TESLA EXPLORATION LTD.

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MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A)
For the three months ended March 31, 2015 and 2014

The Management's Discussion and Analysis ("MD&A") for Tesla Exploration Ltd. ("Tesla" or the "Company") has been prepared by management as of May 11, 2015 and is a review of the financial condition and results of operations of the Company based on International Financial Reporting Standards ("IFRS") in Canada. Its focus is primarily a comparison of the financial performance for the three months ended March 31, 2015 and 2014 and should be read in conjunction with the unaudited interim consolidated financial statements and accompanying notes for the three months ended March 31, 2015 and 2014 as well as the audited consolidated financial statements for the year ended December 31, 2014. Readers should also refer to the "Forward-Looking Statements" legal advisory at the end of this MD&A. All financial amounts and measures presented in this MD&A are expressed in Canadian dollars unless otherwise stated.

SELECTED FINANCIAL HIGHLIGHTS

(000s, except per share data) (unaudited)	Three months ended March 31,		
	2015	2014	Change
	$	$	%
Revenue	**26,189**	61,493	(57)
Revenue excluding reimbursables[1]	**23,443**	49,984	(53)
Gross margin[1]	**5,351**	16,324	(67)
As a % of revenue excluding reimbursables[1]	**23%**	33%	
Net earnings (loss)	**(14,711)**	3,129	n/m
Per share - basic	**(0.67)**	0.14	n/m
Adjusted EBITDA [1]	**17**	10,057	(100)
Per share - basic	**0.00**	0.45	(100)
Cash flow from operations	**(191)**	7,342	n/m
Per share - basic	**(0.01)**	0.33	n/m
Weighted average shares outstanding for the period - basic	**21,891**	22,391	(2)
Capital expenditures	**473**	16,210	(97)

As at	**March 31, 2015**	December 31, 2014	Change
	$	$	%
Working capital (deficit)	**(3,202)**	(3,406)	(6)
Total assets	**115,002**	117,119	(2)
Total long-term borrowings [2]	**39,792**	35,971	11
Equity	**45,275**	56,383	(20)
Shares outstanding end of period	**22,207**	22,207	n/m

1. See "Non-GAAP Financial Measures"
2. Includes capital lease obligations and long-term debt, including current portions.

NON-GAAP FINANCIAL MEASURES

Certain measures in this MD&A do not have standardized definitions under IFRS in Canada ("non-GAAP financial measures"). These non-GAAP financial measures defined below may not be comparable to similar measures presented by other entities. The Company is consistent in its calculation of the financial measures year-over-year.

"**Revenue excluding reimbursables**" refers to revenue generated on the services performed directly by Tesla. A portion of the Company's revenue from the North American Land and International segments includes the provision of subcontracted services from which the Company generates a nominal profit ("reimbursables"). Prior to seismic data acquisition in North America, many customers look to Tesla to procure and manage third-party services related to the use of shot-hole drilling, ground surveying and line-clearing services. Internationally, Tesla may be responsible for managing third-party services for client personnel such as transportation, meals and accommodations in the remote areas in which Tesla works. The Company is generally reimbursed for these expenses by its clients, plus a small administration fee. In accordance with IFRS in Canada, these subcontracted revenue and costs are included at their gross amounts in revenue and expenses. Subcontracted services as a percentage of total revenue will vary from job to job. As a result, they may distort the movement of the actual gross margins for the seismic acquisition recording services performed directly by Tesla.

"**Gross margin**" is provided to assist investors in determining Tesla's ability to generate earnings from its field operations and associated overhead and is calculated from the Consolidated Statements of Operations as described below.

"**Gross margin as a percentage of revenue excluding reimbursables**" is provided to assist readers to more clearly understand the changes in gross margins for the services directly provided by Tesla. The following table details gross margin as a percentage of revenue excluding reimbursables (note: the nominal administration fee earned on the "flow-through" of subcontracted services has been included in revenue excluding reimbursables):

	Three months ended March 31,	
($000's)	**2015**	2014
Revenue excluding reimbursables (A)	**23,443**	49,984
Reimbursable revenue	**2,746**	11,509
Total revenue (B)	**26,189**	61,493
Direct costs	**18,099**	33,705
Reimbursable costs	**2,739**	11,464
	20,838	45,169
Gross margin (C)	**5,351**	16,324
Depreciation and amortization	**5,305**	5,587
Gross profit	**46**	10,737
Gross margin as a % of revenue excluding reimbursables (C/A)	**23%**	33%
Gross margin as a % of total revenue (C/B)	**20%**	27%

"**EBITDA**" and **"Adjusted EBITDA"** are measures of the Company's operating profitability. EBITDA and Adjusted EBITDA provide an indication of the results generated by the Company's principal business activities prior to how these activities are financed, assets are amortized or how the results are taxed in various jurisdictions. EBITDA and Adjusted EBITDA are presented because they are frequently used by securities analysts and others for evaluating companies and their ability to service debt. EBITDA and Adjusted EBITDA are calculated from the Consolidated Statement of Operations as follows:

	Three months ended March 31,	
($000's)	**2015**	2014
Net income (loss)	**(14,711)**	3,129
Add back:		
Finance costs, net	**596**	436
Income tax expense	**9,273**	828
Depreciation and amortization	**5,305**	5,587
EBITDA	**463**	9,980
Loss (gain) on foreign exchange	**(194)**	157
Share-based payments	**(234)**	50
Provision for (recovery of) bad debts, net	**-**	(114)
Loss (gain) on disposal of property and equipment	**(18)**	(16)
Adjusted EBITDA	**17**	10,057

OVERVIEW

Tesla provides seismic land data acquisition in a multitude of environments in Canada through Tesla Exploration Partnership ("Tesla Canada"), in the U.S.A. through Tesla Exploration Inc. ("Tesla USA"), in South America through Tesla Exploration Trinidad Ltd. ("Tesla Trinidad") Tesla Exploration Colombia S.A.S. ("Tesla Colombia") and Tesla Do Brasil Geotecnia Ltda. ("Tesla Brazil"), which was incorporated in 2014 to explore offshore opportunities off the coast of Brazil. Tesla serves other markets in Europe and Africa through Tesla Exploration International Limited ("Tesla International"). Tesla also has an international data processing office in the UK. Tesla Offshore LLC ("Tesla Offshore") operates geophysical hazard surveys and provides positioning services for construction and diving operations in the Gulf of Mexico and internationally using its own vessel and other chartered vessels.

FIRST QUARTER OVERVIEW

The Company's consolidated revenues including reimbursables decreased 57% to $26.2 million in the first quarter of 2015 compared to $61.5 million in the first quarter of 2014. The Company's revenue excluding reimbursables decreased 53% to $23.4 million from $50.0 million for the same periods. Tesla experienced significant declines in activity levels across all divisions, resulting in a significant drop in revenues. The Company's gross margin declined to $5.4 million in the first quarter of 2015 compared to $16.3 million in the first quarter of 2014 due to the reduction in revenues and a 7% decrease in gross margin percentage including reimbursables to 20% from 27% in 2014 (10% decrease excluding reimbursables to 23% from 33%). Pricing pressure due to oversupply of seismic recording equipment in the North American market caused the erosion of margins in Tesla Canada and Tesla USA. Tesla International's margin was adversely affected by a lack of recording revenue as its UK crew was idle for most of the quarter, while the crew in Ethiopia continued its mobilization, only beginning the acquisition phase of the project at the end of March. Reimbursable revenues declined due to a large decrease in front-end work undertaken by Tesla Canada, Tesla USA and Tesla International. Tesla Offshore's margin improved to (12%) from (21%) due to more efficient operation of the Company's Autonomous Underwater Vehicle ("AUV") which was active during January before being demobilized to the manufacturer in February for testing and optimization.

The first quarter was much slower than it has been historically for Tesla Canada with lower levels of activity throughout the industry. Acquisition revenues halved from the comparative quarter with decrease in activity days to 311 from 512 in the first quarter of 2014 as clients cancelled or postponed programs into the latter half of 2015 and first quarter of 2016. The Company witnessed exploration spending being reduced and/or suspended in response to declining commodity prices. The Company averaged 4 crews, peaking at 5 compared to an average of 6 and a peak of 8 in the first quarter of 2014. Prices also fell as clients requested discounts for the Company's services in light of the lower commodity price environment. Cancellation of many programs resulted in increased competition both from within Canada as well as from US competitors looking to redeploy idle equipment. The Company continued to experience demand for its Hawk wireless equipment however, as it has grown more efficient with this system it has not seen a corresponding increase in revenue and margin as jobs have shortened in length creating gaps in scheduling where the Company must maintain a crew without generating revenue. Accordingly Tesla Canada has continued its focus on controlling field and indirect overhead costs while optimizing its logistical and scheduling processes in an attempt to maintain its profitability.

Tesla USA continues to face a very weak US seismic land acquisition market due to a reduced number of programs and a surplus of equipment across the industry. Tesla USA's total revenues declined significantly with little activity and a corresponding decrease in front-end related reimbursables during the current quarter. Revenues were limited to a small two-dimensional ("2D") program and a microseismic monitoring project as well as advance work for upcoming programs. In total, Tesla USA had 41 activity days compared to 209 in the comparative quarter. In the first quarter of 2014, Tesla USA operated two Hawk crews for most of the quarter on large three-dimensional ("3D") programs. Tesla USA's gross margin decreased with the decline in operating revenues.

Tesla International's revenues decreased significantly over the comparative quarter. During the first quarter of 2015, revenues were generated mainly from mobilization revenue as the Company moved its African crew into Ethiopia in advance of a large multi-source program. The Company began acquisition on this program at the end of March. The Company continued to stand down and eventually demobilized off of its anticipated project in Kenya due to issues with security and local labour that could not be resolved with the client. The client is currently disputing the charges brought forth by Tesla International for the preliminary mobilization and standby and the Company hopes to negotiate a settlement in the coming weeks. An additional project in Kenya that was planned for the second half of the year has been postponed however, the Company believes it will be awarded a new project in Ethiopia that should commence in the third quarter of 2015. There was limited activity for the UK crew as political uncertainty has delayed the award, exploration and development of many prospective resource plays. Tesla International generated a small amount of report processing revenue in the quarter as well as mobilization revenue as the UK crew began to prepare for a significant 3D project which should begin recording in July. During the first quarter of 2014, revenues were generated from a large 3D nodal project in the UK, mobilization revenues for two projects in Africa, operational revenues in Kenya and the settlement of the Somaliland contract termination claim.

Tesla Offshore's revenue declined during the first quarter of 2015 compared to the first quarter of 2014. Geophysical revenues improved slightly quarter-over-quarter as the Company experienced better weather and more effective use of its AUV in January than in 2014 when the Company first took delivery and experienced a myriad of delays and technical deficiencies. Tesla Offshore has been able to work around these challenges throughout the AUV's first year of service however, its overall performance has not lived up to expectation. In February, the system was returned to the manufacturer in Boston where Company personnel continue to work with the manufacturer to resolve these issues and optimize the system's performance. This work will continue throughout the second quarter of 2015 including deep water testing off the coast of Bermuda. Management currently expects that the AUV will return to service in July of 2015 at its full capability. While the AUV has been demobilized, the Company's owned vessel serviced several lump sum projects during the quarter for 13 days of activity. Tesla Offshore also used a chartered vessel for 14 days of geophysical projects. The construction division continues to be hampered by a weak market for positioning and trawling services particularly during the winter months when weather reduces the available days of operation. In the first quarter of 2015 they had 88 activity days in the construction division compared to 136 in the comparative quarter.

The Company had Adjusted EBITDA of less than $0.1 million ($0.00 per share) in the first quarter of 2015 compared to Adjusted EBITDA of $10.1 million ($0.45 per share) in the first quarter of 2014. The decline was due to a decrease in absolute gross margin for reasons noted above offset by a decrease in general and administrative costs quarter-over-quarter.

The Company had a consolidated net loss of $(14.7) million (($0.67) per share) in the first quarter of 2015 compared with consolidated net income of $3.1 million ($0.14 per share) in the first quarter of 2014. The increase in the consolidated net loss was due to the above noted decline in operating results. In addition, the loss was increased by the derecognition of deferred tax assets in the quarter.

The interim consolidated financial statements have been prepared on a going concern basis, which contemplates that assets will be realized and liabilities discharged in the normal course of business as they come due.

As at March 31, 2015 the Company had a working capital deficit of $3.2 million, including bank indebtedness of $13.8 million (net of $3.5 million of cash). The Company was not in compliance with the debt to trailing twelve month adjusted EBITDA covenant on its Revolving Credit Facility ("the Facility"), but obtained a waiver from its lender prior to March 31, 2015. The Facility expires on May 30, 2015, under the terms of the Facility, the parties may agree to extend the Facility for a further 364-day period. The Company has initiated negotiations with the lender to extend the Facility and expects to finalize the renewal prior to the date of expiry. During the three months ended March 31, 2015, the Company used $0.2 million of cash in operations, used net cash for operating activities of $9.6 million and incurred a net loss of $14.7 million. During the year ended December 31, 2014 the Company incurred a net loss of $11.5 million. These circumstances lend significant doubt as to the ability of the Company to meet its obligations as they come due and, accordingly, the appropriateness of the going concern assumption.

The Company has incurred significant levels of debt financing to maintain working capital and equipment requirements for its operations. The Company is required to make payments of $74.0 million over the next four years including $40.1 million in the next twelve months on its accounts payable, long-term debt, operating lines, and office and equipment leases. At March 31, 2015 the Company has cash and accounts receivable of $30.8 million (including $6.8 million currently in dispute, see Note 12 to the interim consolidated financial statements) combined with $22.7 million in unused credit and lease facilities with which to repay these obligations. The Company's ability to continue as a going concern is dependent upon its ability to renew its credit facilities at sufficient levels, and at terms favorable to the Company as well as generate sufficient cash flows from operations to settle its obligations as they become due. There can be no assurance that the steps management will take will be successful. These interim consolidated financial statements do not reflect the adjustments to the carrying values of assets and liabilities and the reported revenues, expenses and balance sheet classifications that would be necessary if the Company were unable to realize its assets and settle its liabilities as a going concern in the normal course of operations. Such adjustments could be material.

RESULTS OF OPERATIONS

REVENUE

North America Land Operations

Total revenues declined $31.1 million to $19.3 million in the first quarter of 2015 from $50.4 million in the first quarter of 2014 due to a significant decrease in revenues for both Tesla Canada and Tesla USA.

The first quarter has historically been a very productive period for Tesla Canada however, acquisition revenues were negatively impacted by the precipitous decline in commodity prices during the second half of 2014 with many programs deferred, cancelled or reduced in scope. Reimbursables also decreased due to less late quarter work and no programs scheduled until late in the second quarter of 2015. Prices continued to be pressured by US competitors and equipment rental companies focusing efforts north of the border to make up for the increasingly weak US market. Tesla Canada managed to operate four crews throughout the quarter until mid-March when activity began to slow for spring break up. In 2014 the Company operated an average of six crews peaking at eight crews. These crews utilized the Company's cable 3C recording equipment along with both owned and rented multi-component Hawk wireless systems throughout the quarter on projects in the Oilsands, Horn River and Heavy Oil regions in western Canada. The Company continues to see a strong preference for its Hawk wireless system and performed the majority of its recording activity on 3D programs using this system.

The US land seismic acquisition market remains weak with a high level of competition and low pricing on a limited number of programs in the areas in which Tesla USA does business. Oil and gas companies continue to focus on drilling and development over exploration and associated seismic activity. Tesla USA saw a significant decrease in acquisition revenues and a corresponding decline in front-end related reimbursables with little work during the current quarter. Tesla USA was awarded a significant project set to begin acquisition of data in late June or early July 2015.

North American land operation revenues include reimbursable services relating to such costs as helicopters, drilling, survey and line cutting which are managed by Tesla but passed through to clients with the addition of a small administration fee. These reimbursable services decreased to $2.6 million in the first quarter of 2015 from $10.6 million in the first quarter of 2014. Reimbursables declined with the drop in activity during the quarter and a reduced number of programs in the coming months. The amount of reimbursable services varies depending on clients' use of front-end outsourcing companies and the terrain where work is performed.

There were no seismic operations in South and Central America during the first quarter of 2015; and the Company, while continuing to seek opportunities in the region has reduced its bid and scouting activity in the area as part of its cost containment efforts.

International Operations

International revenues decreased to $4.9 million in the first quarter of 2015 compared to $8.9 million in the first quarter of 2014. There was lower activity in both the UK and Africa as the UK crew stood down for most of the quarter while the African crew in Ethiopia continued a prolonged mobilization and commenced acquisition activities in late March. Revenues benefitted from the settlement of a contract termination in Germany as well as from the strengthening of the UK pound sterling and US dollar against the Canadian dollar quarter-over-quarter.

During the first quarter of 2014, the UK and European crew completed a small project in Germany before moving onto a large nodal 3D in the UK. The African crew generated revenues from mobilization and operations on a large 2D project in Kenya. Operations began in mid-March following an extended fixed fee mobilization. Mobilization revenues were also realized on a large marine project in the DRC. Tesla International settled its Somaliland contract termination claim during the first quarter of 2014 resulting in the recognition of additional revenues in the quarter.

Offshore Operations

Tesla Offshore revenues declined to $1.9 million during the seasonally slow first quarter of 2015 from $2.2 million in the first quarter of 2014 with declines in construction and reports revenues partially offset by a slight increase in geophysical revenue.

Geophysical activity during the first quarter of 2015 improved slightly compared to the first quarter of 2014. Tesla Offshore had two geophysical vessels working on several lump sum exploration projects including 8 activity days for the AUV in January. The Company's owned vessel operated for 13 days while a charter vessel operated for 14 days on geophysical projects after the AUV was demobilized for optimization and testing.

Tesla Offshore operated two vessels during the first quarter of 2014. One vessel worked a limited number of days on turnkey and day rate projects while the other vessel worked with the newly acquired AUV. While Tesla Offshore successfully completed its first AUV project in February 2014, it was unable to generate significant revenues from this project.

The industry-wide reduction in construction activity continues. Activity days for trawling, positioning and special projects remain below historical norms with a large portion of hurricane damaged structures now repaired and limited drilling and infrastructure activity on the shelf of the Gulf of Mexico. Tesla Offshore's reports division also had reduced revenues quarter-over-quarter.

GROSS MARGIN

North America Land Operations

Operations in North America had gross margin of $3.5 million in the first quarter of 2015 compared to gross margin of $15.6 million in the first quarter of 2014 (representing 18% of total revenues (2014 – 31%) and 21% of revenues excluding reimbursable services (2014 – 39%)). The decrease in absolute gross margin is due to the significant decrease in revenues in Canada and the US as well as decreased margin percentage due to the previously described price competition.

Tesla Canada experienced a decline in gross margin during the historically strong first quarter. Work was limited and project delays resulted in greater than normal field overheads as crews experienced more down time between projects. Field margins decreased with fewer activity days relative to the comparative quarter. The Company continues to monitor its field overhead costs very closely and has successfully implemented strategies to reduce them. However, these measures were not sufficient to overcome the reduction in prices as well as the increased number of standby days during the quarter.

Gross margin in the US declined significantly in the first quarter of 2015 compared to the first quarter of 2014 due to the limited revenues realized during the current quarter. Field overhead costs have been reduced with a continued focus on managing these costs during this period of reduced activity. Gross margin percentage in 2014 benefitted from utilization of the owned Hawk system on two crews, one of which operated under a long-term agreement. Field overheads were lower with limited maintenance programs required on new equipment and maintenance costs incurred being allocated to programs for the highly utilized crews.

International Operations

Gross margin for International was $(0.2) million in the first quarter of 2015 (representing (4%) of total revenues and (4%) of revenues excluding reimbursable services) compared to gross margin of $1.1 million in the first quarter of 2014 (13% and 15% respectively).

During the first quarter of 2015, Tesla International's gross margin suffered due to a heavy weighting of lower margin mobilization revenue in Africa and limited contribution from projects in the UK. This was partially offset by the contract termination settlement in Germany for which there were limited costs recorded. Tesla International's gross margins during the first quarter of 2014 benefitted from the positive contribution of the 3D nodal project in the UK and settlement of the Somaliland contract termination claim for which there were limited costs. This was partially offset by significant cost overruns on the fixed fee mobilization into Kenya.

Offshore Operations

Gross margin in the first quarter of 2015 for Tesla Offshore was $(0.2) million (representing (12%) of the quarter's revenues) compared to $(0.5) million (21%) in the first quarter of 2014.

Tesla Offshore's gross margin declined due to the decrease in activity levels for the construction division as noted above. This was offset by increased activity from the geophysical division. Gross margin percentage was negatively impacted by continued depressed margins on construction activities a lower weighting of higher margin construction activities and reduced margins on geophysical activities compared to the first quarter of 2014. The AUV's lack of productivity during the first quarter of 2015 and 2014 had a significant negative impact on Tesla Offshore's margin.

DEPRECIATION AND AMORTIZATION

Depreciation and amortization decreased to $5.3 million in the first quarter of 2015 from $5.6 million in the first quarter of 2014. Depreciation of property and equipment decreased due to minimal acquisition of fixed assets in the quarter and older assets reaching full depreciation during the second half of 2014. Amortization is limited to trademark intangibles and is not significant.

GENERAL AND ADMINISTRATIVE

General and administrative expenses decreased to $5.1 million in the first quarter of 2015 from $6.2 million in the first quarter of 2014. The decrease is a result of a concerted effort to control costs including a reduction in staff in Tesla USA, reorganization of key personnel in Tesla International, and lower incentive compensation accrual across the Company. There was also reduced business development activity in South America and a recovery of share-based compensation. This was partially offset by increased insurance premiums related to an expanded asset base and legal fees related to the claim against Tesla Offshore as well as the claim brought against a client by Tesla Canada.

During the first quarter of 2015, the Company recognized a $0.2 million share-based compensation recovery compared to less than a $0.1 million share-based compensation charge in the first quarter of 2014. There was a reduction in the Company's closing share price at March 31, 2015 compared to December 31, 2014 as well as a significant forfeiture of options due to the departure of an employee. The closing share price is a key factor in determining the share-based compensation liability at each quarter end.

OTHER GAINS AND LOSSES

Other gains and losses include items that arise from financial and other matters such as foreign exchange and realized gains or losses on the disposal of assets.

Foreign exchange gains of $0.2 million in the first quarter of 2015 and losses of $0.2 million during the first quarter of 2014 are a result of fluctuations in the US dollar exchange rate on US dollar denominated net assets or liabilities held by Tesla Canada and Tesla International during the period.

Losses on disposals of property and equipment during 2015 have been minimal and relate mainly to the disposal of fully depreciated assets from the Company's North American operations. Gains of less than $0.1 million during the first quarter of 2014 mainly relate to insurance proceeds on lost, damaged or stolen equipment along with proceeds from the sale of older fully depreciated vehicles.

FINANCE COSTS

Finance costs include interest on long-term debt, finance leases and operating lines. Finance costs were $0.6 million in the first quarter of 2015 compared with $0.4 million in the first quarter of 2014. Interest related to debt increased with a larger average balance outstanding while interest on finance leases declined quarter-over-quarter with a lower average balance outstanding. Interest charges on operating lines increased as these facilities were utilized to fund startup operations. Interest income is not significant.

INCOME TAXES

The Company recorded an income tax expense of $9.3 million (Current - $0.1 million; Deferred - $9.1 million) during the first quarter of 2015 compared to a $0.8 million expense (Current - $2.4 expense; Deferred - $1.5 million recovery) in the first quarter of 2014. The majority of current tax in both periods relates to Canadian operations as a result of the pre-tax income in the first quarter followed by the historically slow spring and summer months when pre-tax losses are incurred. The deferred tax expense in 2015 relates to the derecognition of deferred tax assets as a result of the Company's determination that it did not meet the assumption that it was probable that it would realize its deferred tax assets in the normal course of business due to the uncertainty around its ability to continue as a going concern.

The effective rates vary as a result of the mix of tax recoveries and tax provisions at different rates for the various jurisdictions in which Tesla does business along with the non-deductible nature of items such as share-based payment charges and irrecoverable foreign taxes.

NET INCOME (LOSS)

The Company had a consolidated net loss of $(14.7) million (($0.67) per share) in the first quarter of 2015 compared to consolidated net income of $3.1 million ($0.14 per share) in the first quarter of 2014. Bottom line improvements for Tesla Offshore and Corporate were more than offset by declines for Tesla USA, Tesla Canada and Tesla International.

COMPREHENSIVE INCOME (LOSS)

The Company recorded a comprehensive loss of $(11.4) million in the first quarter of 2015, consisting of a net loss of $(14.7) million partially offset by $3.3 million of other comprehensive income comprised of currency translation adjustments on foreign subsidiaries resulting from the weakening of the Canadian dollar during the current quarter. In the first quarter of 2014, the Company recorded comprehensive income of $4.8 million consisting of $3.1 million of net income and $1.7 million of other comprehensive income comprised of currency translation adjustments on foreign subsidiaries resulting from the weakening of the Canadian dollar during the period.

Currency translation gains and losses are held in accumulated other comprehensive income, net of taxes, until they are realized at which time they are included in income.

LIQUIDITY AND CAPITAL RESOURCES

At March 31, 2015, the Company had a net working capital deficit of $(3.2) million including a net cash deficit of $(13.8) million compared to net working capital deficit of $(3.4) million and net cash deficit of $(5.6) million at December 31, 2014. Cash on hand, net draws of $7.9 million on operating lines and a draw of $4.0 million on long-term debt were used to fund operations, repay $1.5 million of regular finance leases, and fund $0.8 million of capital expenditures.

Long-term debt as a percentage of total capitalization provides a measure to assess the relative leverage of the Company. At March 31, 2015 this ratio was 46.8% compared to 38.9% at December 31, 2014.

Operating activities
The Company used $0.2 million of cash in operations in the first quarter of 2015 compared with $7.3 million of cash generated from operations in the first quarter of 2014 due to the reduction in the cash flows of each of its operating divisions.

Investment in property and equipment
Investing activities consumed $0.7 million of cash during the first quarter of 2015 compared to $15.9 million during the first quarter of 2014 when the Company purchased 6,000 wireless recording stations in Tesla Canada and the AUV in Tesla Offshore.

Additions to property and equipment in 2015 totaled $0.8 million all of which was for maintenance and replacement of existing equipment. The Company continued its expansion of the Company's wireless capabilities with the purchase of another 6,000 FSU Hawk 3C wireless recording system in January 2014 and Tesla Offshore completed the purchase of its AUV upon delivery and final testing in February 2014. Tesla International ramped up its capital spending in the third quarter of 2014 to support its African crews and significant projects to be undertaken. The Company believes its capital asset base is very strong and does not anticipate significant spending during the remainder of 2015.

Financing activities
Financing activities provided $9.8 million of cash during the first quarter of 2015 compared to providing $7.7 million in the first quarter of 2014. The Company made net draws of $7.9 million on operating lines and $4.0 million on long term-debt to fund ongoing operations in certain jurisdictions. The Company made payments of $1.5 million on finance leases, and $0.6 million for interest on operating lines, leases and long-term debt. During the first quarter of 2014, the Company required $6.5 million from operating lines and $3.0 million from long-term debt to fund working capital for Tesla Canada and Tesla International and to make payments of $1.3 million on finance leases and $0.5 million for interest on operating lines, leases and long-term debt.

The Company is currently in the process of renewing its Canadian corporate credit facility agreement which at present consists of a $15 million operating loan, a $30 million revolving credit facility and an approximate $25 million finance lease facility. All facilities are available in either Canadian or US currency at Tesla's discretion.

The amount outstanding under the operating loan and revolving credit facilities may not exceed the sum of:

1. 75% of acceptable receivables of certain of the Company's North American subsidiaries;
2. 100% of North American cash on hand to a maximum of $1.0 million; and
3. 70% of the net book value of North American fixed assets (less the net book value of fixed assets under finance lease).

The Company's UK subsidiary has a £4 million ($8.0 million) overdraft facility.

These facilities provide the Company with flexibility with respect to capital expenditures and potential acquisitions.

The Company is bound by covenants on its Canadian operating and revolving banking facilities. The key financial covenants as at March 31, 2015 are as follows:

1. Funded Debt to Funded Debt plus Shareholders' Equity is not to exceed 0.55 to 1 at any quarter end. Funded Debt is defined as all external interest-bearing debt (operating lines of credit, long-term debt and finance leases) less shareholder loans and cash and cash equivalents.
2. Funded Debt to EBITDA is not to exceed 3.0 to 1 at quarter end. For purposes of this calculation, EBITDA is defined as consolidated net income plus interest, income taxes, depreciation, amortization and all non-cash charges ("Adjusted EBITDA" – See Non-GAAP Financial Measures). Additional extraordinary items may be approved by the bank.

The covenants are monitored on a continual basis by management and the credit provider to ensure compliance with the requirements. As at March 31, 2015, the Company was in compliance with covenant 1 but would have been in been in violation of covenant 2. A waiver of this covenant was obtained from the lender prior to the end of the quarter. The Company anticipates requiring a waiver of this ratio at June 30, 2015 and is addressing this with its lender as part of the ongoing renewal of its credit facility. More information is included in Note 2 – "Basis of Presentation, going concern and statement of compliance" of the Company's consolidated interim financial statements.

Contractual obligations and off-balance sheet arrangements

The Company has future commitments related to office building and equipment leases, capital leases, long-term debt and vehicle and equipment rental agreements. The annual obligations pursuant to the terms of the agreements include principal payments and interest as follows:

$000's	**Total**	**2015**	**2016**	**2017**	**> 2018**
Office and equipment leases	**985**	448	367	151	19
Finance leases	**15,788**	5,061	6,337	3,610	780
Long-term debt	**27,293**	4,572	6,288	5,295	11,138
Total contractual obligations	**44,066**	10,081	12,992	9,056	11,937

Other than operating lease commitments relating to its premises and equipment, the Company has no other off-balance sheet arrangements.

In the normal course of operations, the Company is involved in negotiations concerning certain events incurred while completing projects. Management believes any costs associated with these events or negotiations are covered by insurance claims, provisions or are spurious in nature.

On October 30, 2013, the Company received notice that a claim had been filed under maritime law for property damage losses against the Company and a vessel owner and operator under contract to the Company (the "Defendants") by an unrelated third party (the "Plaintiff") in the United States District Court for the Eastern District of Louisiana (the "Court"). The Plaintiff is seeking in excess of $10 million USD ($12 million) in damages from the Defendants for alleged physical damages and economic losses resulting from an incident involving a time chartered vessel under contract to Tesla Offshore in November 2012. The vessel owner and operator filed its defense against the Plaintiff's claim and brought a cross-claim charge against Tesla Offshore related to the incident. Tesla Offshore has responded to the complaint by denying any and all liability and fault. In October 2014, Tesla Offshore’s insurance underwriters agreed to cover the claim and associated legal fees. Notwithstanding this fact, the Company has maintained its cross claim against the vessel owner and operator until a final settlement is achieved. Consequently, no provision has been recorded in the Company's interim consolidated financial statements.

On October 20, 2014, the Company filed a statement of claim in the Court of Queen’s Bench of Alberta against a client for unpaid invoices relating to work performed in the fourth quarter of 2013 and the first quarter of 2014 in the amount of $4.8 million plus interest and associated legal fees. The client has responded by disputing this claim, as such, a portion of the amount invoiced has not been recognized in revenue or accounts receivable as at March 31, 2015 due to the uncertainty around its collectability as of the date of this MD&A. On December 9, 2014 the Company received a counterclaim denying the Company’s claim and claiming $35.2 million in damages for poor data quality and additional staffing and clean-up costs. The Company does not believe there is merit to the counterclaim. The direction and financial consequences to the Company, if any, of this claim cannot be determined at this time and consequently, no provision has been recorded in the Company’s interim consolidated financial statements.

SHAREHOLDERS' EQUITY

Shareholders' equity decreased to $45.3 million at March 31, 2015 from $56.4 million at December 31, 2014. The decrease was due to the loss incurred during the period. This was partially offset by an increase in contributed surplus relating to share-based payment charges and an increase in accumulated other comprehensive income due to currency translation adjustments on foreign subsidiaries.

On April 28, 2015, the Company commenced a NCIB, as approved by the TSX on April 23, 2015. The Company is authorized to purchase up to 1,110,371 common shares subject to daily trading restrictions, representing approximately 5% of the issued and outstanding common shares at the date of the implementation. The Company is authorized to make purchases through the facilities of the TSX during the period from April 28, 2015 to April 27, 2016. The price paid for any common shares purchased will be the prevailing market price at the time of the transaction with all common shares purchased under the NCIB being cancelled. During the twelve months ended December 31, 2014 the Company purchased 525,000 shares with an average purchase price of $2.64 (2013 – 344,433 shares at $2.69) under the NCIB in place from April 28, 2014 to April 27, 2015. No purchases were made subsequent to March 31, 2015 as of the date of this MD&A.

As at the date of this MD&A, the Company had 22,207,422 common shares issued and outstanding and 1,994,436 options outstanding with a weighted average exercise price of $2.85 per common share.

OUTLOOK

Despite many challenges facing the Company at the current time, there are positives for the Company moving forward. Significant contracts are in place and the Company anticipates improved performance of its AUV when it is expected to return to service in July 2015. Significant projects in Africa should enable Tesla to overcome the recent downturn in the North American land seismic market. Through its strong customer relationships and operational performance, the Company has maintained a healthy backlog. Tesla continues to look for ways to improve its profitability expand its service offerings and the geographical areas in which it operates. In an attempt to adapt to the current economic environment, Tesla has, and continues to reduce overheads across all divisions. These measures include layoffs of field and administrative personnel, salary rollbacks, suspension of the Company's RRSP/401k matching program, reduction of director fees as well as a concerted effort to optimize field crew size and operational practices. In addition, the Company has significantly reduced planned capital spending for 2015.

North America Land Operations

In Canada, the outlook for the remainder of 2015 continues to be very uncertain. Generally, there is a lesser volume of work available to bid as the recent decrease in the West Texas Intermediate and Western Canadian Select benchmark oil prices has seen many upstream producers reduce their exploration budgets. There is also fierce competition between project management companies for the jobs that are available which in turn has resulted in very aggressive bidding by the Company's competitors. Due to weakness in the US and the previously announced merger of key players in the North American seismic market, certain competitors are focusing their efforts in Canada. Competitors and equipment rental companies have provided an increased capacity in Canada for both single component and 3C wireless equipment which is also contributing to increased pricing pressure. More and more of the work available for bid is being requested using wireless systems and as such the Company remains well positioned to service this market with its 22,000 combined FSU Hawk system in North America. Demand for this system in 2015 appears to be extending into the second and third quarter, including potash programs in Saskatchewan. Tesla Canada has already secured summer work expected to begin in June or July, with additional programs currently being tendered. There remains limited visibility into the fourth quarter of 2015 however, with the stabilization of commodity prices for the time being, the Company is optimistic it will be able to secure contracts that will allow it to improve on the results of the fourth quarter of 2014 in 2015.

The US seismic market remains weak with heavy competition for available projects as oil and gas companies focus on drilling and development over exploration and associated seismic activity. Client budgets have been reallocated to enhance drilling operations which detrimentally affected scheduling of projects, with the affected projects expected to be delayed into 2016. This may be driven by a need to assess current land positions with consideration given to moving into deeper resource horizons. Additionally, anti-hydraulic fracturing groups have been gaining momentum in their ability to delay passage of legislation acceptable to industry and stakeholders. Pricing of services continues to be the driving factor in this competitive market with requirements for higher channel counts, wireless recording systems and third-party multi-client programs driving the demand for services. Activity levels remain focused on oil and liquids rich shale plays such as the Bakken, Utica (eastern Ohio), Marcellus (western Pennsylvania and West Virginia), Eagleford (south Texas) and Denver-Julesburg ("DJ") Basin. Tesla USA was successful in securing a large project in Pennsylvania for the third quarter of 2015. A number of bids remain outstanding as the Company attempts to secure follow on work to keep the crew active for the balance of 2015.

Tesla continues to allocate personnel and resources into the development of a microseismic business line. The Company has entered into a number of arrangements with complementary entities including its strategic alliance with Calfrac Well Services Ltd., NanoSeis LLC, Reservoir Imaging Ltd. and Silixa Ltd. The primary goal of the strategic alliance is to be able to provide customers with a more complete integrated solution in terms of geomechanics and geomodelling.

South and Central America Operations

Tesla continues to pursue opportunities to expand the Company's footprint in South and Central America on a limited basis. Tesla Colombia's office in Bogota continues to provide a base for marketing efforts in the region. Tesla has reduced its marketing efforts due to lack of success and in an effort to contain costs throughout the Company. Tesla will maintain a presence in the region and will opportunistically continue to develop relationships with local and international operators and vendors as it awaits a political and economic environment that is conducive to pursuing projects more vigorously.

International Operations

Tesla International's UK and European crew has seen a sustained demand for acquisition services in both the hydrocarbon and renewables sectors both in the UK and mainland Europe. Despite delays due to permit challenges to start 2015, this crew has a backlog of 2D and 3D programs that should see the crew highly utilized for the balance of 2015 and well into 2016.

Two key areas of East Africa are experiencing greater levels of activity following political stabilisation and the interest of some of the major operators in developing their activities in the area. The first key area involves interests along the Great Rift Valley Trend from Tanzania into Ethiopia. This interest is in pursuing plays based on discoveries in Uganda and successes in Northern Kenya. There remains significant interest in the lake zones of this Rift Valley Trend. The second area of increased exploration activity is near coastal blocks from Mozambique northward to Somalia which are hinged on recent major gas discoveries offshore East Africa. Tesla International has been successful in obtaining work from both these opportunities and from exploiting new areas of activity to extend its current backlog.

The African crew is currently recording on a large land, TZ and marine program in Ethiopia. This project will continue into the third quarter of 2015 with a possible extension which would see recording activities well into 2016. Several tenders are outstanding and the Company believes it will secure an additional project beginning in the third quarter.

The UK technical services office remains steady with a number of in-seam seismic, unconventional gas (coal bed and tight reservoirs), and geophysical interpretation projects and is pursuing additional projects to strengthen backlog.

Offshore Operations

Tesla Offshore's commitment to expansion remains centered on the successful operation of the Company's AUV. When operational the AUV provides much needed services to existing clients and opens new markets for Tesla Offshore related to deep water oil and gas field development across the globe. Tesla Offshore has received invitations to tender projects in Southeast Asia, Brazil, Angola, West Africa and Turkey. Despite the challenges throughout 2014 and 2015, the Company remains encouraged by the support it has received from its supplier and expects that the AUV will return to operation in July 2015 at a more efficient rate than was experienced in 2014. While it awaits the recommissioning of the AUV the Company's owned vessel continues to service its geophysical clients. Tesla Offshore has secured a significant contract for geophysical activities which will keep one vessel active throughout most of the summer months. Upon the return of the AUV the Company's owned vessel will again mobilize to support the AUV while other geophysical projects will be completed using a chartered vessel.

Construction activities remain lower than historical levels driven by a reduction in drilling activity on the shelf of the Gulf of Mexico. In addition to a reduced level of trawling and positioning work in the Gulf of Mexico, special project work relating to survey support for removal systems was also delayed. While there are a number of opportunities in play, the construction division will see reduced activity levels while the industry remains abnormally slow.

Tesla Offshore continues to pursue opportunities outside the Gulf of Mexico. The Company has established a presence in Brazil, has held meetings with potential clients in the country and is utilizing an in-country manager to pursue opportunities. Tesla Offshore will continue to support long-term clients as they expand into international areas.

Tesla Offshore now provides 3D seismic interpretation services and has completed a number of projects during the last two quarters. The backlog of awarded prospects for this new service continues to grow. To date, the 3D seismic interpretation projects awarded to Tesla Offshore have primarily been in conjunction with the AUV utilization to perform the required Archaeological Survey aspect for these project areas. Tesla Offshore continues to pursue alliances and broaden service offerings such as geotechnical acquisition and multi-streamer along with high-resolution shallow seismic services to further expand the Company's opportunities.

TESLA EXPLORATION LTD.

SUMMARY OF QUARTERLY RESULTS

A summary of operating results by quarter for the past eight quarters is as follows:

(000s, except per share data)(unaudited)	**Q1 Mar 31 2015**	Q4 Dec 31 2014	Q3 Sep 30 2014	Q2 June 30 2014	Q1 Mar 31 2014	Q4 Dec 31 2013	Q3 Sep 30 2013	Q2 Jun 30 2013
Revenue	**26,189**	27,069	18,940	24,630	61,493	49,210	31,812	27,107
Gross margin [1]	**5,351**	9,682	4,049	3,644	16,324	9,107	6,571	7,039
Net earnings (loss)	**(14,711)**	(2,437)	(5,177)	(7,002)	3,129	(1,733)	(3,700)	(3,863)
Per share - basic	**(0.67)**	(0.11)	(0.24)	(0.32)	0.14	(0.07)	(0.17)	(0.17)
Adjusted EBITDA [1]	**17**	5,147	(1,447)	(2,039)	10,057	4,333	1,647	2,079
Per share - basic	**0.00**	0.24	(0.07)	(0.09)	0.45	0.19	0.07	0.09
Cash flow from operations	**(191)**	5,762	(6)	(1,078)	7,342	3,358	3,288	4,233
Per share - basic	**(0.01)**	0.26	(0.00)	(0.05)	0.33	0.15	0.15	0.19
Working capital	**(3,202)**	(3,406)	(5,679)	419	4,977	11,937	2,373	4,231
Capital expenditures, gross	**473**	5,192	3,940	2,643	16,210	1,318	3,074	14,249
Total assets	**115,002**	124,203	122,117	128,604	160,748	141,616	128,415	132,188
Long-term borrowings [2]	**39,792**	35,971	31,872	32,443	33,993	31,608	24,248	26,147
Equity	**45,275**	56,383	57,640	60,856	70,452	65,239	65,432	69,805
Weighted average shares outstanding for the period	**21,891**	21,895	21,895	22,210	22,391	22,391	22,392	22,422

1. See "Non-GAAP Financial Measures"
2. Includes capital lease obligations and long-term debt, including current portions.

SEASONALITY OF OPERATIONS

As a result of having significant operations in western Canada, the Company's earnings are impacted by the seasonal activity pattern of western Canada's oil and gas exploration industry. In northern Alberta and British Columbia, certain areas are only accessible during the winter months usually creating seasonally higher revenues and earnings for the Company. Conversely, in spring and early summer, industry oil and gas exploration and development activity levels decrease due to wet spring conditions. Additionally, repairs and maintenance expenditures for owned equipment damaged during the winter season are incurred and recorded during the summer and early fall to ensure equipment is ready for the following winter and fluctuates based on anticipated activity levels and the status of the equipment. The Company's earnings typically decline in the spring and summer as a result of these seasonal conditions and expenditures.

Tesla International's land acquisition operations can be negatively impacted by rainy seasons in the Sub-Sahara African regions in which it operates. Operations in the UK and Europe are not significantly impacted by seasonal fluctuations.

Tesla Offshore's operations are impacted by weather in the Gulf of Mexico resulting in historically fewer operational days from November through April and therefore lower earnings during this period of the year.

In the first quarter of 2015 the cancellation and postponement of many winter programs for the North America land division, due to cuts in exploration spending brought on by lower commodity prices resulted in revenue and earnings that were well below historical performance. Some of these programs have been tentatively scheduled for the third quarter of 2015 which, when combined with lower planned spending for equipment repair and maintenance, should result in less variation between quarterly performance in North America during 2015.

Limited revenue and earnings were generated by Tesla International in the first quarter of 2015. Tesla International has two large projects contracted and another expected which are anticipated to generate the majority of the Company's earnings. These extended projects are expected to keep crews busy for the balance of the year. Thus, the Company expects improved revenue and earnings during the remainder of 2015.

BUSINESS RISKS

The Company is exposed to many risks inherent in its three business segments. These risks and Tesla's mitigation strategy are outlined below.

Risk	Mitigation
Depressed commodity prices	Tesla maintains good client relations and obtains non-refundable deposits when possible. Tesla utilizes its geographic diversity to focus on areas where short-term commodity prices have a reduced impact on activity levels. Tesla maintains as much flexibility with its balance sheet as possible by reducing capital expenditures as well as direct and overhead costs where possible.
Program cancellations	Tesla looks to target and establish alliances with reputable customers in areas that are economically and politically stable. The Company also obtains non-refundable deposits or early termination fees when possible.
Competition	Tesla will look to move resources to more profitable markets utilizing its diverse geographic footprint. Tesla looks to distinguish itself in service, performance and technology and focuses on value-added customers. Tesla will concentrate its activities in areas where it has demonstrated technical and operational advantages.
International political risk	Tesla will look to move resources to better markets utilizing its diverse geographic footprint. Tesla works with local governments where possible and maintains appropriate insurance coverage.
Loss of core customers	Tesla looks to minimize this by maintaining a high level of job performance, good client relations, a focus on HSE and utilizing a fully trained staff. Tesla responds to issues in a timely manner through regular client communications.

Weather	Tesla looks to exploit the seasonality in the various areas it does business and builds weather protection clauses into contracts.
Environmental and property damage	Tesla evaluates the risks and makes contingencies for environmental issues. Training programs for staff ensure they are aware of issues and their corporate responsibility as provided for by HSE policies. Appropriate insurance coverage is maintained.
Errors and omissions	Tesla ensures it employs and trains highly competent professional staff and maintains appropriate insurance coverage.
Technology	Tesla monitors current trends and invests in new technology and the latest equipment in appropriate quantities to service niche markets and meet its customers' requirements while remaining cognizant of the size and outlook of the industry and markets in which it operates.
Labour shortages	Tesla will target excess labour markets for its seasonal workforce. Tesla has the ability to move personnel between its divisions and offers competitive compensation packages.
Contracts	Tesla looks to target term contracts as opposed to turnkey contracts to minimize financial risk. Policies are in place for contract review prior to commitments being made.
Financing requirements and market perception	Tesla monitors operational results daily and strives to meet and exceed financial projections. Tesla manages its debt levels within its covenants and communicates with investors and analysts to raise awareness of corporate performance.
Reliance on key management	Tesla employs and trains highly competent professional staff and a succession plan is being developed.
Capital asset management	Tesla moves equipment to markets that allow for a high level of utilization and invests in equipment and markets that allow for the highest returns on investment.
Global financial instability	Tesla has diversified business lines in a number of geographical locations worldwide. Tesla looks to target and establish alliances with reputable

	customers and obtains non-refundable deposits when possible.
International tax compliance	Tesla uses in-country experts associated with an international accounting firm to provide guidance on related tax rules and regulations.
Compliance with foreign corrupt practices legislation	Tesla has a Code of Ethics and Professional Conduct that all employees are required to adhere to as well as an Anti-bribery and Corruption Policy. Tesla's Executive Management sets an appropriate "tone at the top". Legal counsel advice is sought when necessary.

FINANCIAL RISK MANAGEMENT

The Company is exposed to financial risks arising from its financial assets and liabilities. The financial risks include market risk relating to interest rates and foreign exchange rates, credit risk and liquidity risk.

Market risk

Market risk, the risk that the fair value of future cash flows of financial assets or liabilities will fluctuate due to movements in market rates is comprised of the following:

Interest rate risk

For the three months ended March 31, 2015, an increase or decrease in interest expense for each one percent change in interest rates on floating rate debt would have amounted to approximately $91,000 (March 31, 2014 - $67,000).

Foreign exchange rate risk

The impact of a $0.05 weakening of the Canadian dollar relative to the U.S. dollar during the three month period ended March 31, 2015 would have decreased earnings by $736,000 (March 31, 2014 – decreased earnings by $121,000).

The impact of a $0.05 weakening of the Canadian dollar relative to the Pound Sterling during the three month period ended March 31, 2015 would have increased earnings by $241,000 respectively (March 31, 2014 – decreased earnings by $93,000).

The impact of a $0.05 weakening of the Canadian dollar relative to the U.S. dollar at March 31, 2015 on foreign denominated financial assets and liabilities would have resulted in a $42,000 increase in earnings (March 31, 2014 - $317,000 decrease in earnings).

Credit risk

Credit risk refers to the possibility that a customer or counterparty will fail to fulfill its obligations and as a result, create a financial loss for the Company.

Customers

The Company's accounts receivables are predominantly with customers who explore for and develop natural gas and petroleum reserves and are subject to normal industry credit risks. The Company assesses the credit worthiness of its customers on an ongoing basis as well as monitoring the amount and age of balances outstanding. Accordingly, the Company views the credit risks on these amounts as normal for the industry. The carrying amount of accounts receivable represents the maximum credit exposure. Payment terms with customers vary by region and contract; however, standard payment terms are 30 days from invoice date. Historically, industry practice allows for payment up to 90 days. The Company considers its accounts receivable excluding doubtful accounts to be aged as follows:

	March 31, 2015 $	December 31, 2014 $
Current (0-30 days from invoice date)	**12,802,345**	11,331,896
31-60 days	**5,143,896**	2,353,169
61-90 days	**748,985**	1,079,962
Greater than 90 days	**10,194,490**	7,147,141
	28,889,716	21,912,168
Provision for bad debts	**(1,741,158)**	(1,651,856)
	27,148,558	20,260,312

Total accounts receivable outstanding greater than 90 days net of provisions was $8,453,322 at March 31, 2015 (December 31, 2014 – $5,495,285). Management has filed a legal claim for the payment of $4.8 million of receivables that are currently in dispute and is currently negotiating a settlement for an additional $2 million of disputed receivables in an effort to avoid legal action. These receivables have been recorded at management's best estimate of what will eventually be collected. Management believes that other amounts outstanding greater than 90 days that have not been provided for will be collected in the normal course of business.

Counterparties

Counterparties to financial instruments expose the Company to credit losses in the event of non-performance. Counterparties to cash transactions are limited to high credit quality financial institutions. The Company does not anticipate non-performance that would materially impact the Company's financial statements.

Liquidity risk

Liquidity risk is the risk that the Company will encounter difficulties in meeting its financial liability obligations. The Company manages its liquidity risk through cash and debt management. As at March 31, 2015, the Company had the following resources to fund the cash outflows relating to its financial liabilities:

	March 31, 2015 $	December 31, 2014 $
Cash	**3,466,572**	3,679,406
Accounts receivable	**27,148,558**	20,260,312
Unused committed bank credit and lease facilities	**22,670,363**	23,060,260
	53,285,493	46,999,978

The Company believes it has sufficient funding through cash flow from future operations and the use of these facilities to meet foreseeable cash requirements however uncertainty exists and is summarized in Note 2 to the interim consolidated financial statements.

The timing of undiscounted cash flows relating to financial liabilities and associated interest payments are outlined in the table below:

	Less Than 1 Year	2-3 Years	4-5 Years	Thereafter	Total
	$	$	$	$	$
Operating lines of credit	17,295,460	-	-	-	17,295,460
Trade and other payables	12,438,961	-	-	-	12,438,961
Customer deposits	9,907	-	-	-	9,907
Share-based compensation liability	163,813	26,410	-	-	190,223
Long-term debt	4,572,694	11,582,506	11,137,500	-	27,292,700
Finance lease obligations	5,060,422	9,947,323	779,904	-	15,787,649
	39,541,257	21,556,239	11,917,404	-	73,014,900

Fair Value of Financial Instruments

The carrying amount of cash and cash equivalents, accounts receivable, accounts payable, and accrued liabilities and operating line of credit approximates fair value due to the short-term nature of these financial instruments.

The carrying value of long-term debt approximates fair value due to the floating rate nature of the 364-day revolving facility.

The fair value of fixed rate capital leases is approximately $14.8 million compared to a carrying value of $14.9 million as the rate on existing leases are slightly higher than current rates.

CRITICAL ACCOUNTING ESTIMATES

The preparation of financial statements requires management to make certain judgments, accounting estimates and assumptions that affect the amounts reported for assets and liabilities as at the reporting date and the amounts reported for revenues and expenses during the period. The nature of estimation means that actual outcomes could differ from those estimates. Accordingly, the impact of these estimates, assumptions and judgments on the consolidated financial statements in future periods could be material. The key sources of estimation uncertainty that have a significant risk of causing material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below.

Recoverability of asset carrying values

The Company assesses its property and equipment, intangible assets, and goodwill for possible impairment if there are events or changes in circumstances that indicate that carrying values of the assets may not be recoverable, or at least at every reporting date. Such indicators include changes in the group's business plans, changes in the market and evidence of physical damage.

The assessment for impairment entails comparing the carrying value of the cash-generating unit with its recoverable amount, that is, the higher of fair value less costs of disposal and value in use. Value in use is usually determined on the basis of discounted estimated future net cash flows. Determination as to whether and how much an asset is impaired involves management estimates on highly uncertain matters such as future contract prices, the effects of inflation on operating expenses, discount rates, and the outlook for regional market supply-and-demand conditions for seismic data acquisition.

Depreciation
Depreciation of the Company's property and equipment incorporates estimates of useful lives and residual values. These estimates may change as more experience is obtained or as general market conditions change, thereby impacting the value of the Company's property and equipment.

Fair value of financial instruments
The estimated fair value of financial assets and liabilities, by their very nature, are subject to measurement uncertainty. The fair values of financial instruments that are included in the consolidated statement of financial position, except long-term debt and finance lease obligations, approximate their carrying amounts due to the short-term maturity of those instruments. Long-term debt and finance lease obligations are carried at amortized cost using the effective interest method of amortization, which approximates fair value.

Share-based compensation
Stock options are valued using the fair value method. Management uses the Black-Scholes valuation model to estimate the fair value of options at each reporting period. Significant assumptions affecting valuation of options include the trading value of the Company's shares each reporting period, the exercise price, the term allowed for exercise, a volatility factor relating to the Company's historical share price, dividend yield and the risk-free interest rate.

Income taxes
The Company is subject to income taxes in numerous jurisdictions. Significant judgement is required in determining the worldwide provision for income taxes. There are many transactions and calculations undertaken during the ordinary course of business for which the ultimate tax determination is uncertain. The Company recognizes liabilities based on the Company's current understanding of tax laws as applied to the Company's circumstances. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the current and deferred tax provisions in the period in which such determination is made.

Allowance for doubtful accounts
The Company performs ongoing credit evaluations of its customers and grants credit based upon a review of historical collection experience, current aging status, financial condition of the customer, and anticipated industry conditions. Customer payments are regularly monitored and a provision for doubtful accounts is established based upon specific situations and overall industry conditions.

Segment reporting
The Company's reportable segments are based on the operations of the Company that the chief operating decision maker regularly reviews to analyze performance and allocate resources among business units of the Company. Judgement is required when

determining the way in which the economic characteristics, nature of services, equipment and personnel required, type of customers and methods of providing services are similar. Management continually assesses the appropriateness of the aggregation criteria used to determine the reportable segments.

ACCOUNTING POLICY CHANGES

New and Amended Standards Adopted

The annual improvements process addresses issues in 2010-2012 and 2011-2013 reporting cycles including changes to *IFRS 13 Fair Value Measurements, IFRS 8 Operating Segments and IAS 24 Related Party Transactions.* These improvements are effective for annual periods beginning on or after July 1, 2014. The impact of adopting these improvements did not have a material impact on the interim consolidated financial statements.

Accounting Standards Issued But Not Yet Applied

There were no new or amended accounting standards or interpretations issued during the three months ended March, 31, 2015 that are applicable to the Company in future periods. A description of accounting standards and interpretations that will be adopted by the Company in future periods can be found in the notes to the annual consolidated financial statements for the year ended December 31, 2014.

INTERNAL CONTROLS AND PROCEDURES

Disclosure Controls and Procedures

The Chief Executive Officer (“CEO”) and Chief Financial Officer (“CFO”) are responsible for establishing and maintaining the Corporation’s disclosure controls and procedures. They are assisted in this responsibility by the Corporation’s senior management team. Disclosure controls and procedures have been designed to ensure that information required to be disclosed by the Corporation is accumulated and communicated to senior management as appropriate to allow timely decisions regarding required disclosure. An evaluation of the design of the Corporation’s disclosure controls and procedures as at March 31, 2015 was performed under the supervision of the Corporation’s senior management. The CEO and CFO have concluded that the Corporation’s disclosure controls and procedures are designed effectively.

Management's Report on Internal Control over Financial Reporting

The Company's management, including the CEO and CFO, have assessed and evaluated the design of the Company's internal control over financial reporting as defined in National Instrument 52-109 as of March 31, 2015. In making this assessment, the Company used the criteria established by the Committee of Sponsoring Organizations (“COSO”) in the "Internal Control-Integrated Framework (2013)." These criteria are in the areas of control environment, risk assessment, control activities, information and communication, and monitoring. The Company's assessment included documentation, evaluation, and testing of its internal controls over financial reporting.

Based on that evaluation, the Company’s management concluded that the Company’s internal controls over financial reporting are designed appropriately to provide reasonable assurance regarding the reliability of the Company’s financial reporting and its preparation of financial statements for external purposes in accordance with IFRS in Canada as of March 31, 2015.

Because of their inherent limitations, disclosure controls and procedures and internal controls over financial reporting may not prevent errors or fraud. Control systems, no matter how well conceived or implemented, can provide only reasonable, not absolute, assurance that the objectives of the control systems are met.

In 2014, the Company updated its control framework to COSO 2013 as required; however, there was no change to the Company's ICFR that occurred during the most recent interim period that has materially affected, or is reasonably likely to materially affect, internal control over financial reporting.

ADVISORIES

Forward-looking Statements

Certain information set forth in this MD&A, including management's assessment of the Company's future plans and operations, contains forward-looking statements, which are based on the Company's current internal expectations, estimates, projections, assumptions and beliefs, which may prove to be incorrect. Some of the forward-looking statements may be identified by words such as "expects", "anticipates", "believes", "projects", "intends", "continues", "estimates", "objective", "ongoing", "may", "will", "should", "might", "plans" and similar expressions. These statements are not guarantees of future performance and undue reliance should not be placed on them. Such forward-looking statements are based on current expectations, estimates and projections that involve a number of known and unknown risks and uncertainties, which may cause the Company's actual performance and financial results in future periods to differ materially from any projections of future performance or results expressed or implied by such forward-looking statements. These include, but are not limited to, the risks outlined in the "Business Risks" section of this document.

The information contained in this MD&A should not be considered all-inclusive as it excludes changes that may occur in general economic, political and environmental conditions. The Company cautions that actual performance will be affected by a number of factors, many of which are beyond its control. Investors are cautioned against attributing undue certainty to forward-looking statements. The forward-looking information and statements contained in this MD&A speak only as of the date hereof and, subject to its obligations under applicable law, the Company does not intend, and does not assume any obligation, to update these forward-looking statements if conditions or opinions should change.