

SELECTED FINANCIAL AND OPERATING INFORMATION

	Three months ended March 31, (unaudited)		Year ended December 31,
	2021	2020	2020
(thousands of dollars except per share data, numbers of shares and kilometres of seismic data)			
Revenue			
Data library sales	4,740	2,190	11,011
Other revenue	85	90	338
Total revenue	4,825	2,280	11,349
Amortization of seismic data library	2,498	3,516	11,348
Net earnings (loss)	33	(2,827)	(6,786)
Per share basic and diluted	0.00	(0.05)	(0.13)
Cash provided by operating activities	9,082	2,322	3,814
Per share basic and diluted	0.17	0.04	0.07
Cash EBITDA ^(a)	3,649	1,081	7,553
Per share – basic and diluted ^(a)	0.07	0.02	0.14
Shareholder free cash flow ^(a)	2,569	752	5,346
Per share – basic and diluted ^(a)	0.05	0.01	0.10
Capital expenditures			
Seismic data digitization and related costs	96	96	383
Property and equipment	–	–	7
Total capital expenditures	96	96	390
Weighted average shares outstanding			
Basic and diluted	53,793,317	53,793,317	53,793,317
Shares outstanding at period-end	53,793,317	53,793,317	53,793,317
Seismic library			
2D in kilometres	829,207	829,207	829,207
3D in square kilometres	65,310	65,310	65,310

FINANCIAL POSITION AND RATIOS

	March 31, 2021	March 31, 2020	December 31, 2020
(thousands of dollars except ratios)			
Working capital	(401)	1,040	5,601
Working capital ratio	0.8:1	1.2:1	3.6:1
Cash and cash equivalents	–	1,036	–
Total assets	48,077	63,838	56,742
Long-term debt	18,976	29,169	27,715
Trailing twelve-month (TTM) cash EBITDA ^(b)	10,121	15,605	7,553
Shareholders' equity	25,356	29,134	25,266
Long-term debt to TTM cash EBITDA ratio	1.87	1.87	3.67
Long-term debt to equity ratio	0.75	1.00	1.10

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

(b) TTM cash EBITDA is defined as the sum of cash EBITDA generated over the previous 12 months and is used to provide a comparable annualized measure.

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

THREE MONTHS ENDED MARCH 31, 2021

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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, 2021 was prepared taking into consideration information available to April 21, 2021 and should be read with the unaudited condensed consolidated interim financial statements and related notes for the three months ended March 31, 2021. This MD&A is supplemental to the MD&A, audited consolidated financial statements and related notes for the year ended December 31, 2020.

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

OVERVIEW

ABOUT PULSE

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

Pulse owns the 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 natural gas sector. The Company's business model is designed to generate a growing stream of cash flow by repeatedly licensing the data in its seismic data library to oil and natural gas companies. Pulse's strategy is to pursue growth opportunities that meet its financial and technical criteria while maintaining a low cost structure.

COVID 19-IMPACT ON THE COMPANY'S OPERATIONS AND RISKS

In March 2020 the COVID-19 outbreak was recognized as a pandemic. In addition, global commodity prices declined significantly due to disputes between major oil-producing countries, combined with the pandemic's impact on global oil demand. Governments worldwide, including those in Canada, enacted emergency measures to combat the spread of the virus. These measures included travel bans, quarantine periods, shutdowns of numerous businesses and economic sectors, and social distancing, causing material disruption to businesses globally, resulting in a severe economic slowdown. Governments and central banks reacted with significant monetary and fiscal interventions designed to stabilize economic conditions. Global commodity prices improved in the latter half of 2020 as economies reopened to varying degrees and production cuts were reached by OPEC, which somewhat revived spending in the oil and natural gas industry. More recently, the Government of Canada approved a total of four COVID-19 vaccines, with a reported total of 5.7 million doses having been administered across the country by March 31, 2021. Varying restrictions remain on the economy across Canada to limit the spread of COVID-19, and it remains uncertain when the global economy will return to conditions prevailing prior to COVID-19. This uncertainty continues to influence global commodity pricing, which in turn has significantly influenced the current challenging business climate for the Company.

In the first quarter of 2021, the Company benefited from the Canada Emergency Wage Subsidy (CEWS) in the amount of \$220,000. The Company also benefited from the Canada Emergency Rent Subsidy (CERS) in the amount of \$206,000.

If the aforementioned conditions persist for an extended period, there may continue to be significant adverse impacts on the Company, including but not limited to:

- Material declines in revenue and cash flows as the Company's customers, which are concentrated in the oil and natural gas industry, further cut capital budgets and reduce field activities;
- Declines in revenue that could, in turn, result in an impairment charge against the Company's seismic data library asset; and
- Non-performance by the Company's customers, in turn resulting in non-payment of accounts receivable and customer defaults.

The situation surrounding COVID-19 remains dynamic and the duration and magnitude of the economic impact and financial effects on the Company cannot be determined. Estimates and judgements made by management in the preparation of the financial statements are difficult and subject to a higher-than-normal degree of measurement uncertainty during this volatile period.

In 2020, management and the Board of Directors took cost-cutting measures in response to low sales revenue and the expectation that sales could remain low. Pulse implemented salary reductions for all of its employees as well as fee reductions for the Board of Directors. In January 2021, salaries for management and employees and directors' fees were restored to pre-pandemic levels. The Company continues to monitor administrative and operating expenses and capital spending plans closely. As noted above, the Company also received government subsidies under both the wage and rent subsidy programs in 2020 and 2021.

Pulse remains committed to the health and safety of its employees. Since March 13, 2020 many Pulse employees have been continuously working remotely. In addition, the Company has a small group working at its warehouse facility. The guidance of health authorities continues to be closely monitored and Pulse has a minimum number of staff working in the office from time to time, as is deemed necessary. Pulse's business is supplying licences to a digitally-based product, seismic data and, as a result, the combination of staff working in the office and remotely allows for timely responses to customers' needs. The Company's top priorities continue to be the safety of its employees, preserving cash and protecting the balance sheet while weathering these uncertain and unprecedented times.

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, 2021, with comparative figures for 2020, are set out in the following table:

(thousands of dollars except per share data)	Three months ended March 31,		
	2021	2020	Variance
Data library sales	4,740	2,190	2,550
Other revenue	85	90	(5)
Total revenue	4,825	2,280	2,545
Net earnings (loss)	33	(2,827)	2,860
Per share basic and diluted	0.00	(0.05)	0.05
Cash generated by operating activities	9,082	2,322	6,760
Per share basic and diluted	0.17	0.04	0.13
Cash EBITDA	3,649	1,081	2,568
Per share basic and diluted	0.07	0.02	0.05
Shareholder free cash flow	2,569	752	1,817
Per share basic and diluted	0.05	0.01	0.04

The COVID-19 pandemic and the collapse of commodity prices occurred in the first quarter of 2020, causing Pulse's customers to reduce capital expenditures in Canada even further than levels seen since the energy industry downturn that began in late 2014.

For the three months ended March 31, 2021, Pulse generated \$4.8 million of revenue compared to \$2.3 million for the same period in 2020. The 2021 first quarter's revenue included \$4.2 million in transaction-based data library sales related to mergers and acquisitions.

The increase in 2021 data library sales from 2020 is the main factor contributing to the period-over-period increase in all the Company's key performance metrics.

The reduction of \$1.0 million in amortization expense during the three months ended March 31, 2021 from the same period of 2020 also contributed to the period-over-period improvement in net earnings. Cash EBITDA and shareholder free cash flow also improved in the first quarter of 2021 due to increased sales and the reductions in other selling, general and administrative costs (SG&A) and restructuring costs which included the benefits from the government subsidy programs.

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 customers, which is unpredictable.

OUTLOOK

With economic, industry and pandemic-related uncertainty all remaining unusually high, Pulse is unable to issue a specific outlook concerning industry and market conditions over the next several quarters. Commodity prices strengthened somewhat over the winter, the outlook for industry capital expenditures and field activities has improved modestly, and the pace and value of industry M&A activity have picked up over 2020. Revenues from mineral lease auctions ("land sales") in B.C. and Alberta in the first three months of 2021 remained at or near record lows. When combined with the Company's data library sales results to date in 2021, Pulse's overall assessment is that the outlook for traditional sales for the balance of the year remains unclear, while transaction-based sales of any size could occur at any time.

Having spent the past six years reducing controllable costs, maximizing efficiencies, maintaining a strong balance sheet, and optimizing its access to credit, all while significantly increasing the size of its data library asset, Pulse remains well-prepared for a range of industry conditions in 2021 and beyond. As it has repeatedly demonstrated, the Company can generate positive shareholder free cash flow at or even below its current level of quarterly sales. Pulse will continue to seek further cost reductions where possible, without impairing the Company's ability to serve its clients, conduct sales and act on attractive opportunities. The seismic library's data does not deteriorate or expire and incurs minimal maintenance costs.

DISCUSSION OF OPERATING RESULTS

SUMMARY FOR THE THREE MONTHS ENDED MARCH 31, 2021

EARNINGS (LOSS) BEFORE INCOME TAXES

For the three months ended March 31, 2021, the Company generated earnings before income taxes of \$590,000 (\$0.01 per share basic and diluted) compared to a loss before income taxes of \$3.2 million (\$0.06 per share basic and diluted) for the comparable period of 2020.

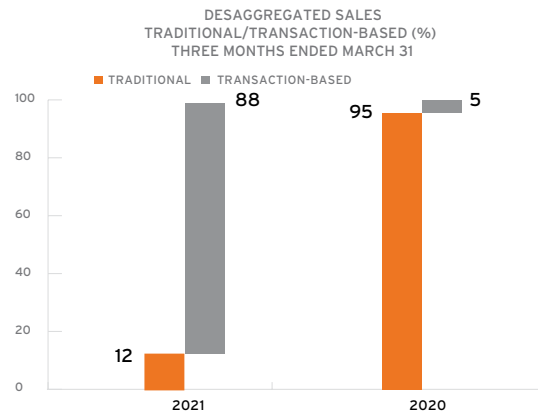
DATA LIBRARY SALES REVENUE

Data library sales were \$4.7 million for the three months ended March 31, 2021 compared to \$2.2 million for the three months ended March 31, 2020.

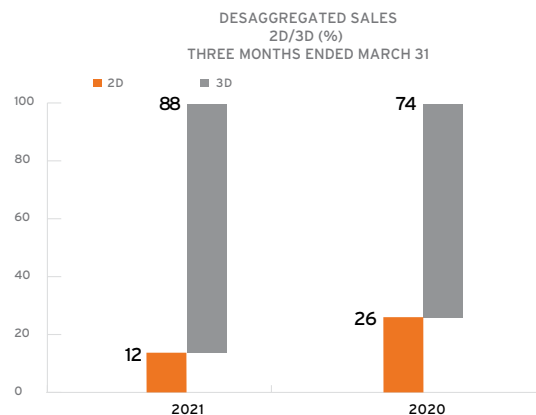
DISAGGREGATED DATA LIBRARY SALES BREAKDOWN

Pulse uses three ways to disaggregate its data library sales. The following graphs illustrate the comparative disaggregated sales for the first quarters of 2021 and 2020.

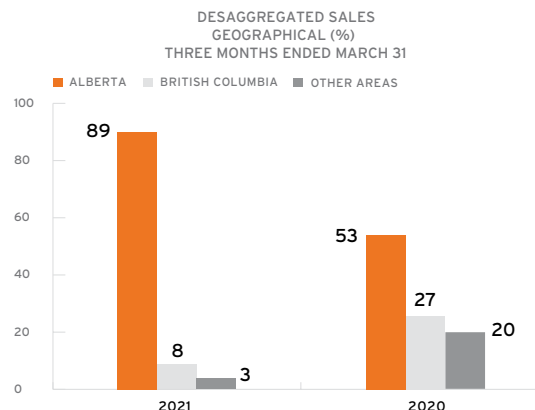
The first breakdown, transaction type, separates sales between traditional and transaction-based sales. These two types fluctuate greatly from period to period and year to year. A ten-year historical breakdown is also provided in the MD&A for the year ended December 31, 2020.



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



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



The Company's customers are currently and generally focusing on liquids-rich natural gas and light oil pools found primarily in a broad corridor running from northwest of Calgary, Alberta, along the Foothills of the Rocky Mountains to the British Columbia border, as compared to "dry" natural gas more often found in British Columbia, on Alberta's eastern prairies and in Saskatchewan and Manitoba. During the three months ended March 31, 2021, 89 percent (three months ended March 31, 2020 - 53 percent) of the data library sales were from data located in Alberta, 8 percent from British Columbia (three months ended March 31, 2020 - 27 percent) and 3 percent from other areas (three months ended March 31, 2020 - 20 percent).

AMORTIZATION OF SEISMIC DATA LIBRARY

For the three months ended March 31, 2021, seismic data library amortization expense was \$2.5 million compared to \$3.5 million in the comparable period of 2020. The significant decrease is due to certain data acquired in previous years becoming fully amortized.

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

IMPAIRMENT

At March 31, 2021, the Company assessed the cash-generating units (CGUs) in its seismic data library for indicators of impairment, as required under IFRS, and concluded there were no new indicators at March 31, 2021 and that, accordingly, no impairment test was required.

SALARIES, INTERNAL COMMISSIONS AND BENEFITS (SCB)

SCB includes salaries, related benefits, incentive compensation and internal commissions.

SCB for the three months ended March 31, 2021 was \$808,000 compared to \$755,000 in the comparable period of 2020. The slight increase from 2020 is explained by higher sales commissions from higher data library sales, and the increase in the long-term incentive plan expense due to the Company's share price increase since year-end. As stated above, the Company also benefited from the CEWS which was recorded as a reduction of SCB and offset the increase in SCB.

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

SG&A for the three months ended March 31, 2021 was \$287,000 compared to \$525,000 for the three months ended March 31, 2020. The reduction was mainly related to the rent expense. As stated above, the Company benefited from the CERS in the first quarter of 2021 and this amount was recorded as a reduction of SG&A.

Also included in SG&A are the restructuring costs related to the acquisition of Seitel Canada Ltd. in 2019. Restructuring costs for the first quarter of 2021 were a \$69,000 recovery compared to \$86,000 for the same period in 2020. These expenses include the warehouse lease, and the former Seitel office premises, which is subleased. The CERS resulted in a recovery of the restructuring costs in the first quarter of 2021.

These additional costs were categorized as restructuring costs and make up part of the expected \$4.2 million in future liabilities as outlined in previous acquisition-related disclosure. Pulse will continue to have some level of restructuring costs until November 2022, at the end of the former Seitel office lease term.

NET FINANCING COSTS

For the three months ended March 31, 2021, net financing costs were \$476,000 compared to \$492,000 for the same period in 2020. The net financing costs mainly include the interest expense and standby fees related to the Company's revolving credit facility and the interest expense related to its subordinated debt.

Pulse has a 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, December 31, 2023.

Also included in the financing expenses is the interest related to lease liabilities as per IFRS 16. Interest income of \$30,000 related to data library sales that provided extended payment terms was also recognized during the period.

INCOME TAXES

In the first quarter of 2021, the income tax expense was \$557,000, even though the Company only incurred earnings before income tax of \$590,000. The main factor affecting the tax rate calculation is the permanent difference between the tax basis and the accounting value of the seismic data library acquired in 2019. In the first quarter of 2020, the Company recorded an income tax recovery of \$349,000. A reconciliation of the income tax expense or reduction is included in the notes to the interim consolidated financial statements.

The average combined income tax rate for 2021 is 23 percent compared to 25 percent in the first quarter of 2020.

The effective tax rate for accounting in the first quarter of 2021 was different from the enacted income tax rate as a result of the permanent difference between the tax basis of the data library acquired in 2019 and 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, 2021

TRADE AND OTHER RECEIVABLES

Trade and other receivables at March 31, 2021 totalled \$1.7 million compared to \$7.5 million at December 31, 2020. All the data library accounts receivable that were due in the first quarter of 2021 were collected.

SEISMIC DATA LIBRARY

Pulse has grown its seismic data library through two main methods. The Company purchases proprietary rights to complementary seismic datasets when it finds appropriate opportunities, and it has also conducted many participation surveys over its history. On participation surveys, Pulse partners with customers in need of the data, and 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. Pulse has not conducted a participation survey since the first quarter of 2015 but has grown significantly during this time through acquisition.

At March 31, 2021, the Company considered indicators of impairment for each of its CGUs and, based on that review, no impairment test was performed.

LONG-TERM RECEIVABLES

In November 2019 the Company closed a \$3.4 million seismic data sale. The sale included extended payment terms and, therefore, the payments due more than one year later were discounted, resulting in \$191,000 of the data library sale to be recognized as interest income over time until the payments are received in 2021 and 2022. At March 31, 2021, the remaining interest income balance to be recognized was \$61,000 and \$8,000 of that amount is offsetting the long-term receivables. The difference, \$53,000, is offsetting the trade and other receivables.

The \$1.2 million in payments due from April 1, 2021 to January 1, 2022 are now included in the trade and other receivables. The remaining balance of \$866,000 in payments due from April 1, 2022 to October 1, 2022 is presented as a long-term receivable in the statement of financial position.

RIGHT-OF-USE (ROU) ASSETS

Included in the ROU assets are the present values of the basic rent related to Pulse's office and warehouse lease agreements. The present values were 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.

No fair value was allocated to the ROU asset related to the former Seitel office space. This office was not required for business by Pulse. The office lease agreement terminates in November 2022. In the third quarter of 2019 a sub-lease for the remainder of the term of the acquired office space was finalized, which has led to a recovery of a portion of the monthly lease operating costs.

CURRENT TAX LIABILITIES

Included in current tax liabilities is the current tax expense for the first quarters of 2021.

LONG-TERM DEBT

In January 2019, Pulse acquired Seitel. The Company partially funded the acquisition with a combination of debt from its syndicated credit facility and subordinated debt of \$10.0 million.

In December 2020, the Company amended and restated its senior credit facility. The long-term debt now consists of a \$25.0 million revolving facility with no current portion. Prior to the amendment, the credit facilities included a term loan with quarterly mandatory principal repayments of \$375,000, for a total of \$1.5 million per year.

The long-term debt is offset by deferred financing charges to be amortized over two years.

LEASE LIABILITIES

Included in lease liabilities are the present values of the basic rent related to the lease agreements for Pulse's office space, Seitel's former office space and the warehouse, 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 provides details of the Company's outstanding share capital:

	Three months ended March 31,	
	2021	2020
Weighted average shares outstanding:		
Basic and diluted	53,793,317	53,793,317
Shares outstanding at period-end	53,793,317	53,793,317
Shares outstanding at April 21, 2021	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.

On March 31, 2021, 161,805 RSUs and 206,981 PSUs were eligible to vest. Corporate financial performance in 2020 did not meet the predetermined performance benchmarks and, consequently, no PSUs vested on March 31, 2021. RSUs vest automatically based upon time and, consequently, all the eligible RSUs vested on March 31, 2021.

To satisfy its obligation, in April 2021 the Company provided \$146,000 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, 2021. The related withholding taxes of \$110,000 will be paid in the second quarter of 2021 to settle fully the accrued cash-settled portion of the share-based payment liabilities.

At March 31, 2021 there were 992,753 RSUs and 1,055,930 PSUs outstanding.

At April 21, 2021 the total number of RSUs and PSUs outstanding remain unchanged.

DEFICIT

On March 31, 2021, the deficit of the Company remained unchanged from December 31, 2021 at \$51.8 million. Included in the deficit are net earnings for the period of \$33,000.

DEFERRED TAX LIABILITY

The net deferred income tax liability was \$859,000 at March 31, 2021 compared to \$962,000 at December 31, 2020. The decrease 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

	2021		2020		2019			
(thousands of dollars, except per share data)	Q1	Q4	Q3	Q2	Q1	Q4	Q3	Q2
Data library sales	4,740	5,142	1,829	1,850	2,190	5,281	2,460	10,617
Other revenue	85	81	76	91	90	83	127	167
Total revenue	4,825	5,223	1,905	1,941	2,280	5,364	2,587	10,784
Amortization of seismic data library	2,498	2,493	2,489	2,850	3,516	3,500	3,557	3,577
Net earnings (loss)	33	287	(1,937)	(2,309)	(2,827)	(759)	(2,861)	2,880
Per share – basic and diluted	0.00	0.01	(0.04)	(0.04)	(0.05)	(0.01)	(0.05)	0.05

The revenue streams generated by Pulse's operations are data library sales and other revenue. Other revenue includes revenue from client services consisting of copy and reproduction charges, as well as data storage fees related to the leased warehouse that was acquired with the Seitel purchase.

Data library sales consist of traditional sales and transaction-based sales, as described below under "Traditional Sales vs. Transaction-Based Sales: Ten-Year History". See also "Seismic Revenue Fluctuations".

During the last eight quarters, transaction-based sales contributed to data library sales to varying degrees. The first quarter of 2021 included \$4.2 million in transaction-based sales. The third quarter of 2020 included \$1.8 million in transaction-based sales. The fourth quarter of 2020 included \$4.6 million in transaction-based sales. The second quarter of 2019 included \$4.0 million in transaction-based sales.

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

The significant increase in amortization expense in the second quarter of 2019 is due to the Seitel acquisition in January 2019. Amortization expense decreased in the second quarter of 2020 from the prior quarters depicted above due to a large seismic data library asset acquired in 2010 becoming completely amortized. 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 2019 and the first quarter of 2020, the increased amortization expense, restructuring expenses and financing costs related to the acquisition offset the increased revenue, and contributed to the lower net result.

CONTRACTUAL OBLIGATIONS

Pulse's known contractual obligations at March 31, 2021 are comprised of leases for its office spaces 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:

(thousands of dollars)	Total	Payments due by period			
		Less than 1 year	1 – 3 years	4 – 5 years	After 5 years
Long-term debt – capital	19,175	–	19,175	–	–
Long-term debt – interest	3,357	1,339	2,018	–	–
Lease liabilities	1,981	1,285	696	–	–
Seismic data services contracts	361	361	–	–	–
Accounts payable and accrued liabilities	994	829	165	–	–
Total contractual obligations	25,868	3,814	22,054	–	–

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

Accounts payable and accrued liabilities at December 31, 2020 include the interest and standby fee accrual of \$279,000 related to the long-term debt and the accrual of \$110,000 related to the long-term incentive plan.

LIQUIDITY, CAPITAL RESOURCES AND CAPITAL REQUIREMENTS

At March 31, 2021 Pulse had a working capital deficit of \$401,000 and a working capital ratio of 0.83:1.

In the first quarter of 2021 the Company generated \$9.1 million of cash from operating activities compared to \$2.3 million for the same period in 2020. The main differences between the two periods relate to higher sales and the collection of accounts receivable in the first quarter of 2021.

The Company also utilized cash for the following outlays:

- Long-term debt repayments of \$8.8 million;
- Capital lease principal repayments of \$183,000; and
- Seismic data digitization and related cost of \$96,000.

The Company will not carry cash while there is a balance on the revolving credit facility, as all cash is applied to the amount outstanding.

Significant terms of the credit facility are:

- Interest is based on prime rate plus 0.75 percent to 4.25 percent following a ten-tier margin structure based on the Company's total debt to adjusted EBITDA ratio as described below;

- Standby fee based on the daily undrawn balance of the revolving portion of the credit facility and the Company's total debt to adjusted EBITDA ratio following the amended ten-tier margin structure;
- Two-year term until January 15, 2023, with an extension of up to one year available on January 15 of every year with the approval of the lender. If the extension is not granted, any outstanding amounts will be payable on the then-current applicable maturity date; and
- Security through a charge on all of the assets of the Company and its material subsidiaries.

At March 31, 2021 the Company had a balance of \$9.2 million on the revolving credit facility and the applicable interest rate was 5.2 percent (March 31, 2020 - 3.2 percent).

The credit facility also includes the following two financial covenants:

1) SENIOR DEBT TO ADJUSTED EBITDA RATIO

Senior debt is total debt less subordinated debt 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, lease payments treated as capital lease, warehouse storage fees, 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.

The senior debt to adjusted EBITDA ratio for the first quarter of 2021 shall not be greater than 5.0:1, not greater than 4.25:1 on June 30, 2021 and not greater than 3.0:1 for the fiscal quarters ending September 30, 2021 and thereafter.

At March 31, 2021 the senior debt to adjusted EBITDA ratio was 0.91:1.

2) INTEREST COVERAGE RATIO

The interest coverage ratio is defined as the ratio of adjusted EBITDA to interest expense.

The interest coverage ratio shall not be less than 1.5:1 at March 31, 2021 and June 30, 2021, 2.25:1 at September 30, 2021 and December 31, 2021, 2.50:1 at March 31, 2022 and June 30, 2022 and 3.0:1 for fiscal quarters ending September 30, 2022 and thereafter.

At March 31, 2021 the interest coverage ratio was 4.87:1.

The Company was therefore in compliance with the credit facility's covenants at March 31, 2021.

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 fees on the revolving bank loan are calculated based on the 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 (before deferred financing charges) to adjusted EBITDA ratio at March 31, 2021 was 1.91:1 and the applicable margin and standby fee will be set at the third-level rates specified in the facility.

The interest and standby fee rates are adjusted the day after the covenant's calculation for the previous fiscal quarter is received and approved by the lender.

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

Total debt to adjusted EBITDA ratio	Applicable margin for Canadian prime rate loans	Applicable margin for bankers' acceptances	Standby fee rate
Less than or equal to 1:1	0.75%	2.25%	0.45000%
Greater than 1:1 but less than or equal to 1.5:1	1.00%	2.50%	0.50000%
Greater than 1.5:1 but less than or equal to 2:1	1.25%	2.75%	0.55000%
Greater than 2:1 but less than or equal to 2.5:1	1.50%	3.00%	0.67500%
Greater than 2.5:1 but less than or equal to 3:1	1.75%	3.25%	0.73125%
Greater than 3:1 but less than or equal to 3.5:1	2.25%	3.75%	0.93750%
Greater than 3.5:1 but less than or equal to 4:1	2.75%	4.25%	1.06250%
Greater than 4:1 but less than or equal to 4.5:1	3.25%	4.75%	1.18750%
Greater than 4.5:1 but less than or equal to 5:1	3.75%	5.25%	1.31250%
Greater than 5:1	4.25%	5.75%	1.43750%

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 2021. The Company anticipates that future capital expenditures will be financed through the available credit facility and funds from operations. The Company has a \$25.0 million revolving credit facility with \$15.8 million undrawn. 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 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, 2021, the long-term debt to equity ratio was 0.75:1. 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 IT 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 based on IFRS and should not be considered in isolation or as a substitute for IFRS performance measures, nor should they be used as an exclusive measure of cash

flow, because they do not consider working capital changes, capital expenditures, long-term debt repayments and other sources and uses of cash which are disclosed in the consolidated audited and interim statements of cash flows.

CASH EBITDA AND SHAREHOLDER FREE CASH FLOW

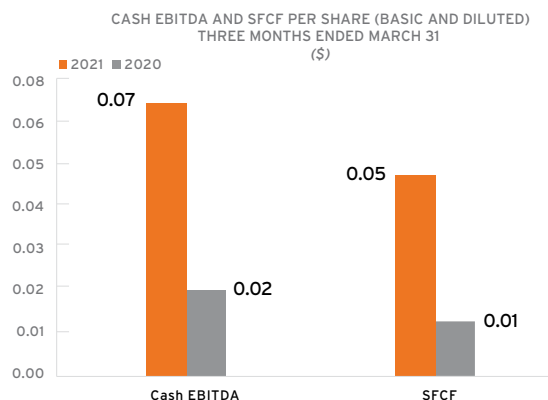
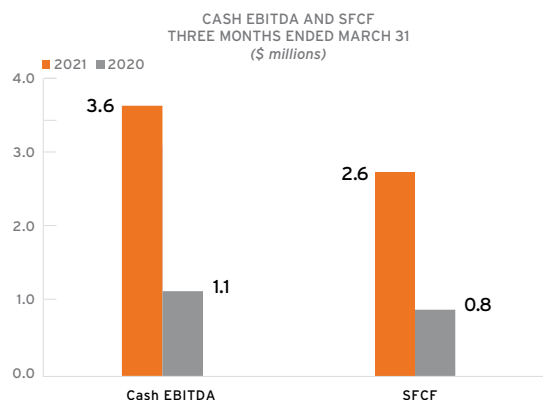
Cash EBITDA represents the capital available to invest in growing the Company's 2D and 3D seismic data library, to pay interest and principal on its long-term debt, to purchase its common shares, to pay taxes and to pay dividends.

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

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

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

	Three months ended March 31,	
(thousands of dollars, except per share data)	2021	2020
Net earnings (loss)	33	(2,827)
Add:		
Amortization of seismic data library	2,498	3,516
Net financing costs	476	492
Income tax expense (recovery)	557	(349)
Depreciation	166	168
EBITDA	3,730	1,000
Add:		
Non-cash expenses	65	70
Net restructuring costs	(146)	11
Cash EBITDA	3,649	1,081
Deduct:		
Net financing costs	476	492
Current income tax expense	668	–
Add:		
Non-cash deferred financing charges	64	32
Current income tax recovery	–	131
Shareholder free cash flow (SFCF)	2,569	752
Cash EBITDA per share – basic and diluted	0.07	0.02
SFCF per share – basic and diluted	0.05	0.01



As reported in previous filings concerning the Seitel acquisition, in addition to the purchase price of \$58.6 million, Pulse assumed various future liabilities viewed by the Company as being 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 \$2.7 million occurring in 2019 and \$200,000 in 2020. Because these expenses, net of the warehouse storage fees received for the use of a portion of the warehouse by a third party, are expected to be non-recurring, they are being excluded from the Company's calculation of cash EBITDA and shareholder free cash flow.

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, 2020.

At March 31, 2021, 80 percent of the total accounts receivable were due from one customer who benefited from payment terms. A payment from that customer was received in April 2021. The other payments are due from July 1, 2021 to October 1, 2022 and are expected to be collected as outlined on the related payment schedules.

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, 2020.

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 period ending March 31, 2021. 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.

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, 2020.

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, 2021 and ending on March 31, 2021 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.

No changes were made to ICFR during the period beginning on January 1, 2021 and ending on March 31, 2021 that have materially affected, or are reasonably likely to materially affect, Pulse's ICFR.

RISK FACTORS

There have been significant changes in Pulse's risk factors as described in the Company's MD&A for the year ended December 31, 2020. Changes are discussed in "COVID-19 Impact on the Company's Operations and Risks".

ADDITIONAL INFORMATION

You may find additional information relating to Pulse, including the Company's Annual Information Form, on SEDAR at www.sedar.com.

FORWARD-LOOKING INFORMATION

This document contains information that constitutes "forward-looking information" or "forward-looking statements" (collectively, "forward-looking information") within the meaning of applicable securities legislation. Forward-looking information is often, but not always, identified by the use of words such as "anticipate", "believe", "expect", "plan", "intend", "forecast", "target", "project", "guidance", "may", "will", "should", "could", "estimate", "predict" or similar words suggesting future outcomes or language suggesting an outlook.

This MD&A and, specifically, the Outlook and the Liquidity, Capital Resources and Capital Requirements sections herein contain forward-looking information which includes, but is not limited to, statements regarding:

- The outlook of the Company for the year ahead, including future operating costs and expected revenues;
- The Company's capital resources and sufficiency thereof to finance future operations, meet its obligations associated with financial liabilities and carry out the necessary capital expenditures through 2021;
- Pulse's capital allocation strategy;
- Oil and natural gas prices and forecast trends;

- 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;
- 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, as they relate to the Company or to the oil and natural gas industry as a whole.

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.

By its very nature, forward-looking information involves inherent risks and uncertainties, both general and specific, and risks that predictions, forecasts, projections and other forward-looking statements will not be achieved. Pulse does not publish specific financial goals or otherwise provide guidance, due to the inherently poor visibility of seismic revenue. Pulse cautions readers not to place undue reliance on these statements as a number of important factors could cause the actual results to differ materially from the beliefs, plans, objectives, expectations and anticipations, estimates and intentions expressed in such forward-looking information. These factors include, but are not limited to:

- Uncertainty of the timing and volume of data sales from the recently acquired seismic data library, which was partially funded with long-term debt;
- Volatility of oil and natural gas prices;
- Risks associated with the oil and natural gas industry in general;
- The Company's ability to access external sources of debt and equity capital;
- Credit, liquidity and commodity price risks;
- The demand for seismic data;
- The pricing of data library licence sales;
- Cybersecurity;
- Relicensing (change-of-control) fees and partner copy sales;
- Environmental, health and safety risks, including those related to the COVID-19 pandemic;
- Federal and provincial government laws and regulations, including those pertaining to taxation, royalty rates, environmental protection, public health and safety;
- Competition;
- 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.

Pulse cautions that the foregoing list of factors that may affect future results 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 Company's most recent annual information form and in the Company's most recent audited annual financial statements, management information circular, quarterly reports, material change reports and news releases. Copies of the Company's public filings are available on SEDAR at www.sedar.com.

When relying on forward-looking information to make decisions with respect to Pulse, investors and others should carefully consider the foregoing factors and other uncertainties and potential events. Furthermore, the forward-looking information contained in this MD&A is provided as of the date of this MD&A and the Company does not undertake any obligation to update publicly or to revise any of the included forward-looking information, except as required by law. The forward-looking information in this document is provided for the limited purpose of enabling current and potential investors to evaluate an investment in Pulse. Readers are cautioned that such forward-looking information may not be appropriate, and should not be used, for other purposes.

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

Catherine Samuel

Corporate Secretary

BOARD OF DIRECTORS

Robert Robottj^{(1) (2) (3)}

Chair

Karen El-Tawil^{(2) (4)}

Director

Paul Crilly^{(1) (3)}

Director

Dallas Droppo^{(1) (2) (3)}

Director

Grant Grimsrud^{(2) (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

REGISTRAR AND TRANSFER AGENT

Computershare Trust
Company of Canada
Calgary, Alberta

SOLICITORS

McCarthy Tétrault LLP
Calgary, Alberta

AUDITORS

MNP LLP
Calgary, Alberta

STOCK EXCHANGE LISTING

TSX: PSD
OTCQX: PLSDF

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TSX: PSD
OTCQX: PLSDF