 2019, total RSUs and PSUs outstanding remain unchanged. On March 31, 2019, a portion of the LTIP awards, RSUs and PSUs, are eligible to vest. The Company's performance in 2018 did not meet the predetermined performance criteria and, consequently, no PSUs will vest on March 31, 2019. RSUs vest automatically based upon time; all of the eligible RSUs of 186,546 units will, therefore, vest automatically on March 31, 2019.

In April 2019, the Company will settle its obligation to deliver the common shares by providing funds to the independent LTIP trustee to purchase the shares on the open market.

DEFICIT

On December 31, 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 year of \$1.7 million and the reduction of \$358,000 to retained earnings due to the required accounting treatment of 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 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 the 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.

No dividends were paid in 2018.

Pulse confirms that all dividends paid to shareholders in 2017 are 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.

DEFERRED TAX LIABILITY

The net deferred income tax liability was \$1.7 million at December 31, 2018 compared to \$2.9 million at December 31, 2017. The decrease in the deferred income tax liability is mainly due to the decrease in the difference between the tax base of the seismic data library and the carrying amount on the statement of financial position.

The deferred income tax liability consists mainly of taxable temporary differences between the tax base of the seismic data library and the carrying amount on the statement of financial position.

FINANCIAL SUMMARY OF QUARTERLY RESULTS

(thousands of dollars, except per share data)	2018				2017			
	Q4	Q3	Q2	Q1	Q4	Q3	Q2	Q1
Data library sales	4,313	1,606	1,941	2,328	5,449	32,428	2,929	2,719
Amortization of seismic data library	1,811	1,812	1,836	1,878	1,958	4,639	4,638	4,635
Net earnings (loss)	1,024	(1,042)	(1,016)	(696)	1,311	18,704	(2,426)	(2,502)
Per share – basic and diluted	0.02	(0.02)	(0.02)	(0.01)	0.02	0.34	(0.04)	(0.04)

The revenue streams generated by Pulse’s operations are data library sales and customer pre-funding of participation surveys. Data library sales consist of traditional sales and transaction-based sales, as described below under “Traditional Sales vs. Transaction-based Sales: Eight-Year History”. See also “Seismic Revenue Fluctuations”.

During 2017, transaction-based sales contributed to data library sales to varying degrees, especially in the third quarter of 2017 when the record \$29.5 million transaction-based sale generated significant revenue.

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

Pulse did not conduct any participation surveys in the last eight quarters.

The significant decrease in amortization expense in the fourth quarter of 2017 from the prior quarters depicted above 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 revenue. For 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 little from period to period.

All financial data included in the above table is presented in Canadian dollars, the Company’s functional currency, and was prepared using IFRS.

SELECTED ANNUAL FINANCIAL INFORMATION

(thousands of dollars, except per share data)

Years ended December 31,

	2018	2017	2016
Data library sales	10,188	43,525	14,339
Participation surveys	-	-	-
Total revenue	10,188	43,525	14,339
Net earnings (loss)	(1,730)	15,087	(7,490)
Per share – basic and diluted	(0.03)	0,27	(0.13)
Total assets	38,847	51,693	44,957
Long-term debt	-	-	-
Total non-current financial liabilities	1,766	3,149	4,965
Cash dividends per common share	-	0.20 ⁽¹⁾	-

⁽¹⁾ Special dividend paid in December 2017

For the last three years, total revenue consisted of seismic data library sales only, as the Company did not conduct any participation surveys. In 2017 the Company closed a record \$29.5 million seismic data sale. Seismic data library sales in 2018 and 2016 were lower than in previous years due to drastic cutbacks in the energy-producing sector's capital spending, to lower customer demand and to fewer transaction-based sales.

The Company had net earnings in 2017, compared to a net loss in 2018 and 2016, due primarily to the large transaction-based sale in 2017.

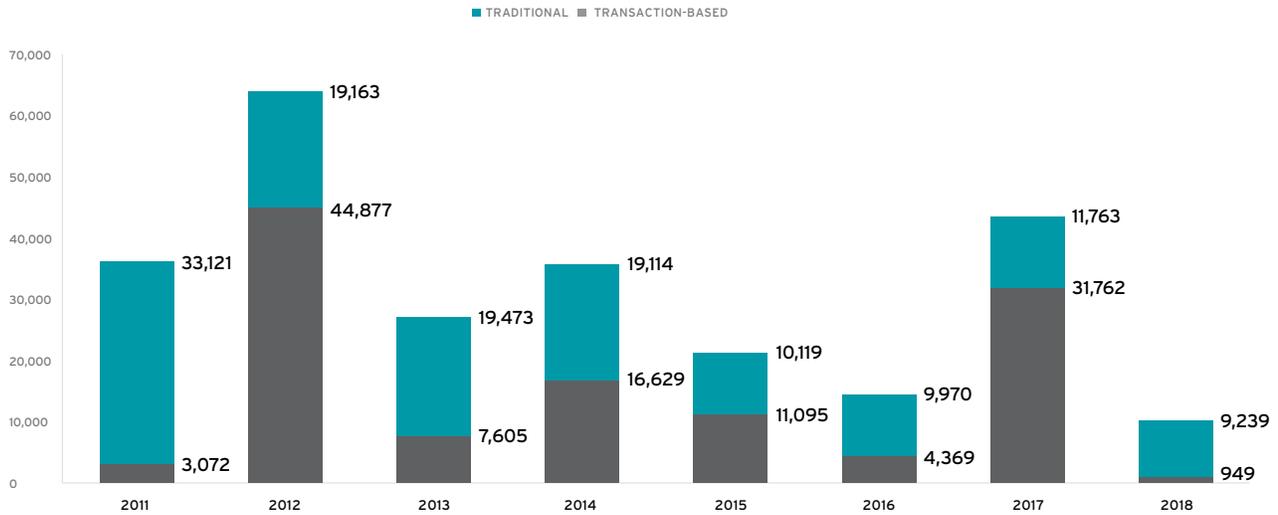
See also "Seismic Revenue Fluctuations".

Total assets decreased from 2016 to 2018 due to amortization of the seismic data library. Total assets increased in 2017, mainly because the decrease in the book value of the seismic data library due to regular amortization was more than offset by the cash generated by the large sale that remained on hand at year end.

In December 2017 the Company paid a special dividend of \$0.20 per share. In the first three quarters of 2015 the Company paid a quarterly dividend of \$0.02 per share. The regular quarterly dividend was suspended in November 2015.

All financial data in the table above is presented in Canadian dollars, which is the Company's functional currency, and was prepared in accordance with IFRS.

TRADITIONAL SALES VS. TRANSACTION-BASED SALES: EIGHT-YEAR HISTORY



There are three main types of transaction-based sale. The first is the partnership or joint venture, in which an oil and gas asset holder elects to pool its expertise, capital and/or assets with one or more new participants to explore or develop a play. Under the Company's current standard form licensing agreements, any new technical or operational participant that wishes to view or interpret the seismic data must purchase a data licence from Pulse, generally at a discount (usually pre-defined in the initial licensing agreement). Purely financial partners that do not wish to view or interpret the seismic information are exempt.

The second kind of transaction-based sale is a corporate merger or acquisition. In this case, the seismic data is transferred to the new organization. Under the Company's current standard form licensing agreements, the buyer has 30 days to determine whether it would like to pay a change-of-control fee to keep the data or return the data to Pulse.

The third is the sale of an oil and gas asset or group of assets (as well as partial mineral rights to particular zones below the asset-owner's lands). Under the Company's current standard form licensing agreements, the license is not transferable upon an asset sale. In this case, no rights to the seismic data transfer to the buyer, and there are no terms of payment in the license agreement. Should the buyer be interested in Pulse's seismic data, it must license the data from Pulse at the regular price. Following this type of transaction, considerable time may pass until a data licensing sale occurs because the new asset owner may defer development of the particular asset. In addition, the new asset owner may be interested in only portions of the original dataset. The attraction of Pulse's library remains the far lower cost of licensing the data than shooting new seismic over the same area.

The precise terms of individual licence agreements (including those historically used by Pulse and its predecessors and those assumed by Pulse on data acquisitions) can vary greatly. Change-of-control fees and joint venture copy fees may not always be payable, and licence agreements may not always be non-assignable.

CONTRACTUAL OBLIGATIONS

Pulse's known contractual obligations at December 31, 2018 are comprised of operating leases for certain office equipment and office space, minimum payments under seismic data services contracts and accounts payable and accrued liabilities. The following table reflects the Company's anticipated payment of contractual obligations:

Contractual Obligations (thousands of dollars)	Total	Payments due by period			
		Less than 1 year	1 - 3 years	4 - 5 years	After 5 years
Operating leases	1,364	321	642	401	-
Seismic data services contracts	37	37	-	-	-
Accounts payable and accrued liabilities	1,068	976	92	-	-
Total contractual obligations	2,469	1,334	734	401	-

Obligations in the category of seismic data services contracts include geophysical services such as digitization and data storage.

Accounts payable and accrued liabilities at December 31, 2018 include the accrual of \$445,000 related to the short term and long-term incentive plans.

In addition, as part of the acquisition of the Foothills 2D dataset in November 2006, Pulse agreed to pay additional consideration if future seismic data sales from the acquired assets exceeded \$10.0 million per year, up to a maximum of \$3.75 million. Sales from the Foothills 2D dataset have not exceeded \$10.0 million in any year since acquisition. No amounts were included for this obligation in the table above because they cannot be predicted.

Following the acquisition of Seitel on January 15, 2019, the Company will assume Seitel's contractual obligations. Details of the contractual obligations are included in the subsequent event note of Pulse's December 31, 2018 financial statements.

LIQUIDITY, CAPITAL RESOURCES AND CAPITAL REQUIREMENTS

At December 31, 2018 Pulse had working capital of \$25.8 million and a working capital ratio of 15:1.

In 2018 the Company used cash from operating activities of \$3.2 million compared to generating cash \$38.8 million in 2017. The difference can be attributed to the decrease in data library sales, the payment of 2017 in current tax in the first quarter of 2018 and the payment of tax instalments for 2018.

The Company utilized cash provided by operating activities during 2018 for the following cash outlays:

- Investing activities of \$62,000, for additions to the seismic data library;
- Purchase and cancellation of 227,500 common shares through its NCIB, for a total of \$673,000 (at an average price of \$2.96 per common share including commissions);
- Purchase of common shares for equity-settled share-based payments for \$403,000; and
- Additions of property and equipment for \$18,000.

The cash balance at December 31, 2018 was \$23.0 million.

As discussed in the corporate update, in January 2019 the Company negotiated new credit facilities to acquire Seitel. Details of the new credit facilities are included in the subsequent event note of the December 31, 2018 financial statements.

As of December 31, 2018, the Company had 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 remained available as an operating line of credit.

On an annual basis, the Company had 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 were:

- 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 December 31, 2018 the Company had no balance owing on the revolving credit facility and \$30 million available for future draws.

The credit facility was secured by a charge on all of the assets of the Company and its material subsidiaries. The credit facility also included 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; and

- Interest coverage ratio to be at least 3:1 at all times. The interest coverage ratio is equal to adjusted EBITDA divided by interest expense.

The total debt to adjusted EBITDA ratio was zero as there was no debt outstanding at December 31, 2018.

The interest coverage ratio related to the financial covenant at December 31, 2018 was calculated as follows:

INTEREST COVERAGE RATIO (ICR)

(thousands of dollars except ratio)

Adjusted EBITDA	5,037
Divided by:	
Interest expense	105
ICR (to be at least 3:1)	48:1

Interest expense was calculated as follows:

Standby fees paid for the 12 months ended December 31, 2017	105
Adjustments	-
Interest expense	105

The Company was in compliance with the credit facility's covenants at December 31, 2018.

The Company paid 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 were adjusted two business days after the covenant's calculation for the previous fiscal quarter was received and approved by the lenders. On December 31, 2018 the applicable margin and standby fee were set at the lowest rates available under the facility.

The applicable margin and standby fee rate were 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 could 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 continued 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 December 20, 2018, the Company purchased 227,500 common shares under the NCIB. All purchases were made on the open market through the TSX or alternative trading platforms at the market price of such shares. All shares purchased under the NCIB were cancelled.

The Company did not renew its NCIB after its expiry on December 20, 2018.

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 2019. The Company anticipates that future capital expenditures will be financed through cash on hand, available credit facilities and funds from operations. The Company had a \$30.0 million revolving credit facility for future draws 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 December 31, 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

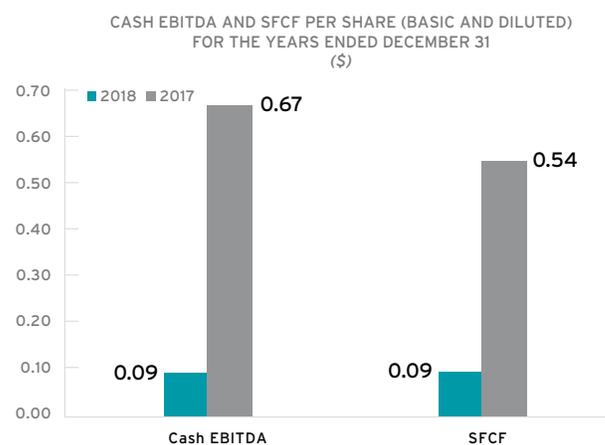
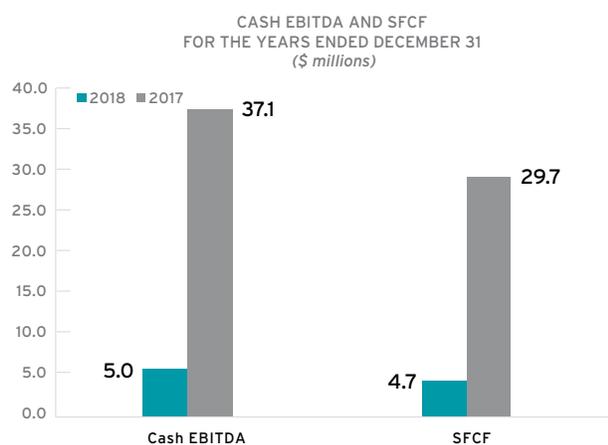
Cash EBITDA represents the capital available to invest in growing the Company's 2D and 3D seismic data library, to pay interest and principal on its long-term debt, to purchase its common shares, to pay taxes and to pay dividends.

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 earnings or loss to EBITDA, cash EBITDA and shareholder free cash flow follows:

(thousands of dollars, except per share data)	Three months ended December 31,		Years ended December 31,	
	2018	2017	2018	2017
Net earnings (loss)	1,024	1,311	(1,730)	15,087
Add:				
Amortization of seismic data library	1,811	1,958	7,337	15,870
Net financing income	(72)	(118)	(318)	(141)
Income tax expense (reduction)	355	500	(678)	5,579
Depreciation	18	25	71	118
EBITDA	3,136	3,676	4,682	36,513
Deduct:				
Participation survey revenue	-	-	-	-
Add:				
Non-cash expenses	73	115	355	557
Non-recurring expenses	-	-	-	-
Cash EBITDA	3,209	3,791	5,037	37,070
Deduct:				
Net financing costs (income)	(72)	(118)	(318)	141
Current income tax expense	665	608	684	(7,482)
Add:				
Non-cash deferred financing charges	-	-	-	-
Current income tax reduction	-	-	-	-
Shareholder free cash flow (SFCF)	2,616	3,301	4,671	29,729
Cash EBITDA per share – basic and diluted	0.06	0.07	0.09	0.67
SFCF per share – basic and diluted	0.05	0.06	0.09	0.54



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

Credit risk is the risk of financial loss to the Company if a customer or counterparty to a financial instrument fails to meet its contractual obligations, and arises principally from the Company's accounts receivable.

The Company is exposed to customer credit risk in connection with data sales and participation surveys with its customers. The Company's exposure to credit risk is influenced mainly by the individual characteristics of each customer. The nature of the Company's customer base, including the default risk of the industry in which customers operate, has an influence on credit risk. As the Company operates to a large extent in the oil and natural gas industry, nearly all of its trade receivables relate to customers from this industry.

The effective monitoring and control of credit risk is a core competency of the Company. Each new customer is analyzed individually for creditworthiness before payment and delivery terms and conditions are offered. The Company's review includes credit reference checks and credit limits for all customers as well as other monitoring activities. Accounts receivable aging is reviewed regularly.

Certain customers have signed agreements with the Company that provide for extended payment terms. The Company's credit risk increases on these types of arrangements due to the length of time before payments are received. The risk is mitigated by attempting to limit these types of arrangements to major oil and natural gas companies which have long operating histories and adequate resources to fulfill their commitments.

The Company has been doing business with the majority of its customers for many years, with insignificant credit losses to date. The Company does not require collateral in respect of trade receivables.

The Company's customers are in the oil and natural gas industry, with the majority located in Alberta. At December 31, 2018, 74 percent or \$2.4 million of total accounts receivable were due from three customers. Of this amount, \$1.4 million was collected subsequent to year-end. The Company does not expect any problem in collecting the remaining amounts.

The Company recorded no bad debt expense in 2018. At December 31, 2018, none of the Company's accounts receivable were more than 90 days past due.

Cash and cash equivalents are held with a Canadian chartered bank that is one of Canada's five largest banks. The carrying amount of financial assets represents the maximum credit exposure. The Company considers the risk on cash and cash equivalents to be limited.

LIQUIDITY RISK

Liquidity risk is the risk that the Company will encounter difficulty in meeting the obligations associated with its financial liabilities that are settled in cash or other financial assets, i.e., repaying its debt and paying its suppliers. The Company's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under normal and stressed conditions, without incurring unacceptable losses or risking damage to its reputation. Beyond cash on hand of \$23.0 million and total working capital of \$25.7 million, the Company

had a revolving-term credit facility, which offers flexibility in drawing and paying down debt, without penalty, of which \$30 million remained available at December 31, 2018 for future draws, as described in "Liquidity, Capital Resources and Capital Requirements".

The Company regularly monitors cash flow. In addition, it monitors funding options available in the capital markets, as well as trends in the availability and costs of such funding, with a view to maintaining financial flexibility and limiting repayment risks. The Company does not believe that it will encounter difficulty in meeting its obligations associated with financial liabilities.

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 ended December 31, 2018. Accordingly, they were not applied in preparing the consolidated financial statements. None is expected to have a significant effect on the consolidated financial statements, except:

- 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

The preparation of financial statements in conformity with IFRS requires management to make estimates and assumptions. Management's estimates and assumptions affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements, as well as the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates. The Company's critical accounting estimates are discussed annually with the Audit and Risk Committee of the Company's Board of Directors and are described below.

SEISMIC DATA LIBRARY

Amortization of the seismic data library, the Company's largest asset, with a net book value of \$11.0 million at December 31, 2018 (December 31, 2017 – \$18.3 million), is conducted by reference to the estimated timing of the economic return of the seismic library. Amortization of the seismic data library is based on management's estimates of expected future sales, expected useful lives, market developments and experience. These estimates may change due to changes in market conditions, potential prospects, exploration licence periods, exploration and development in certain areas, government regulations and general economic conditions. Because of the inherent difficulty in estimating market developments and future sales, the amortization rates might not accurately reflect the systematic allocation of the seismic data library over its useful life.

Additions to the seismic library arise in two ways: (i) participation surveys, and (ii) the purchase of existing seismic data. Costs associated with participation surveys completed during the year are amortized at 50 percent immediately on the delivery of the data to the participants, with the balance amortized on a straight-line basis over the seven-year period commencing at the end of the period of exclusivity, if any.

The assumptions behind the 50 percent immediate amortization on delivery are as follows. The Company's historical average and its target survey prefunding percentage is 70 percent of the cost of the seismic data shoot. Based on historical performance, the Company usually then recovers an additional 70 percent of the total cost of the survey through recurring sales of the acquired data. After seven years the data sales generally decline.

Based on these numbers, the total revenue generated by a particular participation survey historically is 140 percent of cost. Accordingly, prefunding typically represents approximately 50 percent of the total revenue generated by the survey. The 50 percent initial amortization thereby matches amortization to the historical pattern of revenue generation. The remaining costs are amortized on a straight-line basis over seven years.

The costs of purchased data are amortized on a straight-line basis over seven years.

The carrying amounts of the seismic data library are reviewed at each reporting date by management to determine whether there is any indication of impairment. If so, the asset's recoverable amount is estimated and impairment recorded, if any. The determination of the Company's cash-generating units was based on management's judgements in regards to the smallest identifiable group of seismic data that generates cash inflows largely independent of the cash inflows from other data. Estimating future cash flows and residual values for purposes of impairment testing requires management to make judgments regarding long-term forecasts of future revenues and costs and future residual values related to the seismic data library. These forecasts are uncertain as they require assumptions about future market conditions and demand for seismic data. Significant and unanticipated changes in these assumptions could require a provision for impairment in a future period.

As discussed above, the Company did not recognize an impairment loss in 2018.

Estimates of useful lives and the pattern of expected future economic benefits are based on historical experience and internal business plans. Expected future economic benefits are determined based on historical revenue patterns. Future deviations from the Company's historical returns could materially affect the current amortization methodology.

PERFORMANCE SHARE UNITS

In determining the amount of share-based compensation related to PSUs, management makes estimates about future results and vesting criteria. It is reasonably possible that future outcomes could be different from the estimates and could require a material adjustment to the share-based compensation expense recorded in future periods. The impact of any change in the number of PSUs expected to vest is recognized in the period the estimate is revised.

DEFERRED TAX ASSETS

Significant management judgement is required to determine the amount of deferred tax assets that can be recognized, based on the likely timing and level of future taxable income. The estimates of projected future taxable income are based on a variety of factors and assumptions, many of which are subjective and beyond the Company's control. Accordingly, these estimates could differ significantly from year to year, and the Company might end up realizing more or less of the deferred tax assets than recognized in the consolidated financial statements.

DISCLOSURE CONTROLS AND PROCEDURES (DC&P) AND INTERNAL CONTROLS OVER FINANCIAL REPORTING (ICFR)

DC&P

Management has evaluated the effectiveness of its DC&P (as defined in National Instrument 52-109), under the supervision of its CEO and CFO, at December 31, 2018. Based on this evaluation, the CEO and CFO have concluded that the DC&P were effective at December 31, 2018.

ICFR

Management under the supervision of its CEO and CFO evaluated the effectiveness of ICFR (as defined in National Instrument 52-109) at December 31, 2018, in accordance with Internal Control - Integrated Framework, issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO) and the Control Objectives for Information and Related Technology Framework (COBIT). Based on this evaluation, Pulse's CEO and CFO concluded that the ICFR were effective at December 31, 2018.

No changes were made to ICFR during the period beginning on October 1, 2018 and ending on December 31, 2018 that have materially affected, or are reasonably likely to materially affect, Pulse's ICFR.

RISK FACTORS

OIL AND NATURAL GAS PRICES

Pulse's customers are oil and natural gas exploration and development companies. Oil and natural gas prices are volatile and directly affect the capital budgets, drilling activity, and access to capital and credit by Pulse's customers, which in turn directly affect the demand by such customers for seismic data.

DATA ACQUISITION, DEMAND FOR SEISMIC DATA AND PARTICIPATION SURVEYS

Pulse's ability to generate revenue, cash EBITDA, shareholder free cash flow and earnings and to grow its seismic data library depends on the acquisition of new data and participation surveys and, the demand for seismic data from its oil and natural gas customers over geological plays and areas that such customers focus on in a given period. Activity in such plays and areas depends on commodity prices, customers' budgets, geological understanding, advances in drilling technology and access to processing and pipeline capacity, all of which are beyond Pulse's control. The Company endeavours to grow its high-quality proprietary data library, to expand and maintain its customer base, and to provide good customer service with short delivery time and broad data coverage in prospective locations.

PRICING OF DATA LIBRARY LICENCE SALES

Pulse's ability to generate revenue, cash EBITDA, shareholder free cash flow and earnings and to grow its data library depends on its ability to market data library licences and on the pricing of these licences. Pulse prices its data competitively while endeavouring to maintain the integrity of the database.

CYBERSECURITY

Pulse maintains strong cybersecurity over its IT systems, networks and website with the goal of preventing cyber-attacks. Cyber-attacks are intentional attempts to gain unauthorized access to information systems, networks and websites for unlawful or improper purposes. Attempts to breach cybersecurity are becoming more sophisticated and could lead to unauthorized access and release of confidential information and disruption in operating systems.

Cyber attackers may use a range of techniques, from manipulating people to using sophisticated malicious software and hardware on a single or distributed basis. Some cyber-attacks use a combination of techniques in their attempts to evade safeguards. Pulse uses firewalls, intrusion prevention systems and antivirus software in the security program of its systems and networks. The risk and consequences of cyber-attacks can surpass traditional physical security risk due to the rapidly evolving scope and sophistication of these threats.

A successful attack on Pulse's systems, networks, website or infrastructure could prevent Pulse from providing reliable service and information, allow for the unauthorized interception, destruction, use or dissemination of Pulse's or its customers' information, and/or prevent Pulse from operating its networks. Such events could cause the Company to lose customers, lose revenue, incur expenses, and suffer reputational and goodwill damages. It could also lead to a loss or devaluation of Pulse's intellectual property rights and could subject the Company to litigation or government investigation. The costs of such events could include liability for information loss, and repairs to infrastructure and systems. Pulse's insurance may not cover or be adequate to fully reimburse the Company for these costs and losses.

To mitigate these risks, Pulse has implemented measures and processes that mitigate the risk of physical and cyber-attacks. Pulse has policies, controls and monitoring systems that protect its assets and employees. Pulse also uses cyber threat intelligence, testing, intrusion prevention/detection and incident response capabilities to help identify possible cyber threats and adjust its security measures accordingly.

Pulse also has a recovery plan in case of a cyber-attack. This recovery plan includes backup infrastructure and systems that mirror the primary infrastructure and systems used in the day-to-day operations. The recovery plan has been tested.

Pulse also uses a third party to store its physical seismic data, the Company's revenue-generating asset, and a backup copy of the digital seismic data library. The third-party backs-up the data using the same technology as Pulse which includes redundant offsite storage in a secured data facility as well as tape backups.

As part of the risk management strategy, the Company's IT Director reports in person on a regular basis to the Audit and Risk Committee of the Board of Directors the key risk indicators including any new risks that Pulse is facing in its day-to-day operations along with updates to the risk mitigation plans. The Audit and Risk Committee has the oversight responsibility for cyber security. The goal of the strategy is to be prepared, protected, and able to quickly detect and respond appropriately to the situation. The strategy to ensure post-breach reporting requirements are met was completed in early 2018.

Pulse has not experienced a security incident or breach. If a material security breach happens in the future, the Pulse Disclosure Committee would enforce the communication plan to inform the relevant stakeholders including employees, directors, customers, securities commissions, stock exchanges, government agencies and shareholders as soon as possible.

RELICENSING (CHANGE-OF-CONTROL) FEES AND PARTNER COPY SALES

Data library licences are generally not transferable. Under Pulse's current standard-form licence agreement, upon a change of control of the licensee in a merger or acquisition transaction, a change-of-control fee is generally payable. Under Pulse's current standard-form licence agreement, a licensee generally may not give the licensed data to a joint interest partner in the oil and natural gas lands. If the joint interest partner wishes to view or interpret the seismic data, it must purchase an additional copy directly from Pulse.

The precise terms of individual licence agreements (including those historically used by Pulse and its predecessors and those assumed by Pulse on data acquisitions) can vary greatly. Relicensing (change-of-control) fees may not always be payable and joint interest partners may not always wish or have to purchase an additional licensed copy.

In addition, merger-and-acquisition and joint venture activity in the oil and gas industry is unpredictable.

PRE-FUNDING OF PARTICIPATION SURVEYS AND SUBSEQUENT DATA LIBRARY LICENCE SALES

Pulse's rate of pre-funding for participation surveys varies, with the actual target percentage funding of each particular survey determined by Pulse ahead of time depending on Pulse's risk analysis of such survey and competitive conditions in the area. Factors affecting these individual survey program targets include: circumstances where Pulse believes that there is a high probability of additional participants joining the survey before completion or additional licence sales after completion of the survey, or where a survey is located in a strategic location, or where competitive conditions require a lower level of pre-funding.

Pulse's ability to generate revenue, cash EBITDA, shareholder free cash flow and earnings and to grow the data library depends on its ability to obtain targeted levels of pre-funding for participation surveys, and to make subsequent seismic data library sales from such surveys.

COMPLETION OF PARTICIPATION SURVEYS

Pulse obtains presales of licences for participation surveys based on its budgeted costs and program schedule. Pulse's ability to generate revenues, cash EBITDA, shareholder free cash flow and earnings depends on its ability to complete committed participation surveys on time and within budget. Cost overruns are generally absorbed by Pulse and effectively reduce the percentage of pre-funding. The Company endeavours to manage this risk through the use of a dedicated survey project team with extensive experience.

ENVIRONMENTAL, HEALTH AND SAFETY RISKS

Pulse's field operations for participation surveys are subject to laws and regulations relating to environmental protection and occupational health and safety. A breach of these laws and regulations could result in material fines and civil lawsuits, as well as reputational damage. Pulse endeavours to reduce this risk by employing seasoned specialists who provide comprehensive training, field supervision and monitoring, and by working with a network of trusted sub-contractors who operate to high standards. In March 2015, Pulse received the renewal of its three-year Certificate of Recognition (COR) issued by Enform and the Government of Alberta, with a score of 96 percent, higher than in its initial 2009 certification and in its September 2012 re-certification. The COR program recognizes employers in the Alberta oil and natural gas industry having a health and safety management system that meets provincial standards. The Company renewed its three-year COR in 2018.

LAWS AND REGULATIONS

Pulse's oil and natural gas customers are subject to federal and provincial laws and regulations, including those pertaining to taxation, royalty rates, environmental protection and safety. Compliance with these laws and regulations, and changes in these laws and regulations, may affect oil and natural gas exploration and development activities and the demand for seismic data licences and participation surveys by such customers.

Pulse's field operations for participation surveys are subject to federal and provincial laws and regulations, including laws and regulations relating to safety and environmental protection. Pulse and its contractors are required to invest financial and managerial resources to comply with such laws and related permit requirements in their operations. Although such expenditures historically have not been material to Pulse, such laws and regulations are subject to change and, accordingly, it is impossible for the Company to predict the cost or impact of such laws and regulations on its future operations.

COMPETITION

The western Canadian geophysical services industry in which Pulse operates is highly competitive and price-sensitive. Pulse competes with companies which may have greater financial resources, and certain of which are large international geophysical services companies that offer a wider array of geophysical services to their clients than Pulse. Pulse also competes with other companies that acquire, market and license seismic data, that maintain their own seismic data libraries, and that compete against Pulse in shooting participation surveys and licensing seismic data to their customers. Pulse also competes against oil and natural gas companies that may choose to license their own proprietary seismic data to customers. To mitigate this risk, Pulse's management continuously evaluates its marketing plan and marketing efforts. In addition, the Company owns high-quality data with extensive coverage in the WCSB. Other geophysical companies that own large data libraries are considered to be indirect competitors of Pulse, as there is generally little overlap between 3D databases. With each company owning unique seismic data, clients seeking specific data will usually choose to license available data from the appropriate library as the cost of overshooting an already-surveyed area is much higher than licensing existing data. Seismic data library companies and individual oil and gas companies may, however, elect to overshoot an existing 3D dataset if it is not of the desired quality or specifications.

DEPENDENCE ON QUALIFIED SEISMIC CONTRACTORS

Pulse depends on qualified seismic acquisition contractors to complete its seismic surveys on time and within budget. Pulse endeavors to enter into master service agreements and to establish relationships with its key contractors. The recent downturn in the business has led to a consolidation of seismic acquisition contractors.

KEY MANAGEMENT, OPERATIONS AND MARKETING PERSONNEL

Pulse depends on certain key management, operations and marketing personnel for the success of its seismic acquisition, marketing and licensing business. Pulse endeavors to obtain written employment agreements with such personnel containing confidentiality and non-competition provisions where appropriate. Personnel risk is further mitigated by providing compensation packages designed to support Pulse's business philosophy and which are both market-driven and performance-based. This includes short- and long-term incentive programs which are directly tied to shareholder free cash flow per share, which the Board of Directors believes is the key financial metric for the long-term increase in the value of Pulse. Pulse also has a succession plan to provide adequate training and education to its future leaders, which is reviewed annually by the Board of Directors.

LOSS OF SEISMIC DATA

Pulse's largest asset and source of revenue is the seismic data library. The safety and security of the data library asset is imperative to the Company's success. The physical data is stored in a secure location managed by a data storage company. All physical data has been digitized and back-up digital copies are kept in separate secure locations. For further information, please also see "Cybersecurity" above.

PROTECTION OF INTELLECTUAL PROPERTY

Pulse relies on a combination of licence agreements, copyright, confidentiality and other intellectual property rights to protect its ownership rights and copyright in its seismic data. Despite Pulse's efforts to enforce its licence agreements and copyright, there is a risk that unauthorized parties might improperly obtain, copy or use Pulse's seismic data without Pulse's knowledge or permission. The cost of litigation necessary to enforce Pulse's ownership rights and copyright could be prohibitive.

NEW PRODUCTS

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. There are currently no other products that compete directly against seismic data for such purposes. Should a new product or method be introduced that was technically and/or economically comparable or superior to seismic data, Pulse's data library sales and/or the pricing thereof could be adversely affected.

CLIMATE CHANGE

The Company's seismic data library is a digital asset that is generally unaffected by climate change. Climate change, however, affects Pulse's customers, the oil and natural gas exploration and production companies who license seismic data for drilling and exploration. New laws and regulations related to climate change will affect these companies over time and will change their exploration, development and production programs, their capital expenditures and their need for seismic data, which could result in an unmeasurable impact on Pulse sales and cash flow.

Climate change could also affect the way the Company conducts participation surveys. Climate change could reduce or extend the window that the Company has to collect data in the field without major impact on the environment. The ground has to be dry or thoroughly frozen for Pulse to conduct participation surveys. Extreme weather conditions could limit access to survey areas and increase health and safety risks.

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 does not see indications of an industry rebound and is therefore very cautious about the coming year;
- 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 2019;
- 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:

- Uncertainty of the timing of data sales from the newly acquired seismic data library, which was partially funded with long-term debt;
- 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 65,310 net square kilometres of 3D seismic and 829,207 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
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