2020 President's Message to Shareholders

This is the Company We've Built

pulse seismic

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,	
	2019	2018	**2019**	2018
Revenue				
Data library sales	**5,281**	4,286	**23,635**	10,076
Other revenue	**83**	27	**520**	112
Total revenue	**5,364**	4,313	**24,155**	10,188
Amortization of seismic data library	**3,500**	1,811	**14,200**	7,337
Net earnings (loss)	**(759)**	1,024	**(3,411)**	(1,730)
Per share basic and diluted	**(0.01)**	0.02	**(0.06)**	(0.03)
Cash provided by operating activities	**1,127**	2,457	**8,605**	(3,250)
Per share basic and diluted	**0.02**	0.05	**0.16**	(0.06)
Cash EBITDA[(a)]	**3,879**	3,209	**17,557**	5,037
Per share basic and diluted[(a)]	**0.07**	0.06	**0.33**	0.09
Shareholder free cash flow[(a)]	**2,981**	2,616	**13,605**	4,671
Per share basic and diluted[(a)]	**0.06**	0.05	**0.25**	0.09
Capital expenditures				
Seismic data purchases, digitization and related costs	**–**	–	**61,029**	62
Property and equipment	**41**	9	**439**	18
Total capital expenditures	**41**	9	**61,468**	80
Weighted average shares outstanding				
Basic and diluted	**53,793,317**	53,793,317	**53,793,317**	53,838,106
Shares outstanding at period-end			**53,793,317**	53,793,317
Seismic library				
2D in kilometres			**829,207**	450,000
3D in square kilometres			**65,310**	28,956

FINANCIAL POSITION AND RATIOS

(thousands of dollars except ratios)	**December 31, 2019**	December 31, 2018
Working capital	**596**	25,804
Working capital ratio	**1.11:1**	15:1
Cash and cash equivalents	**1,356**	23,016
Total assets	**69,807**	38,847
Long-term debt	**31,511**	–
Cash EBITDA	**17,557**	5,037
Shareholders' equity	**31,973**	35,238
Long-term debt to cash EBITDA ratio	**1.79**	0.00
Long-term debt to equity ratio	**0.99**	0.00

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

In 2019 Pulse generated seismic data library sales 65 percent higher than 2018 sales from its database and that of the company it acquired early in the year. The improved results were achieved amidst the lingering downturn of western Canada's oil and natural gas sector.

Above all, the Company's 2019 sales of $23.6 million confirmed the strategic rationale for the acquisition of Seitel Canada Ltd. (Seitel) in January, namely that the combined database would double Pulse's sales opportunities, other things remaining equal. We are especially pleased to have achieved a doubling of our traditional sales over 2018, as well as a $4.0 million transaction-based sale on top of this.

Seitel Acquisition Recap

The Company's acquisition of its largest competitor for $58.6 million on January 15 was Pulse's central event of 2019. We acquired 36,354 square km of 3D seismic data and 379,207 km of 2D seismic data, primarily in Alberta and British Columbia, with very little overlap to Pulse's existing data. This more than doubled our seismic data library and gave us Canada's largest licensable seismic dataset, positioning Pulse for a longer-term industry recovery.

Our expanded 2D data covers the large majority of western Canada's prospective oil and natural gas lands. The 3D data is from high-quality, multi-horizon shoots that cover all potential zones. This makes the data of enduring interest to companies exploring western Canada's many formerly "unconventional", now standard plays such as the Cardium, Montney, Duvernay and others. A quick reminder for newcomers to the Pulse story: our seismic library consists of data. It is pure information – not software. It does not become obsolete, deteriorate or expire, and it can be relicensed and reused an indefinite number of times.

The strategic rationale, mechanics and benefits of the transformational deal are amply described in last year's press releases, quarterly financial reports and my 2019 President's Message. For basic information on seismic surveying and the uses of the resulting data, please refer to our Management's Discussion and Analysis.

Integration and Financing

Our priorities last year were to integrate the Seitel assets and begin paying down debt. Going into the deal, Pulse had a strong balance sheet, having repaid all previous debt by 2015, with $23 million of cash on hand and ample borrowing capacity on favourable terms. Controlling our costs and erasing debt during good times positioned us not only to survive a downturn but to act on an opportunity for a large counter-cyclical acquisition.

Successful integration was our big post-acquisition goal, because we acquired a corporation and not just an asset. It went smoothly. The Company conducted the required corporate downsizing of Seitel and then, in a soft commercial real estate market, succeeded in sub-leasing Seitel's office space, thus reducing the future liabilities assumed upon the acquisition.

We also acquired and are continuing to operate a warehouse in Calgary that stores the acquired geophysical data. We successfully negotiated a storage contract with a large multi-national company, to continue to store their data for the remainder of the term of the warehouse lease, again reducing the future assumed liabilities. We also initiated a program to digitize the seismic data that was still stored on tape. We have invested in new hyperconverged infrastructure that improves data delivery speed and operational efficiency. We also utilize the Cloud for disaster recovery and data redundancy.

Pulse's stronger-than-expected first-half sales enabled the Company by July to pay Seitel the full $5 million in deferred consideration included in the deal. Our term debt requires $1.5 million of principal repayment per year. Following the closing we had $38 million in total debt and by year-end had repaid $6.2 million, bringing Pulse's overall indebtedness to $31.8 million. Annual interest expense was $2.6 million last year and is expected to decrease this year, with interest costs gradually falling as principal continues to be repaid.

Industry Conditions

Mineral lease auctions or land sales in Alberta and B.C. declined to new record lows of $134 million last year. Oil and natural gas drilling also decreased from 2018. Other challenges included weak domestic natural gas pricing, continuing oil production curtailment in Alberta, constrained international market access, export pipeline approval delays, mounting regulatory burdens, further delay in LNG export projects, low rates of drilling and other field activity, insolvencies of producing companies and generally low share values.

Industry merger-and-acquisition activity was lower even than in 2016, the worst year for western Canada's industry to that point. The superficial reason was that bid-ask spreads remained too high. The reasons for that, in turn, were that the problems afflicting Canada's energy investment climate kept buyers away and drove down the risk-adjusted perceived valuations of Canadian assets and companies. In addition, there are fewer oil and natural gas producers than there used to be, reducing the number of potential corporate transactions.

The sad irony is that Canada's larger oil and natural gas companies are financially and operationally healthy. They have reduced debt, have bought back shares, are profitable and have assembled competitive if not world-class assets capable of driving years of growth and feeding international markets – if Canada's governments would simply allow that to happen. But in the meantime, they are withholding investment and diverting capital to other markets.

2019 Results

For Pulse, the year unfolded as a series of smaller wins. The Seitel data immediately contributed to first quarter sales, which totalled $5.3 million or 130 percent of the previous year's first quarter. A $7 million mixed deal of transaction-based relicensing fees and traditional sales lifted the second quarter's sales to $10.6 million, 458 percent over the previous year's quarter. The third quarter was on the weaker side, but still higher than in 2018. And the year ended relatively strongly with data library sales of $5.3 million in the fourth quarter.

For a seismic data library provider, having the right seismic data in the right place is the key to licensing sales, and therefore doubling our data coverage should also double our sales potential. Sales attributable to the new database were $13.4 million or 57% percent of the combined total, which is satisfactory, especially in relation to the price of the dataset, with a valuation metric of just 3-5 percent of the cost of shooting new seismic data. We expect that in some years, the Pulse database will account for the majority of sales, and in other years Seitel's will. Overall the year's data library sales were 65 percent above the combined 2018 Pulse and Seitel sales, exceeding the basic threshold as well as our internal budget.

The location and nature of our sales were as expected, focused on the shale, tights sands and unconventional carbonate plays like the ones mentioned above. These are Western Canada's continuing drivers of non-oil-sands related oil and natural gas exploration and development.

A key strategic reason for the acquisition was our conviction that Pulse's way of doing business – particularly the focus on maintaining a low cost structure – creates tremendous cash flow leverage. The synergies are real. For example, we are operating the doubled seismic database with just one additional employee. As a result, incremental revenue should translate directly into higher shareholder free cashflow.

This view was borne out as Pulse's key performance metrics posted percentage increases far exceeding growth in revenue:

- Pulse's cash EBITDA margin returned to its historical levels, increasing from only 49 percent in 2018 to 74 percent in 2019;
- Cash EBITDA (not including restructuring costs) was up by 249 percent year-over-year to $17.6 million; and
- Shareholder free cash flow was $13.6 million, up year-over-year by 191 percent.

Our investment is clearly generating a return. Through our relentless focus on maintaining a low cost structure, we intend to keep it that way.

Where Pulse Stands

Pulse as a Company is in a very strong position overall. Our advantages include:

- Ownership of Canada's largest licensable seismic dataset, providing exceptional exposure to an industry rebound;
- A cost structure only slightly higher than before the Seitel acquisition, including manageable and declining interest expense, providing even greater cash flow and margin leverage than in the past;
- A strong cash EBITDA margin and shareholder free cash flow even with relatively low overall sales;
- Moderate indebtedness on favourable terms. The Company is confident in its ability to pay down debt at the schedule and rate specified. Pulse has unused borrowing capacity of $22.1 million if needed;
- An experienced, proven and efficient team of senior management and employees; and
- An experienced and supportive Board of Directors.

Pulse's number-one priority for the coming quarters is to continue paying down debt, while managing costs conservatively and looking for acquisition opportunities that meet our strict valuation criteria.

Importantly, in acquiring Seitel we didn't buy just data, we bought licensing agreements. Seitel's agreements were very well-written, protecting the data's owner and creating opportunity for transaction-based sales following a change of control. This feature provides Pulse with significant latent value from future relicensing sales.

I'm proud to say that the Company we have built is equally well-positioned to weather additional quarters of weaker industry activity, to benefit from an industry rebound, to use an episodic sales uptick to the benefit of its shareholders, or to act on further growth opportunities. In addition, we are looking at potential new uses of seismic data and evaluating whether there may be opportunities we can monetize.

Pulse's outlook remains cautious for 2020. Many of the remaining Canadian oil and natural gas producers are in better shape than the overall industry was over the previous several years. The big questions are whether, when and how much these companies will begin reinvesting their cash flow plus new capital to resume growing, and when investment conditions become attractive enough to draw new entrants to the Western Canada Sedimentary Basin. That will determine activity levels, demand for seismic data and Pulse's sales. Increased oil and natural gas industry field activity has not yet been observed, and Pulse continues to caution that it has no visibility as to quarterly sales.

I would like to take this opportunity to extend my sincere appreciation to the Pulse team, who worked so diligently in 2019, firstly to complete the acquisition of Seitel Canada Ltd., and then by fully embracing the challenge of integrating the two companies.

On behalf of the Board of Directors,

Neal Coleman
President, Chief Executive Officer and Director

February 27, 2020

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