pulse seismic

TSX: PSD
OTCQX: PLSDF

Q1 For the three months ended March 31, 2019

SELECTED FINANCIAL AND OPERATING INFORMATION

(thousands of dollars except per share data, numbers of shares and kilometres of seismic data)	Three months ended March 31, (unaudited)		Year ended December 31,
	2019	2018	2018
Revenue			
Data library sales	**5,277**	2,289	10,076
Other revenue	**143**	39	112
Total revenue	**5,420**	2,328	10,188
Amortization of seismic data library	**3,566**	1,878	7,337
Net loss	**(2,671)**	(696)	(1,730)
Per share basic and diluted	**(0.05)**	(0.01)	(0.03)
Cash provided by operating activities	**1,458**	(8,592)	(3,250)
Per share basic and diluted	**0.03**	(0.16)	(0.06)
Cash EBITDA[a]	**3,097**	934	5,037
Per share – basic and diluted[a]	**0.06**	0.02	0.09
Shareholder free cash flow[a]	**2,700**	880	4,671
Per share – basic and diluted[a]	**0.05**	0.02	0.09
Capital expenditures			
Seismic data purchases, digitization and related costs	**61,029**	62	62
Property and equipment	**335**	2	18
Total capital expenditures	**61,364**	64	80
Weighted average shares outstanding			
Basic and diluted	**53,793,317**	53,887,280	53,838,106
Shares outstanding at period-end	**53,793,317**	53,850,917	53,793,317
Seismic library			
2D in kilometres	**829,207**	450,000	450,000
3D in square kilometres	**65,310**	28,956	28,956

FINANCIAL POSITION AND RATIO

(thousands of dollars except ratio)	**March 31, 2019**	March 31, 2018	December 31, 2018
Working capital	**(736)**	22,216	25,804
Working capital ratio	**0.9:1**	13.5:1	15:1
Cash and cash equivalents	**1,302**	18,232	23,016
Total assets	**78,784**	41,218	38,847
Long-term debt	**36,577**	–	–
Shareholders' equity	**32,800**	36,656	35,238
Long-term debt to equity ratio	**1.1:1**	–	–

[a] This non-GAAP financial measures is 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

THREE MONTHS ENDED MARCH 31, 2019

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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 three months ended March 31, 2019 was prepared taking into consideration information available to May 7, 2019 and should be read with the unaudited condensed consolidated interim financial statements and related notes for the three months ended March 31, 2019. This MD&A is supplemental to the MD&A, audited consolidated financial statements and related notes for the year ended December 31, 2018.

The consolidated interim financial statements were prepared in accordance with International Financial Reporting Standards (IFRS) with comparative figures for the prior year's first quarter. The consolidated interim financial statements and the MD&A were reviewed by Pulse's Audit and Risk Committee and approved by Pulse's Board of Directors. All financial information is reported in Canadian dollars. This MD&A discusses matters which Pulse's management considers material. Management determines whether information is material based on whether it believes a reasonable investor's decision whether or not to buy, sell or hold shares in the Company would likely be influenced or changed if the information were omitted or misstated. Readers should also read the cautionary statement in "Forward-Looking Information".

OVERVIEW

ABOUT PULSE

Pulse is a market leader in the acquisition, marketing and licensing of two-dimensional (2D) and three-dimensional (3D) seismic data for the energy sector in Western Canada. Seismic data is used by oil and natural gas exploration and development companies to identify portions of geological formations that have the potential to hold hydrocarbons. Seismic data is used in conjunction with well logging data, well core comparisons, geological mapping and surface outcrops to create a detailed map of the Earth's subsurface at various depths.

Pulse owns the 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 (WCSB), where most of Canada's oil and natural gas exploration and development occur.

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

MISSION AND STRATEGY

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

KEY PERFORMANCE INDICATORS

The key performance indicators used by Pulse's management to analyze business results are seismic 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 ended March 31, 2019, with comparative figures for 2018, are set out in the following table:

	Three months ended March 31,		
(thousands of dollars except per share data)	**2019**	2018	Variance
Data library sales	**5,277**	2,289	2,988
Other revenue	**143**	39	104
Total seismic revenue	**5,420**	2,328	3,092
Net loss	**(2,671)**	(696)	(1,975)
Per share basic and diluted	**(0.05)**	(0.01)	(0.04)
Cash EBITDA	**3,097**	934	2,160
Per share basic and diluted	**0.06**	0.02	0.04
Shareholder free cash flow	**2,700**	880	1,820
Per share basic and diluted	**0.05**	0.02	0.03

In the first quarter of 2019, Pulse acquired 100 percent of the shares of Seitel Canada Ltd. ("Seitel"), a seismic data library company. For the three months ended March 31, 2019, Pulse generated $5.4 million of revenue, including $2.1 million from the data library acquired from Seitel, compared to $2.3 million for the same period in 2018. Even though total revenue was significantly higher than in the first quarter of last year, relative to the enlarged size of its data library, the period-over-period increase was modest and the Company continued to experience low traditional data library sales, as it has since the end of 2014, due to the ongoing low level of capital spending in the energy-producing sector. The increase in data library sales during the three months ended March 31, 2019 from the first quarter of 2018 is the main factor contributing to the period-over-period improvement in the Company's key performance metrics of cash EBITDA and shareholder free cash flow. The first quarter's net loss, however, is higher than for the same period in 2018 mainly because of the significant increase in the seismic data library's non-cash amortization expense, due to 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).

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 clients, 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. Pulse has not been active in conducting participation surveys since the industry downturn began at the end of 2014. The most recent survey was conducted in the first quarter of 2015.

OUTLOOK

Although successive quarterly results will be needed to confirm trends, Pulse's first-quarter results are consistent with the Company's assessment that the Seitel acquisition would approximately double its baseline seismic data library sales (all other things being equal). Following the first quarter, Pulse's strong sales in April bring the Company's year-to-date seismic data library revenue to $7.8 million (compared to full-year 2018 sales from both Pulse and Seitel of $14.5 million). This includes significant sales from both datasets, corroborating Pulse's business case for the Seitel acquisition.

Pulse's outlook for the remainder of 2019 remains cautious, however. While some industry indicators are strengthening, many remain weak. Briefly:

- Domestic natural gas prices (AECO) remain very low, averaging $2.10 per GJ in February, spiking to nearly $5.00 per GJ amidst brutal cold in early March, before collapsing in April to the range of only $0.50 per GJ;
- The domestic oil price benchmark, Western Canada Select (WCS), has rallied since the pricing crisis experienced last fall, which saw WCS trade at a rock-bottom $5.97 per bbl in December after the WTI-WCS price differential widened to a record $45.93 per bbl. Following government-mandated curtailment of Alberta's oil production to force a reduction in the domestic oil storage inventory, WCS has recovered to the higher end of the price range it held through much of 2015-2018. Despite lower overall world crude prices, WCS improved to $45.33 per bbl and the differential fell to $9.68 per bbl in February 2019. If this holds, it represents billions of dollars in annualized revenues for western Canada's oil-producing sector;
- Oil and natural gas well drilling was extremely weak over the winter, with none of the customary seasonal spike, due to factors including the WTI-WCS differential, but drilling forecasts for 2019 remain reasonable. On May 1 , the Petroleum Services Association of Canada reduced its 2019 drilling forecast by 300 wells to 5,300 wells. This was a decrease of 1,300 hundred wells from its initial 2019 forecast and 300 less than it had predicted in its update in late January. As of May 1, however, the Canadian Association of Oilwell Drilling Contractors was maintaining its 2019 forecast of 6,962 wells;

- Proceeds from mineral lease auctions or "land sales" in Western Canada as of April 30, 2019 were down by 60% from the comparable period in 2018, and by 75% from the same time period in 2017. From January to April 2019, in Alberta $42.3 million in new exploration lands were leased and in British Columbia the total was only $2.5 million;
- The Trans-Mountain Pipeline expansion project, critical for accessing Pacific Rim crude oil markets, received renewed regulatory approval from the National Energy Board but remains in limbo while awaiting a political decision by the federal government on whether to proceed with construction;
- The Keystone XL pipeline project appears to be moving forward, having received a new presidential permit from the U.S. Administration in late March;
- Efforts continue to move forward with Canada's first large LNG export project;
- U.S. LNG exports continue to grow, exceeding 4 bcf per day in April as additional liquefaction trains come on-stream amidst a global boom in the LNG trade, which now exceeds 40 bcf per day worldwide. This boom adds impetus to Canadian LNG projects;
- While the level of corporate merger-and-acquisition activity remained low in the first few months of 2019, this could suggest a pent-up potential for industry transactions if overall industry volatility is reduced somewhat; and
- The Alberta provincial election on April 17 was won by the United Conservative Party, which campaigned on a platform of reducing the regulatory burden facing the industry, lowering the corporate income tax rate and vigorously promoting energy development including new export pipelines.

On balance, Western Canada's oil and natural gas sector still faces economic headwinds and uncertainties. In addition, Pulse is likely to experience a delay before any renewed industry investment and activity translate into higher seismic data sales. The Company is, accordingly, prepared for additional quarters of weak traditional sales while also cautioning that there is no visibility as to transaction-based sales.

Pulse's management team remains pleased with the Company's cost structure and financial position, and confident in its ability to pay down debt at the schedule and rate specified, as well as the additional sales-based consideration for Seitel. The Seitel acquisition financing structure enables Pulse to comfortably meet its obligations. The low cost structure of Pulse's business model facilitates significant synergies on future sales.

The Company has been structured to survive and even grow through all phases of the industry cycle. Throughout 2019 Pulse intends to pay down debt, continue to manage costs conservatively and remain stringent in assessing potential new opportunities. Pulse has unused borrowing capacity of up to a further $22 million if needed.

As Canada's largest pure-play seismic data library provider, 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. The Company's low cost structure and the broad 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 amidst a longer-term recovery in western Canada's oil and natural gas sector.

DISCUSSION OF OPERATING RESULTS

SUMMARY FOR THE THREE MONTHS ENDED MARCH 31, 2019

LOSS BEFORE INCOME TAXES

For the three months ended March 31, 2019, the Company incurred a loss before income taxes of $3.1 million ($0.06 per share basic and diluted) compared to a loss before income taxes of $957,000 ($0.02 per share basic and diluted) for the comparable period of 2018.

DATA LIBRARY SALES REVENUE

Data library sales was $5.3 million for the three months ended March 31, 2019 compared to $2.3 million for the three months ended March 31, 2018.

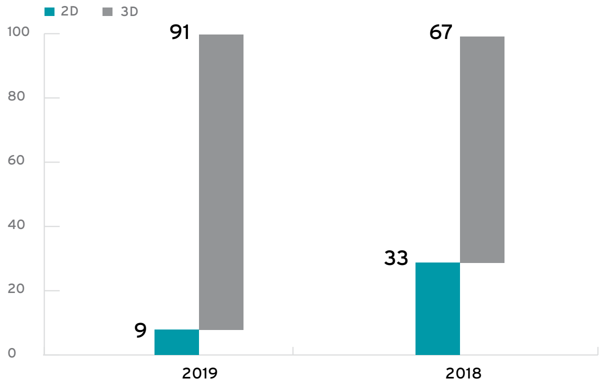
DISAGGREGATED DATA LIBRARY SALES BREAKDOWN

Pulse uses three categories for analyzing data library sales. The following graphs illustrate the comparative first quarters of 2019 and 2018 by category.

The first category, transaction type, separates sales between traditional and transaction-based sales. There can be great fluctuation between these two types of sales from period to period and year to year. For the first quarter of 2019 and 2018, however, 100 percent of data library sales were traditional. An eight-year historical breakdown is also provided in the MD&A for the year ended December 31, 2018.

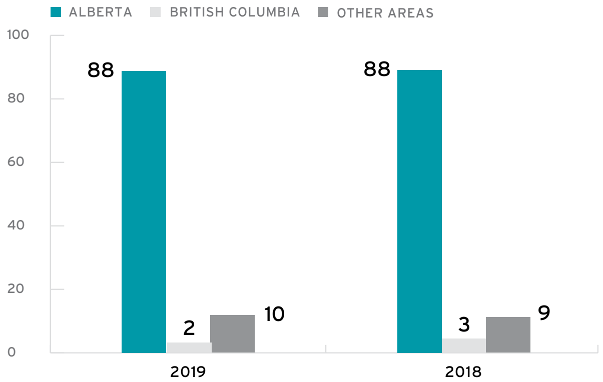
The second category is data type, meaning sales of 2D versus 3D seismic data. As 3D seismic sale contracts are generally larger than 2D seismic sale contracts, the percentage of seismic data library revenues generated from 2D and 3D seismic data fluctuates significantly depending on the number of 3D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

SALES BREAKDOWN 2D/3D (%)
FOR THE THREE MONTHS ENDED MARCH 31



The third category is geographical representation. The largest proportion of data sales comes from data located in Alberta, as that is where the majority of Pulse's seismic data and industry activity are.

GEOGRAPHICAL SALES BREAKDOWN (%)
FOR THE THREE MONTHS ENDED MARCH 31



AMORTIZATION OF SEISMIC DATA LIBRARY

For the three months ended March 31, 2019, seismic data library amortization expense was $3.6 million compared to $1.9 million in the comparable period of 2018. The significant increase is due to the amortization expense of $1.8 million related to the newly acquired data library.

Amortization of the seismic data library is described further under "Critical Accounting Estimates" in the Company's MD&A for the year ended December 31, 2018.

SALARIES, INTERNAL COMMISSIONS AND BENEFITS (SCB)

SCB for the three months ended March 31, 2019 was $1.8 million compared to $934,000 in the comparable period of 2018. The significant increase is due to the acquisition bonus of $700,000 paid to the Pulse executives and staff for the completion of the acquisition and integration of Seitel, as well as an increase in the accounting expense for the employee long-term incentive plan due to the increase in the share price in the first quarter of 2019.

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

SG&A for the three months ended March 31, 2019 was $504,000 compared to $551,000 for the three months ended March 31, 2018.

RESTRUCTURING COSTS

Included in restructuring costs is $1.5 million of severance payments related to the acquired company in January 2019, the audit fees related to regulatory reporting of the Seitel acquisition, expenses related to the Seitel warehouse lease, increased marketing costs by way of the assumption of the contract for a suite at the Scotiabank Saddledome, and other minor SG&A expenses related to Seitel integration. These additional costs have been categorized as restructuring costs and make up part of the expected $4.2 million in future liabilities as outlined in previous disclosure of the acquisition.

NET FINANCING COSTS (INCOME)

For the three months ended March 31, 2019, the Company's net financing costs were $615,000 compared to $95,000 of net financing income for the same period in 2018. The increase is related to the debt utilized to fund the acquisition. 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, of which $8 million was also drawn for that purpose. Pulse also entered into a five-year subordinated debt agreement with Edgepoint Investment Group Inc., a non-arm's-length party, for $10 million. The agreement has no requirement to repay the principal prior to the end of term. For the three months ended March 31, 2019, the interest expense related to the syndicated credit agreement was $315,000 and the interest expense related to the subordinated debt agreement was $161,000. Also included in the financing expenses is the interest related to the lease liabilities following the implementation of IFRS 16, *Leases*, in the first quarter of 2019.

In the first quarter of 2018, the long-term debt balance was nil and the Company only incurred standby fees on its syndicated credit agreement.

INCOME TAXES

The income tax reduction for the three months ended March 31, 2019 was $389,000, reflecting an effective tax rate of 12.7 percent, compared to an income tax reduction of $261,000 and an effective tax rate of 27.3 percent for the comparable 2018 period. The federal-provincial corporate income tax rate for 2019 and 2018 was 27 percent. The effective rate for the three months ended March 31, 2019 was lower than the enacted income tax rate as a result of the permanent difference in the tax value of the acquired data library compared to its cost. The change in valuation allowance related to future resource deductions and non-deductible expenditures also contributed slightly to the variance between the effective and the enacted income tax rate.

REVIEW OF FINANCIAL POSITION

AS AT MARCH 31, 2019

TRADE AND OTHER RECEIVABLES

In March 2019 the Company closed a $2.1 million seismic data licensing sale. The related receivable will be collected in the second quarter of 2019.

CURRENT TAX ASSETS

Included in current tax assets is the income tax receivable from Pulse's 2018 fiscal year overpayment, plus the current tax reduction for the first quarter of 2019.

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. The Company purchases proprietary rights to complementary seismic datasets when it finds appropriate opportunities, and it also has conducted participation surveys. Pulse partners with customers on participation surveys from which the seismic data collected is added to Pulse's data library to generate future licensing revenue. Pulse retains full ownership of the data, and participating customers are provided with a licensed copy in return for their contribution to the capital costs of the survey.

On January 15, 2019 the Company acquired approximately 36,354 net square kilometres of 3D data and 379,207 net kilometres of 2D data through the Seitel acquisition, and added the acquired data to its library. The total amount allocated to the seismic data through the purchase price allocation was $61.0 million.

At March 31, 2019, the Company considered indicators of impairment for each of its cash-generating units, and, based on that review, no impairment tests were performed.

RIGHT-OF-USE (ROU) ASSETS

Included in the ROU assets are the present values of the basic rent related to Pulse's office lease agreement and the warehouse lease agreement assumed through the acquisition. The present values are calculated using an incremental borrowing rate of 6.7 percent. The operating costs associated with the lease agreements were not included as those costs are not fixed or based on an index or rate.

The office lease agreement terminates in March 2023 and the warehouse lease agreement terminates in April 2022.

As stated above, no fair value was allocated to the ROU asset related to the former Seitel office space. This office has no value to Pulse, and is now available for sublease in a market saturated with excess office space. The office lease agreement terminates in November 2022.

LONG-TERM DEBT

As described in "Net Financing Costs (Income)" above, Pulse partially funded the acquisition of Seitel with a combination of debt from its syndicated credit facility of $23 million and subordinated debt of $10 million.

Additionally, Pulse owes the vendor a potential deferred payment of up to $5 million, to be paid at a rate representing 50 percent of the sales revenue generated from the former Seitel database until December 31, 2020. Pulse estimated that 50 percent of the $5 million ($2.5 million) will be paid in 2019 and the other 50 percent ($2.5 million) in 2020. Based on sales in the first quarter of 2019, $1.1 million of this amount was incurred by March 31, 2019.

The current portion of the long-term debt includes the annual mandatory principal repayment of $1.5 million included in the syndicated credit facility and the estimated $2.5 million to be paid to Seitel in 2019 less a payment of $1.1 million included in accounts payable as of March 31, 2019 based on $2.2 million of sales generated by Seitel's seismic data library in the first quarter. The $1.1 million payment to Seitel was made on April 5, 2019.

The non-current portion of the long-term debt is offset by deferred financing charges of $387,000 to be amortized over three years.

LEASE LIABILITIES

Included in lease liabilities are the present values of the basic rent related to Pulse's office lease agreement, the lease agreement for Seitel's former office space and the warehouse lease agreement, all calculated using an incremental borrowing rate of 6.7 percent. The operating costs included in the lease agreements were not included in the lease liabilities as these costs are not fixed or based on an index or rate.

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 details the Company's outstanding share capital:

	Three months ended March 31,	
	2019	2018
Weighted average shares outstanding:		
Basic and diluted	**53,793,317**	53,887,280
Shares outstanding at period-end	**53,793,317**	53,850,917
Shares outstanding at May 7, 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. 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, 2019 184,657 RSUs and 248,296 PSUs were eligible to vest. Corporate financial performance in 2018 did not meet the predetermined performance benchmarks and, consequently, no PSUs vested on March 31, 2019. RSUs vest automatically based upon time and, consequently, all of the eligible RSUs vested on March 31, 2019.

To satisfy its obligation, in April 2019 the Company provided $271,000 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, 2019. The related payroll taxes of $191,000 will be paid in May 2019 to settle fully the accrued cash-settled portion of the share-based payment liabilities.

At March 31, 2019 and May 7, 2019 there were 741,573 RSUs and 708,271 PSUs outstanding.

DEFICIT

On March 31, 2019 the Company had a deficit of $44.3 million, compared to $41.7 million at December 31, 2018. Contributing to the deficit is the net loss for the period of $3.6 million and the IFRS 16, *Leases*, adjustment of $110,000 following the implementation of the new standard effective January 1, 2019.

DEFERRED TAX LIABILITY

The deferred income tax liability was $1.4 million at March 31, 2019 compared to $1.7 million at December 31, 2018. 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

	2019	2018				2017		
(thousands of dollars, except per share data)	**Q1**	Q4	Q3	Q2	Q1	Q4	Q3	Q2
Data library sales	**5,277**	4,287	1,597	1,905	2,289	5,413	32,390	2,920
Other revenue	**143**	26	9	36	39	36	38	9
Total revenue	**5,420**	4,313	1,606	1,941	2,328	5,449	32,428	2,929
Amortization of seismic data library	**3,566**	1,811	1,812	1,836	1,878	1,958	4,639	4,638
Net earnings (loss)	**(2,671)**	1,024	(1,042)	(1,016)	(696)	1,311	18,704	(2,426)
Per share – basic and diluted	**(0.05)**	0.02	(0.02)	(0.02)	(0.01)	0.02	0.34	(0.04)

The revenue streams generated by Pulse's operations are data library sales and other revenue, which consists of client services and rental revenue for the warehouse. Data library sales consist of traditional sales and transaction-based sales, as described under "Traditional Sales vs. Transaction-based Sales: Eight-Year History" in the Company's MD&A for the year ended December 31, 2018. 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 with the record $29.5 million transaction-based sale.

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

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

The significant increase in amortization expense in the first quarter of 2019 over the preceding five quarters is due to the acquisition in January 2019. Amortization expense had decreased in the fourth quarter of 2017 from the prior quarters depicted above 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 each quarter in 2018 and the fourth quarter of 2017, the reduced amortization expense also positively affected the net result.

Increases in data library sales have a highly positive impact on earnings, as the operating costs associated with licensing seismic data from the library fluctuate very little from period to period.

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

CONTRACTUAL OBLIGATIONS

Pulse's known contractual obligations at March 31, 2019 are comprised of lease liabilities for office and warehouse 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		Payments due by period			
(thousands of dollars)	Total	Less than 1 year	1 – 3 years	4 – 5 years	After 5 years
Long-term debt – capital	33,000	1,500	21,500	10,000	–
Long-term debt – interest	9,094	2,541	4,761	1,792	–
Lease liabilities	5,127	1,544	2,745	838	–
Seismic data services contracts	74	74	–	–	–
Accounts payable and accrued liabilities	3,018	2,837	181	–	–
Total contractual obligations	50,313	8,496	29,187	12,630	–

Obligations in the category of seismic data services contracts include data storage.

Accounts payable and accrued liabilities at March 31, 2019 include the accrual of $1.1 million representing 50 percent of the first-quarter seismic data library sales from the Seitel seismic data library to be paid to the vendor of Seitel Canada Ltd.

LIQUIDITY, CAPITAL RESOURCES AND CAPITAL REQUIREMENTS

At March 31, 2019 Pulse had negative working capital of $736,000 and a working capital ratio of 0.92:1. Current liabilities include deferred revenue of $2.4 million which relates to data to be delivered to customers over a contract specified period of time, as well as an estimate of the current portion of the sales-based deferred payment remaining to be paid.

In the first quarter of 2019 the Company generated $1.5 million of cash from operating activities compared to using $8.6 million for the same period in 2018. The main difference between the two periods related to the 2017 income tax paid for fiscal 2017 and the income tax instalments paid in the first quarter for fiscal 2018.

To fund the acquisition in January 2019, the Company used $20.6 million of cash on hand, borrowed $33.0 million and agreed to up to $5.0 million of additional, sales-based acquisition payments to the vendor. Following the acquisition, $23.0 million was drawn on Pulse's syndicated credit facility and $10.0 million of subordinated debt was secured.

The Company also utilized cash for the following outlays:

- Capital lease principal repayments of $136,000;
- Deferred financing charges of $387,000;
- Additions of property and equipment for $335,000.

The cash balance at March 31, 2018 was $1.3 million including $715,000 from the acquisition of Seitel.

To proceed with the acquisition of Seitel the Company amended and restated its syndicated credit agreement. The facilities are now comprised of $15 million in term debt and a $30.0 million revolving facility, $8.0 million of which was drawn for the acquisition. Up to $5.0 million of the revolving facility remains available as an operating line of credit. The facility contains repayment terms, interest rates and financial covenants that are described below.

Significant terms of the credit facility are:

- Interest on the term debt and the revolving facility is based on prime rate plus 0.25 percent to 2.75 percent, following an eight-tier margin structure based on the Company's total debt to adjusted EBITDA ratio as described below;

- The facility includes an accordion feature allowing the Company to increase the facility's size by up to an additional $25 million, subject to the lenders' consent;
- $1.5 million aggregate annual principal payments on the term debt and the facility, with voluntary prepayments permitted in whole or part at any time, without premium or penalty; and
- Three-year term until January 15, 2022, with an extension of up to one year available on January 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 March 31, 2019 the Company had $15.0 million of term debt and an $8.0 million balance on the revolving credit facility, with $22 million available for future draws. At March 31, 2019 the applicable interest rate on the long-term debt was 6.70 percent (March 31, 2018 — 3.95 percent).

The credit facility is secured by a charge on all of the assets of the Company and its material subsidiaries.

The credit facility also includes the following two financial covenants:

1) MAXIMUM SENIOR DEBT TO ADJUSTED EBITDA RATIO

The senior debt to adjusted EBITDA ratio shall not be greater than 4.25:1 on March 31, 2019 and shall decrease in steps to 3:1 for fiscal quarters ending December 31, 2020 and thereafter.

2) MINIMUM INTEREST COVERAGE RATIO

On any date upon which the senior debt to adjusted EBITDA ratio is lower than 2:1 for two consecutive quarters, the minimum interest coverage ratio, defined as the ratio of adjusted EBITDA to interest expense, shall not be less than 3:1.

On any date upon which the senior debt to adjusted EBITDA ratio is equal or higher than 2:1 for two consecutive quarters, the fixed charge coverage ratio replaces the interest coverage ratio.

The fixed charge coverage ratio is equal to adjusted EBITDA less unfunded capital expenditures, cash taxes and permitted cash distributions divided by the sum of scheduled principal repayments and interest expense paid in cash, and shall not be less than 1.2:1.

Senior debt is total debt less subordinated debt. Total debt also includes the potential deferred payment on the acquisition and is determined on a consolidated basis and in accordance with IFRS.

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.

At March 31, 2019 the senior debt to adjusted EBITDA ratio was 2.33:1 and the fixed charge coverage ratio was 2.39:1.

The Company was therefore in compliance with the credit facility's covenants at March 31, 2019.

The Company pays interest and a standby fee based on the daily undrawn balance of the credit facility and its total debt to adjusted EBITDA ratio. Interest and standby fee on the syndicated revolving bank loan are calculated based on the syndicate lead lender's prime rate, bankers' acceptance rate or LIBOR, plus an applicable margin based on the covenant ratio of total debt to adjusted earnings before interest, income taxes, depreciation and amortization (adjusted EBITDA). The total debt to adjusted EBITDA ratio at March 31, 2019 was 3.84:1 and the applicable margin and standby fee were set at the second highest rates available under the facility.

The interest and standby fee rates are adjusted two business days after the covenant's calculation for the previous fiscal quarter is received and approved by the lenders.

The applicable margin and standby fee rate are determined as follows:

Total debt to adjusted EBITDA ratio	Applicable margin for canadian prime rate loans	Applicable margin for bankers' acceptances	Standby fee rate
Less than or equal to 1:1	0.25%	1.50%	0.3000%
Greater than 1:1 but less than or equal to 1.5:1	0.50%	1.75%	0.3500%
Greater than 1.5:1 but less than or equal to 2:1	0.75%	2.00%	0.4000%
Greater than 2:1 but less than or equal to 2.5:1	1.00%	2.25%	0.5063%
Greater than 2.5:1 but less than or equal to 3:1	1.25%	2.50%	0.5625%
Greater than 3:1 but less than or equal to 3.5:1	1.75%	3.00%	0.7500%
Greater than 3.5:1 but less than or equal to 4:1	2.25%	3.50%	0.8750%
Greater than 4:1	2.75%	4.00%	1.0000%

The Company has not had an active normal course issuer bid (NCIB) since December 2018.

Toronto Stock Exchange (TSX) rules determine the number of shares the Company is permitted to purchase through its NCIB.

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.

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, as well as customer pre-funding, in the case of participation surveys. The Company has a $30.0 million revolving credit facility with $22.0 million undrawn, and an accordion feature allowing Pulse to increase the facility's size by up to $25.0 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 where opportunities for seismic data acquisitions or participation surveys arise. Historically, the Company has used a combination of debt and equity to finance growth initiatives, and it continues to rely on internal measures such as the long-term debt to equity ratio, to structure and forecast its capital requirements. Long-term debt is defined as long-term debt, net of deferred financing costs. At March 31, 2019, the long-term debt to equity ratio was 1.1:1. 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, they may not be comparable to similar measures used and disclosed by other companies. As IFRS have been incorporated into Canadian generally accepted accounting principles (GAAP), these non-IFRS measures are also non-GAAP measures. The Company has included these non-GAAP financial measures because management, investors, analysts and others use them to evaluate the Company's financial performance.

Cash EBITDA and shareholder free cash flow are not calculations set forth in 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

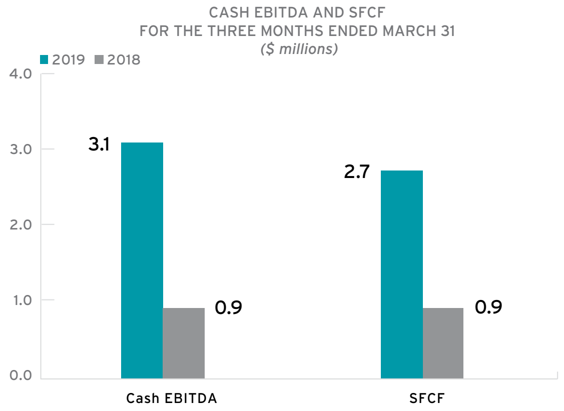
Cash EBITDA represents the capital available to invest in growing the Company's 2D and 3D seismic data library, to pay interest and principal on its long-term debt, to purchase its common shares, to pay income taxes and to pay dividends.

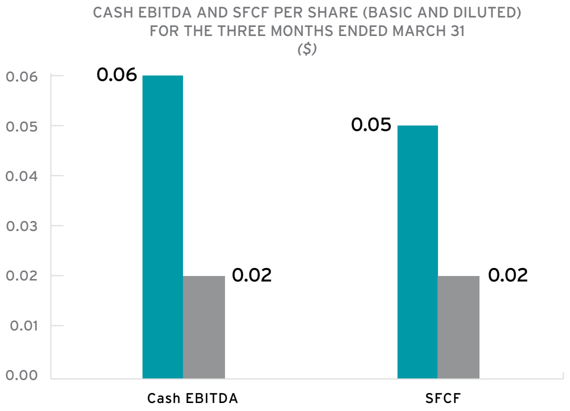
Cash EBITDA is calculated as earnings or loss from operations before interest, taxes, depreciation and amortization less participation survey revenue, plus non-cash and non-recurring expenses. Cash EBITDA excludes participation survey revenue as this revenue is directly used to fund specific participation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

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

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

	Three months ended March 31,	
(thousands of dollars, except per share data)	**2019**	2018
Net loss	**(2,671)**	(696)
Add:		
Amortization of seismic data library	**3,566**	1,878
Net financing costs	**615**	(95)
Income tax reduction	**(389)**	(261)
Depreciation	**143**	17
EBITDA	**1,264**	843
Deduct:		
Lease payments treated as capital lease	**21**	–
Warehouse rental revenue	**115**	–
Add:		
Non-cash expenses	**76**	91
Restructuring costs	**1,893**	0
Cash EBITDA	**3,097**	934
Deduct:		
Net financing costs	**615**	(95)
Current income tax expense	**–**	149
Add:		
Non-cash deferred financing charges	**27**	–
Current income tax reduction	**154**	–
Interest paid (capital lease)	**37**	–
Shareholder free cash flow (SFCF)	**2,700**	880
Cash EBITDA per share – basic and diluted	**0.06**	0.02
SFCF per share – basic and diluted	**0.05**	0.02


CASH EBITDA AND SFCF
FOR THE THREE MONTHS ENDED MARCH 31
($ millions)


CASH EBITDA AND SFCF PER SHARE (BASIC AND DILUTED)
FOR THE THREE MONTHS ENDED MARCH 31
($)

As reported in previous filings concerning the acquisition, in addition to the purchase price of $58.6 million, Pulse assumed various future liabilities that are viewed by the Company as being a part of the total cost of the acquisition. These estimated $4.2 million of costs are being expensed over time and categorized as restructuring costs, with a large percentage occurring in the first year, including $1.9 million in the first quarter of 2019. Because these expenses are expected to be non-recurring, they are being excluded from the Company's calculation of cash EBITDA and shareholder free cash flow. Also deducted from the cash EBITDA calculation is the rental revenue received for the use of a portion of the warehouse by a third party.

FINANCIAL INSTRUMENTS

A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another entity. Financial instruments are recognized on the statement of financial position when the Company becomes a party to the instrument's contractual obligations. The Company's financial assets include cash and cash equivalents, trade and other receivables. Its financial liabilities mainly comprise accounts payable and long-term debt.

FAIR VALUE

The fair values of cash and cash equivalents, accounts receivable and accounts payable approximate their carrying amount largely due to the short-term maturities of these instruments. The fair value of the long-term debt approximates the carrying value because interest charges under the bank loan are based on current Canadian bankers' acceptance rates and margins.

CREDIT RISK

There have been no significant changes in Pulse's credit risk as disclosed in the Company's MD&A for the year ended December 31, 2018.

At March 31, 2019, 79 percent of the total account receivable were due from three customers. They are expected to be collected subsequent to quarter-end.

LIQUIDITY RISK

There have been no significant changes in Pulse's liquidity risk as disclosed in the Company's MD&A for the year ended December 31, 2018.

COMMODITY PRICE RISK

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

NEW IFRS STANDARDS

A number of new standards, amendments to standards and interpretations have been issued by the International Accounting Standards Board (IASB) but were not yet effective for the year ending December 31, 2019. Accordingly, they were not applied in preparing the condensed consolidated interim financial statements. None is expected to have a significant effect on the consolidated financial statements.

Effective January 1, 2019 the Company adopted IFRS 16, *Leases*. The most significant effect of the new standard will be the lessee's recognition of the initial present value of unavoidable future lease payments as ROU lease assets and lease liabilities on the statement of financial position, including those for most leases that were accounted for as operating leases.

The results of applying the current standard, although actual cash flows will be unaffected, are that the lessee's statement of cash flows will reflect increases in cash flows from operating activities offset by decreases in cash flows from financing activities. This is the result of the presentation of the payments of the "principal" component of the lease liability that were accounted for as operating leases as a cash flow used with financing activities under the new standard.

Pulse elected to apply the modified retrospective approach and adjusted its retained earnings for the derecognition of the old lease inducement. An adjustment of $110,000 was made on January 1, 2019. Pulse used an incremental borrowing rate of 6.7 percent to calculate the initial present value of the ROU and lease liability.

CRITICAL ACCOUNTING ESTIMATES

There have been no significant changes in Pulse's critical accounting estimates as disclosed in the Company's MD&A for the year ended December 31, 2018.

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

The Company applies the COSO Internal Control – Integrated Framework (2013 Framework). There were no changes in the ICFR that occurred during the period beginning on January 1, 2019 and ending on March 31, 2019 that materially affected, or are reasonably likely to materially affect, the Company's ICFR. No material weaknesses relating to the design of the ICFR were identified. As well, there were no limitations on the scope of the design of the DC&P or the ICFR.

RISK FACTORS

There have been no significant changes in Pulse's risk factors as described in the Company's MD&A for the year ended December 31, 2018.

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 looks ahead cautiously to the rest of the year;
- Pulse is prepared for additional quarters of weak traditional sales while also cautioning that there is no visibility as to transaction-based 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;
- Pulse's capital allocation strategy;
- Pulse's dividend policy;
- Oil and natural gas prices;
- Oil and natural gas drilling activity and land sales activity;
- Oil and natural gas company capital budgets;
- Future demand for seismic data;
- Future seismic data sales;
- Future demand for participation surveys;
- Pulse's business and growth strategy; and
- Other expectations, beliefs, plans, goals, objectives, assumptions, information and statements about possible future events, conditions, results and performance.

Sources for the forecasts and the material assumptions underlying this forward-looking information are, where applicable, noted in the relevant sections of this MD&A.

Undue reliance should not be placed on forward-looking information. Forward-looking information is based on current expectations, estimates and projections that involve a number of risks and uncertainties, which could cause actual results to vary and in some instances to differ materially from those anticipated in the forward-looking information. Pulse does not publish specific financial goals or otherwise provide guidance, due to the inherently poor visibility of seismic revenue.

The material risk factors include, without limitation:

- Oil and natural gas prices;
- The demand for seismic data and participation surveys;
- The pricing of data library licence sales;
- Cybersecurity;
- Relicensing (change-of-control) fees and partner copy sales;
- The level of pre-funding of participation surveys, and the Company's ability to make subsequent data library sales from such participation surveys;
- The Company's ability to complete participation surveys on time and within budget;
- Environmental, health and safety risks;
- Federal and provincial government laws and regulations, including those pertaining to taxation, royalty rates, environmental protection and safety;
- Competition;
- Dependence on qualified seismic field contractors;
- Dependence on key management, operations and marketing personnel;
- The loss of seismic data;
- Protection of intellectual property rights;
- The introduction of new products; and
- Climate change.

The foregoing list is not exhaustive. Additional information on these risks and other factors which could affect the Company's operations and financial results is included under "Risk Factors" in the MD&A for the year ended December 31, 2018. Forward-looking information is based on the assumptions, expectations, estimates and opinions of the Company's management at the time the information is presented.

CONDENSED CONSOLIDATED INTERIM STATEMENTS OF FINANCIAL POSITION

(thousands of Canadian dollars) (unaudited)

As at	*Note*	**March 31, 2019**	December 31, 2018
ASSETS			
Cash and cash equivalents		**1,302**	23,016
Trade and other receivables		**5,111**	3,314
Current tax assets		**1,190**	1,036
Prepaid expenses		**689**	281
Total current assets		**8,292**	27,647
Seismic data library	*5*	**68,487**	11,024
Property and equipment		**402**	103
Deferred financing costs		**–**	73
Right-of-use assets	*6*	**1,603**	–
Total non-current assets		**70,492**	11,200
Total assets		**78,784**	38,847
LIABILITIES AND SHAREHOLDERS' EQUITY			
Accounts payable and accrued liabilities		**2,837**	976
Deferred revenue		**2,438**	867
Current portion of long-term debt	*7*	**2,938**	–
Current portion of lease liabilities	*6*	**815**	–
Total current liabilities		**9,028**	1,843
Long-term debt	*7*	**33,639**	–
Deferred income tax liabilities		**1,392**	1,674
Lease liabilities	*6*	**1,744**	–
Other long-term payable		**181**	92
Total non-current liabilities		**36,956**	1,766
Total liabilities		**45,984**	3,609
SHAREHOLDERS' EQUITY			
Share capital		**74,581**	74,581
Contributed surplus		**2,508**	2,385
Deficit		**(44,289)**	(41,728)
Total shareholders' equity		**32,800**	35,238
Total liabilities and shareholders' equity		**78,784**	38,847

See accompanying notes to consolidated financial statements.

CONDENSED CONSOLIDATED INTERIM STATEMENTS OF LOSS AND COMPREHENSIVE LOSS

(thousands of Canadian dollars except per share data) (unaudited)

Three months ended March 31,	*Note*	**2019**	2018
Revenue			
Data library sales	*4*	**5,277**	2,289
Other revenue		**143**	39
Total revenue		**5,420**	2,328
Operating expenses			
Amortization of seismic data library	5	**3,566**	1,878
Salaries, internal commissions and benefits		**1,758**	934
Other selling, general and administrative costs		**504**	551
Restructuring costs	*12*	**1,894**	–
Depreciation		**143**	17
Total operating expenses		**7,865**	3,380
Results from operating activities		**(2,445)**	(1,052)
Financing costs			
Financing expenses		**639**	39
Interest income		**(24)**	(134)
Net financing costs (income)		**615**	(95)
Loss before income taxes		**(3,060)**	(957)
Current income tax expense (reduction)		**(154)**	149
Deferred income tax reduction		**(235)**	(410)
Income tax expense reduction	*12*	**(389)**	(261)
Net loss and comprehensive loss		**(2,671)**	(696)
Net loss per share, basic and diluted	*10*	**(0.05)**	(0.01)

See accompanying notes to consolidated financial statements.

CONDENSED CONSOLIDATED INTERIM STATEMENTS OF CHANGES IN EQUITY

(thousands of Canadian dollars except number of shares) (unaudited)

	Note	Number of shares issued (repurchased)	Share capital	Contributed surplus	Deficit	Total equity
Balance at January 1, 2018		54,020,817	74,896	2,554	(39,640)	37,810
Net loss for the period		–	–	–	(696)	(696)
Share-based compensation		–	–	91	–	91
Tax effect of equity-settled share-based compensation		–	–	(15)	–	(15)
Normal course issuer bid	*8*	(169,900)	(235)	–	(299)	(534)
Balance at March 31, 2018		53,850,917	74,661	2,630	(40,635)	36,656

	Note	**Number of shares issued (repurchased)**	**Share capital**	**Contributed surplus**	**Deficit**	**Total equity**
Balance at January 1, 2019		**53,793,317**	**74,581**	**2,385**	**(41,728)**	**35,238**
Net loss for the period		**–**	**–**	**–**	**(2,671)**	**(2,671)**
Share-based compensation		**–**	**–**	**76**	**–**	**76**
Tax effect of equity-settled share-based compensation		**–**	**–**	**47**	**–**	**47**
IFRS 16, *Leases* adjustment	*3*	**–**	**–**	**–**	**110**	**110**
Balance at March 31, 2019		**53,793,317**	**74,581**	**2,508**	**(44,289)**	**32,800**

See accompanying notes to consolidated financial statements.

CONDENSED CONSOLIDATED INTERIM STATEMENTS OF CASH FLOWS

(thousands of Canadian dollars) (unaudited)

Three months ended March 31,	*Note*	**2019**	2018
Cash flows provided by (used in):			
Operating:			
Net loss and comprehensive income loss		**(2,671)**	(696)
Adjustment for:			
Amortization of seismic data library	*5*	**3,566**	1,878
Depreciation		**143**	17
Income tax expense (reduction)		**(389)**	(261)
Equity-settled share-based compensation		**76**	91
Net financing costs		**615**	(95)
Interest and standby fees paid		**(524)**	(27)
Interest paid (lease liabilities)		**(37)**	–
Interest received		**20**	109
Income tax paid		**–**	(8,439)
		799	(7,423)
Net change in non-cash working capital	*11*	**659**	(1,169)
Cash provided by (used in) operating activities		**1,458**	(8,592)
Financing:			
Normal course issuer bid	*8*	**–**	(534)
Proceeds from long-term debt	*7*	**33,000**	–
Lease liabilities principal repayments	*6*	**(136)**	–
Debt transaction costs		**(387)**	–
Cash provided by (used in) financing activities		**32,477**	(534)
Investing:			
Seismic data purchases, digitization and related costs	*5*	**(56,029)**	(62)
Additions to property and equipment		**(335)**	(2)
Cash used in investing activities		**(56,364)**	(64)
Decrease in cash and cash equivalents		**(22,429)**	(9,190)
Cash and cash equivalents, beginning of period (including cash from acquisition)	*12*	**23,731**	27,422
Cash and cash equivalents, end of period		**1,302**	18,232

See accompanying notes to consolidated financial statements.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

INFORMATION AS AT AND FOR THE PERIODS ENDED MARCH 31, 2019 AND 2018.

(Tabular amounts in thousands of Canadian dollars, except per share data, numbers of shares and other exceptions as indicated)

1. REPORTING ENTITY

Pulse Seismic Inc. (the Company) was incorporated under the Canada Business Corporations Act and is a publicly-listed company on the Toronto Stock Exchange (TSX) trading under the symbol PSD and on the OTCQX International trading under the symbol PLSDF. The Company's registered office is in Calgary, Alberta. The Company is a provider of seismic data to the energy sector in western Canada.

2. BASIS OF PREPARATION

(A) STATEMENT OF COMPLIANCE

These financial statements have been prepared in accordance with IAS 34, Interim Financial Reporting as issued by the International Accounting Standards Board ("IASB") and using the accounting policies the Company adopted in its consolidated financial statements for the year ended December 31, 2018, except as discussed below. The condensed consolidated interim financial statements do not include all of the information required for full annual financial statements.

(B) BASIS OF PRESENTATION

The consolidated financial statements include the accounts of the Company's wholly-owned subsidiaries

(C) BASIS OF MEASUREMENT

The consolidated financial statements were prepared on the historical cost basis.

(D) FUNCTIONAL AND PRESENTATION CURRENCY

The consolidated financial statements are presented in Canadian dollars, the Company's functional currency. All financial information presented in Canadian dollars has been rounded to the nearest thousand, except per share data, number of shares and other exceptions as indicated.

(E) BASIS OF CONSOLIDATION

(I) JOINT OPERATIONS

Certain of the Company's seismic data library assets are jointly owned with others. The consolidated financial statements include the Company's share in the joint assets, joint liabilities, expenses incurred and income earned from the joint operations.

(II) TRANSACTIONS ELIMINATED ON CONSOLIDATION

Intra-group balances and transactions, and any unrealized income and expenses arising from intra-group transactions, are eliminated in preparing the consolidated financial statements.

(F) USE OF ESTIMATES AND JUDGEMENTS

Preparing the consolidated financial statements in accordance with International Financial Reporting Standards (IFRS) required management to make estimates and judgements that affected the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities at the date of the consolidated financial statements, and the revenue and expenses attributed to the reporting period. Actual results could differ from those estimates.

Estimates and underlying assumptions are reviewed at a minimum annually, as required by IFRS. Changes to accounting estimates are recognized in the year in which the estimates are revised and in any future years affected.

3. SIGNIFICANT ACCOUNTING POLICIES

Except as described below, the accounting policies applied in these interim financial statements are the same as those applied by the Company in the audited consolidated financial statements for the year ended December 31, 2018.

Effective January 1, 2019 the Company adopted IFRS 16, *Leases*.

The most significant effect of the new standard will be the lessee's recognition of the initial present value of unavoidable future lease payments as right-of-use (ROU) lease assets and lease liabilities on the statement of financial position, including those for most leases that were accounted for as operating leases. The Company has elected not to recognize assets and liabilities for leases with durations of 12 months or less and leases of low-value assets.

The total lease expense over the term of a lease will be unaffected by the new standard.

The presentation on the statement of income and other comprehensive income required by the new standard will result in the presentation of lease expenses as depreciation of ROU lease assets and financing costs arising from lease liabilities, rather than as a part of other selling, general and administrative costs.

The results of applying the current standard, although actual cash flows will be unaffected, are that the lessee's statement of cash flows will reflect increases in cash flows from operating activities offset by decreases in cash flows from financing activities. This is the result of the presentation of the payments of the "principal" component of the lease liability that were accounted for as operating leases as a cash flow used in financing activities under the new standard.

Pulse elected to apply the modified retrospective approach and adjusted its retained earnings for the derecognition of the old lease inducement. An adjustment of $110,000 was made on January 1, 2019. Pulse used an incremental borrowing rate of 6.7 percent to calculate the initial present value of the ROU and lease liability.

4. REVENUE

DATA LIBRARY SALES

The Company generates revenue from the sale of seismic data. There are three ways to disaggregate the Company's data library sales: transaction type, data type and geographically. Revenue fluctuations are a normal part of the seismic data library business, and data library sales can vary significantly year-over-year.

The following tables provide a summary of the Company's revenue disaggregated by type:

(A) TRANSACTION TYPE

Three months ended March 31,	**2019**	2018
Traditional sales	**5,273**	2,289
Transaction-based sales	**4**	–
Total data library sales	**5,277**	2,289

(B) DATA TYPE

Three months ended March 31,	**2019**	2018
2D data sales	**475**	738
3D data sales	**4,802**	1,551
Total data library sales	**5,277**	2,289

(C) GEOGRAPHICAL BREAKDOWN

Three months ended March 31,	2019	2018
Alberta sales	**4,670**	2,000
British Columbia sales	**61**	77
Other area sales	**546**	212
Total data library sales	**5,277**	2,289

5. SEISMIC DATA LIBRARY

	March 31, 2019	December 31, 2018
Cost		
Opening balance, January 1	**445,036**	444,974
Acquisitions through purchases and related cost	**61,029**	62
Closing balance	**506,065**	445,036
Accumulated amortization		
Opening balance, January 1	**434,012**	426,675
Amortization for the period	**3,566**	7,337
Closing balance	**437,578**	434,012
Carrying amount	**68,487**	11,024

On January 15, 2019 the Company acquired 100 percent of the shares of Seitel Canada Ltd and its seismic data library. After reviewing the fair value of the all the assets and liabilities acquired by Pulse, an amount of $61.0 million was allocated to the seismic data library. The details of the asset acquisition are provided in Note 12.

At March 31, 2019, the Company assessed its seismic data library cash-generating units for indicators of impairment or reversal, as required under IFRS. It concluded there were no such indicators and no impairment test was performed.

6. ROU ASSETS AND LEASE LIABILITIES

The ROU assets and related lease liabilities are included in the tables below:

ROU ASSETS

As at	March 31, 2019	December 31, 2018
Office lease, on adoption of IFRS 16, *Leases* on January 1, 2019	**325**	–
Acquisition during the period (Note 12)	**1,385**	–
Total ROU assets	**1,710**	–
Less		
Accumulated amortization	**(107)**	–
ROU assets	**1,603**	–

LEASE LIABILITIES

As at	**March 31, 2019**	December 31, 2018
Office lease, on adoption of IFRS 16, *Leases* on January 1, 2019	**325**	–
Acquisition during the period (Note 12)	**2,370**	–
Repayments	**(136)**	–
Total lease liabilities	**2,559**	–
Less		
Current portion	**(815)**	–
Long-term portion	**1,744**	–

Under IFRS 16 the initial recognition of the ROU asset is usually equal to the liability. For the office lease acquired from Seitel Canada Ltd, no fair value was allocated to the ROU asset as this office is not in use by Pulse and while it is available for sublease the Company does not expect a sublease will be finalized. The liabilities are calculated using the basic rent included in the lease agreement.

7. LONG-TERM DEBT

As at	**March 31, 2019**	December 31, 2018
Senior term debt	**15,000**	–
Senior revolving credit facility	**8,000**	–
Subordinated debt	**10,000**	–
Contingent consideration liability – potential additional acquisition payment	**3,938**	–
Deferred financing cost	**(361)**	–
Total long-term debt	**36,577**	–
Less		
Current portion of term debt	**(1,500)**	–
Current portion of contingent liability	**(1,438)**	–
Long-term portion	**33,639**	–

On January 15, 2019 the Company acquired 100 percent of the shares of Seitel Canada Ltd. The purchase consideration included an initial cash payment of $53.6 million on closing, plus potential additional payments of up to $5.0 million, in aggregate, within two years of closing. The amount of the additional payments is determined as 50 percent of sales revenue generated from the former Seitel database prior to December 31, 2020. Pulse estimates that 50 percent of the $5.0 million ($2.5 million) will be paid in the first year and 50 percent in the second year. At March 31, 2019, $1.1 million was payable to Seitel for sales realized in the first quarter. This amount is included in accounts payable and, as such, the current portion of the contingent consideration liability has been reduced to $1.4 million.

In connection with the acquisition (Note 12), Pulse has amended and restated its syndicated credit agreement. The facility is now comprised of $15 million in term debt, all of which was utilized for the acquisition, and a $30.0 million revolving facility, $8.0 million of which was drawn for the acquisition. The facility specifies repayment terms, interest rates and financial covenants that are described below.

Significant terms of the credit facility are:

- Interest on the term debt and the revolving facility is based on prime rate plus 0.25 percent to 2.75 percent, following an eight-tier margin structure based on the Company's total debt to adjusted EBITDA ratio as described below;
- The facility includes an accordion feature allowing the Company to increase the facility's size up to an additional $25 million, subject to the lenders' consent;

- $1.5 million aggregate annual principal payments on the term debt and the facility, with voluntary prepayments permitted in whole or part at any time, without premium or penalty;
- Three-year term until January 15, 2022, with an extension of up to one year available on January 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;
- The Company will pay a 0.30 percent to 1.0 percent standby fee based on the daily undrawn balance of the revolving portion of the credit facility and its total debt to adjusted EBITDA ratio. On January 15, 2019 the applicable margin and standby fee were set at the highest rates available under the facility; and
- The credit facility is secured by a charge on all of the assets of the Company and its material subsidiaries.

The credit facility also includes the following two financial covenants:

1) MAXIMUM SENIOR DEBT TO ADJUSTED EBITDA RATIO

The senior debt to adjusted EBITDA ratio shall not be greater than 4.25:1 on March 31, 2019 and shall decrease in steps to 3:1 for fiscal quarters ending December 31, 2020 and thereafter.

2) MINIMUM INTEREST COVERAGE RATIO

On any date upon which the senior debt to adjusted EBITDA ratio is lower than 2:1 for two consecutive quarters, the minimum interest coverage ratio, defined as the ratio of adjusted EBITDA to interest expense, shall not be less than 3:1.

On any date upon which the senior debt to adjusted EBITDA ratio is equal to or higher than 2:1 for two consecutive quarters, the fixed charge coverage ratio replaces the interest coverage ratio.

The fixed charge coverage ratio is equal to adjusted EBITDA less unfunded capital expenditures, cash taxes and permitted cash distributions divided by the sum of scheduled principal repayments and interest expense paid in cash, and shall not be less than 1.2:1.

Senior debt is total debt less subordinated debt. Total debt is determined on a consolidated basis and in accordance with IFRS.

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.

Further, Pulse has also entered into a five-year subordinated debt agreement (the "Subordinated Credit Agreement") for $10 million. The agreement has no requirement to repay the principal prior to the end of term. Under the terms of the Subordinated Credit Agreement, the loan will accrue interest daily at a rate of 10 percent per annum, payable quarterly at the end of each quarter.

Interest and standby fees on the syndicated revolving bank loan are calculated based on the syndicate lead lender's prime rate, bankers' acceptance rate or LIBOR, plus an applicable margin based on the covenant ratio of total debt to adjusted earnings before interest, tax, depreciation and amortization (adjusted EBITDA). At March 31, 2019 the applicable interest rate on the long-term debt was 6.70 percent (March 31, 2018 — 3.95 percent).

At March 31, 2019 the senior debt to adjusted EBITDA ratio was 2.33:1 and the fixed charge coverage ratio was 2.39:1. The Company was in compliance with all covenants at March 31, 2019.

8. EQUITY

SHARE CAPITAL

The Company's authorized share capital consists of an unlimited number of common and an unlimited number of preferred shares, issuable in series. The shares have no stated par value. No preferred shares have been issued. All common shares are entitled to receive dividends as declared and are entitled to one vote per share at Company meetings.

The Company did not renew its normal course issuer bid upon its expiry in December 2018, therefore in the first quarter of 2019 no shares were purchased. For the three months ended March 31, 2018, 169,900 shares were purchased and cancelled at a total cost of $534,000.

9. SHARE-BASED PAYMENTS

The Company has a long-term incentive plan (LTIP) for employees, officers and Directors designed to align the Company's long-term incentive compensation with its performance and to increase individual share ownership.

The LTIP awards consist of restricted share units (RSUs) and performance share units (PSUs), with Directors being granted RSUs only. Upon vesting, each RSU and PSU entitles the holder to one common share of the Company. RSUs and PSUs have accompanying dividend-equivalent rights and, therefore, additional RSUs and PSUs are issued to reflect dividends declared, if applicable, on the common shares.

In determining the amount of equity-settled share-based compensation related to PSUs, management makes estimates about future results and vesting criteria. It is reasonably possible that future outcomes could differ from the estimates, which are based on current knowledge, and 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.

On March 31, 2019 184,657 RSUs and 248,296 PSUs were eligible to vest. The Company's performance in 2018 did not meet the predetermined performance benchmarks and, consequently, no PSUs vested on March 31, 2019. RSUs vest automatically based upon time and, consequently, all of the eligible RSUs vested automatically on March 31, 2019.

To satisfy its obligation, in April 2019 the Company provided $271,000 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, 2019. The related payroll taxes of $191,000 will be paid in May 2019 to settle fully the accrued cash-settled portion of the share-based payment liabilities.

In the condensed consolidated interim statement of comprehensive loss for the three months ended March 31, 2019, the Company recognized $252,000 (2018 – $130,000) in compensation expense related to the LTIP in salaries, internal commissions and benefits on the statement of comprehensive earnings. The equity-settled portion was $76,000 (2018 – $91,000).

At March 31, 2019 the obligation related to the cash-settled portion of the LTIP was $372,000 (March 31, 2018 – $517,000) with $194,000 (March 31, 2018 – $284,000) included in accounts payable and accrued liabilities and $178,000 (March 31, 2019 – $233,000) included in other long-term payable.

The following summarizes activity in the Company's LTIP during the periods ended March 31, 2019 and 2018:

Three months ended March 31,	**2019**		2018	
	RSUs	**PSUs**	RSUs	PSUs
Outstanding, beginning of period	**528,670**	**687,938**	553,666	707,071
Granted	**219,219**	**274,946**	151,006	206,725
Cancelled or forfeited	**(6,316)**	**(254,613)**	–	(152,893)
Outstanding, end of period	**741,573**	**708,271**	704,672	760,903

The 184,657 RSUs that vested on March 31, 2018 were settled in May 2018. The 248,296 PSUs that did not vest were cancelled from the notional accounts on the vesting date.

10. EARNINGS PER SHARE

(A) BASIC EARNINGS PER SHARE

The calculation of basic earnings per share was based on the net loss attributable to common shareholders of $2.7 million for the three months ended March 31, 2019 (2018 – net loss of $696,000) and a weighted average number of common shares of 53,793,317 (2018 – 53,887,280), calculated as follows:

Three months ended March 31,	**2019**	2018
Common shares outstanding, January 1	**53,793,317**	54,020,817
Effect of shares issued, purchased and cancelled	**–**	(133,537)
Weighted average number of common shares	**53,793,317**	53,887,280

(B) DILUTED EARNINGS PER SHARE:

The Company does not have any dilutive securities.

11. NET CHANGE IN NON-CASH OPERATING WORKING CAPITAL

Three months ended March 31,	**2019**	2018
Trade and other receivables	**(1,797)**	319
Prepaid expenses	**(408)**	(61)
Accounts payable and accrued liabilities	**1,861**	(1,474)
Deferred revenue	**1,571**	8
Other long-term payable	**89**	25
Others	**(657)**	14
Net change in non-cash operating working capital	**659**	(1,169)

12. SEITEL CANADA LTD. ACQUISITION

On January 15, 2019, the Company acquired 100 percent of the shares of Seitel Canada Ltd. The Company accounted for the transaction as an asset acquisition. As such, the assets acquired were recognized at cost based on their relative fair values. The Company determined the estimated fair values by reviewing and considering relevant information, including but not limited to information supplied by the vendor, quoted market prices and estimates made by management. The purchase price at the date of acquisition was allocated to net assets acquired as follows:

ASSETS	
Cash and cash equivalents	715
Trade and other receivables	420
Prepaid expenses and deposits	211
Seismic data library	61,029
ROU assets	1,385
Total assets	63,760
LIABILITIES	
Accounts payable and accrued liabilities	833
Deferred revenue	1,598
Lease liabilities	2,370
Total liabilities	4,801
Net assets acquired	58,959

Transaction costs of $144,000 associated with the acquisition were capitalized to the seismic data library.

During the first quarter of 2019, the Company incurred $1.9 million of restructuring costs. This amount includes severance payments of $1.5 million and other costs related to the Seitel integration.

The income tax reduction for the three months ended March 31, 2019 was $389,000, reflecting an effective tax rate of 12.7 percent. The federal-provincial corporate income tax rate for 2019 is 27 percent. The effective rate for the three months ended March 31, 2019 was lower than the enacted income tax rate as a result of the permanent difference in the tax value of the acquired data library compared to the value allocated to it for accounting purposes.

13. MAJOR CUSTOMERS

Data library sales to three customers represented approximately $3.8 million or 72 percent of the Company's total data library sales for the three months ended March 31, 2019 (three months ended March 31, 2018 – sales to three customers represented approximately $2.0 million or 87 percent).

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 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
Calgary, Alberta

AUDITORS

KPMG LLP
Calgary, Alberta

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