Pulse Seismic Inc.

Annual Information Form

For the year ended December 31, 2011

March 15, 2012
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FORWARD LOOKING INFORMATION

This AIF contains information that constitutes “forward looking information” or “forward looking statements” (collectively, “forward looking information”) within the meaning of applicable securities legislation. This forward looking information includes, among other things, statements regarding:

- Estimated future demand for seismic data;
- Estimated future seismic data sales;
- Pulse’s dividend policy;
- Pulse’s business and growth strategy; and
- Other expectations, beliefs, plans, goals, objectives, assumptions, information and statements about possible future events, conditions, results or performance.

Undue reliance should not be placed on forward-looking information. Forward looking information is based upon current expectations, estimates and projections that involve a number of risks and uncertainties which could cause actual results to differ, in some instances materially, from those anticipated in the forward looking information.

The material risk factors that could cause actual results to differ materially from the forward-looking information include, but are not limited to:

- Economic risks;
- The demand for seismic data and participation surveys;
- The pricing of data library licensing sales;
- The level of pre-funding of participation surveys, and the ability of the Corporation to make subsequent data library sales from such participation surveys;
- The ability of the Corporation to complete participation surveys on time and within budget;
- Environmental, health and safety risks;
- The effect of seasonality and weather conditions on participation surveys;
- Federal and provincial government laws and regulations, including those pertaining to taxation, royalty rates, environmental protection and safety;
- Competition;
- Dependence upon qualified seismic field contractors;
- Dependence upon key management, operations and marketing personnel;
- The loss of seismic data; and
- Protection of intellectual property rights.

The foregoing list of risks is not exhaustive. Additional information on these risks and other factors which could affect the Corporation’s operations and financial results are included in the Risk Factors section of the Corporation’s MD&A for the most recent calendar year and interim periods. Forward looking information is based upon the assumptions, expectations, estimates and opinions of the Corporation’s management at the time the information is presented.
CORPORATE STRUCTURE

Name, Address and Incorporation

Pulse Seismic Inc. ("Pulse" or the "Corporation") was originally incorporated pursuant to the Canada Business Corporations Act as 144020 Canada Ltd. on August 26, 1985.

On February 18, 1987, the Corporation amended its articles to change its name to Gold Vessel Resources Inc. On March 21, 1995, the Corporation amended its articles to change its name to Consolidated Gold Vessel Resources Inc. and to consolidate its Class "A" common shares on a one for ten basis. On July 4, 1995, the Corporation amended its articles to change its name to Golden Bear Minerals Inc. On July 3, 1997, the Corporation amended its articles to change its name to Augusta Gold Corporation. Pursuant to a Plan of Arrangement effective October 1, 1998, the then existing liabilities, assets and minerals properties held by the Corporation were transferred to and assumed by Augusta Corporation in exchange for the issuance by Augusta Corporation to the Corporation of common shares of Augusta Corporation, and the shares of Augusta Corporation were distributed to the shareholders of the Corporation.

On October 13, 1999, pursuant to a reorganization of the Corporation involving a group of Alberta joint ventures known as Pulse - A Joint Venture, the Corporation amended its articles to change its name to Pulse Data Inc. and to consolidate its then Class "A" common shares and its then Class "B" common shares on a 1 for 2.5 basis.

On June 15, 2000, Pulse reduced the stated capital account of its then Class "A" common shares by $30,778,181.

On April 18, 2001, Pulse amended its articles to (i) remove from the articles the class of Class "B" common shares and the rights, privileges and restrictions thereof, and (ii) change the designation of its "Class A common shares" to "common shares".

Following approval by the Corporation’s shareholders at the Annual and Special Meeting on May 21, 2009, the Corporation amended its articles to change its corporate name from Pulse Data Inc. to Pulse Seismic Inc.

Pulse's head office is located at 2400, 639 – 5th Avenue S.W., Calgary, Alberta, T2P 0M9. The registered office of Pulse is located at Suite 1400, 700 – 2nd Street S.W., Calgary, Alberta, T2P 4V5.

Intercorporate Relationships

The following diagram sets out the intercorporate relationships among the Corporation and its subsidiaries:
Pulse is the general partner of, and owns 100% of the Class A units of, ReQuest Seismic Surveys LP. The Class B units are held by a third party, and only entitle the holder to 5% of gross revenues from license sales from a specific seismic data base.

**GENERAL DEVELOPMENT OF THE BUSINESS**

The general development of the Corporation’s business over the last three completed financial years is as follows:

**2009:**

- During 2009, the Corporation completed two participation surveys, adding 399 net square kilometres of 3D data to the seismic data library. The Corporation also purchased approximately 713 net kilometres of 2D data.

- In December 2009 the Corporation announced the renewal of the Corporation’s syndicated revolving credit facility for one year until December 14, 2010. The Corporation elected to reduce the principal amount of this facility from $75 million to $65 million, in order to reduce fees and interest charges.

**2010:**

- On September 29, 2010 Pulse successfully closed the acquisition of approximately 13,500 net square kilometres of 3D seismic data and 82,000 net kilometres of 2D seismic
data from Divestco Inc. (“Divestco”). The total consideration was $55.5 million cash plus 14,285,000 Pulse common shares. The Pulse common shares were distributed by Divestco to its shareholders.

- In December 2010 the Corporation renewed its $65 million syndicated revolving credit facility for one year until December 13, 2011.

- The Corporation completed one participation survey in the fourth quarter of 2010, adding 72 net square kilometres of 3D data to the seismic data library.

2011:

- During 2011, Pulse completed two participation surveys, adding a total of approximately 162 net square kilometres of 3D seismic data to the seismic data library. The Corporation also purchased approximately 88 net square kilometres of 3D data. During Q3 and Q4 2011, Pulse commenced operations on three additional participation surveys, which when completed in Q1 2012 added a total of approximately 567 net square kilometres of 3D data to the seismic data library.

- On August 8, 2011, the Corporation announced the reinstatement of the quarterly dividend.

- In November 2011, the Corporation renewed its $65 million syndicated revolving credit facility for one year until December 12, 2012.

On March 13, 2012 the Corporation announced it had signed a $27.8 million 3D seismic data license agreement. The majority of the data is located in the Cutbank Ridge area of northeast British Columbia.

For a discussion of the Corporation’s outlook of its business for the 2012 financial year, the “Outlook” section of the MD&A for the 2011 financial year is incorporated by reference. The Corporation’s MD&A for the year ended December 31, 2011 was filed on SEDAR at www.sedar.com on March 19, 2012 as “Management’s Discussion and Analysis”.

DESCRIPTION OF THE BUSINESS

GENERAL

Pulse is a market leader in the acquisition, marketing and licensing of two-dimensional (2D) and three dimensional (3D) seismic data for the western Canadian energy sector. 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.

Pulse owns the second largest licensable seismic data library in Canada, currently consisting of approximately 27,100 net square kilometres of 3D seismic and 340,000 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.

Pulse's business model is designed to generate a growing stream of cash flow by repeatedly re-licensing data within its seismic data library to oil and natural gas companies. Success in this
business model requires extensive coverage through high-quality seismic data encompassing all geological target zones, with focused coverage in active play areas.

Seismic data does not expire or deteriorate. Modern reprocessing and interpretation techniques enable older seismic data to be re-used over and over. That means that it can be utilized repeatedly – generating recurring revenue.

Pulse acquires seismic data to grow its data library through two main methods. The Corporation purchases proprietary rights to complementary 2D and 3D seismic data sets when the opportunity arises, and conducts 3D participation surveys. Pulse partners with customers on participation surveys from which the seismic data acquired is added to Pulse’s data library to generate future licensing revenue. Pulse retains proprietary rights to the data and participating customers are provided with a licensed copy. Pulse uses internal staff to market, manage and oversee participation surveys and subcontracts all field acquisition activities to third parties.

The Corporation is continuously seeking and evaluating additional opportunities to acquire high-quality 2D and 3D data sets at favourable valuations and to conduct 3D participation surveys in areas complementary to Pulse’s current data library.

Pulse generates revenue through licensing 2D and 3D seismic data from the library and from pre-funding on new participation surveys.

**Seismic Data:**

Seismic data is an essential part of the oil and natural gas exploration and development process. Companies engaged in oil and natural gas exploration, development and production use seismic data to assist in exploring for and developing new reserves, in establishing the extent of existing reserves and in managing producing reservoirs.

Exploration and production seismology is the process by which explorationists attempt to image the earth's subsurface strata. In acquiring seismic data, an acoustical energy wave is transferred from an energy source at or near the surface of the earth to the subsurface. These seismic waves reflect off of the various geological beds or strata in the earth's subsurface. Sophisticated sensors and recording instruments at the surface collect the reflected waves and convert them to digital form after which they are stored on magnetic tape for subsequent processing and interpretation. The resultant seismic section provides explorationists with valuable data on the potential of a particular area to yield oil or natural gas reserves and assists in the selection of drilling locations.

2D seismic data provides explorers with a two dimensional image of the subsurface directly below the line on which the data was acquired. 2D seismic data continues to be used to generate large regional initial leads and prospects in new oil and natural gas exploration areas.

3D seismic data is shot in grids, generating a three dimensional image of the subsurface. 3D seismic data enables a more precise definition of geologically complex targets, and facilitates precise placement of oil and natural gas wells. 3D seismic data is particularly important for horizontal drilling, unconventional plays (such as shale gas and tight sands) and complex conventional drilling.

The oil and natural gas exploration and development industry continues to create new unconventional oil and natural gas plays. Oil and natural gas companies have revitalized historical producing reservoirs and unlocked previously by-passed reservoirs (typically tight sandstones and shales) that were considered unproductive or uneconomic. The breakthrough technology involves longer-leg horizontal wells and completions with multiple hydraulic fractures. These unconventional plays require both 2D and 3D seismic data. 2D seismic data is used to map the regional faults in shale gas prospects, and gives an indication of the degree of
natural faulting that can be expected. 3D seismic data is used to map the small scale fractures in shale gas projects and to plan the paths of follow-up horizontal wells.

Oil and natural gas companies had traditionally viewed their seismic data libraries as giving them a competitive advantage and, as a result, the majority of seismic data was acquired directly by these companies on a proprietary basis through the hiring of subcontractors to complete a survey in an area of interest. However, there is a growing trend among oil and gas producers to outsource seismic data acquisition and management. This is achieved through the purchase by the producers of licences to view and analyze existing seismic data owned by other parties and by participating in participation surveys with other parties wherein the producers fund a portion of a seismic survey project carried out and managed by other parties and in which the producer does not retain a proprietary interest but obtains a non-exclusive, perpetual licence to the data. In addition, oil and gas producers may monetize their investments in their proprietary seismic data libraries by selling the proprietary rights and taking back a non-transferable licensed copy.

**Data Library:**

Pulse’s 2D and 3D seismic data library coverage is shown on the following maps:
Pulse’s current participation survey focus is in Pulse’s core area, the Edson – Fort St. John multi-zone corridor. This area features multiple productive zones in tight sandstones and structural features.

Customers:

Pulse has a diverse base of more than 300 oil and gas company customers. The top 10 customers by revenue are usually different each year.
Revenue

Revenue from continuing operations includes seismic data library sales and participation survey revenues. The following is a breakdown of Pulse’s revenue from continuing operations over its last two fiscal years:

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<tr>
<td></td>
<td>2011</td>
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<td>Revenue (Relates to continuing operations only)</td>
<td></td>
</tr>
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<td></td>
<td>Revenue ($ thousands)</td>
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<tr>
<td>Data Library Sales</td>
<td>$ 36,194</td>
</tr>
<tr>
<td>Participation Surveys</td>
<td>15,280</td>
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<td>Total Revenue</td>
<td>$ 51,474</td>
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Seismic Data Library Sales

Data library sales are conducted under various types of sale contracts. The sale contracts are classified as retail data library sales, library cards (discount agreement, paid on predetermined payment terms with periods of up to one year to select data), commitment cards (discount agreement, paid when data is selected and delivered within a one year period), review and possession agreements (client is provided with data to review and selects a portion of this data to license; the agreement has set payment terms) and re-licensing fee agreements.

Under Pulse’s current standard form license agreement, upon a change of control of the licensee in an M&A transaction, a change of control (re-licensing) fee is generally payable to Pulse. Under Pulse’s current standard form license agreement, a licensee generally may not give the licensed seismic data to a joint interest partner in the oil and gas lands. If the joint interest partner wishes to view or interpret the seismic data, it must purchase an additional licensed copy directly from Pulse. The precise terms of individual license agreements (including those historically used by Pulse and its predecessors and those assumed by Pulse on data acquisitions) can vary greatly.

If the licencee approached Pulse via a broker, a brokerage fee of 10% of the licence fee is generally paid to the broker by Pulse upon receipt of the proceeds from the licensee.

Where Pulse owns less than a 100% ownership interest in a seismic data set in its existing library, the remaining undivided interests in such seismic data are owned by various other parties. In those circumstances, agreements are generally in place between the various interest owners of the seismic data providing for, among other things, the management of the seismic data, the licensing of the seismic data and the division of revenues arising from the licensing of the seismic data. In the absence of a written agreement, industry practice is that any licenses of the seismic data require the consent of all of the owners of undivided interests in the data. When Pulse licenses seismic data, in which it owns less than a 100% interest, the licence fee, net of commissions and management fees, is divided among Pulse and the other interested parties. Where Pulse manages the seismic data, Pulse generally earns a 5% management fee and a 10% commission on the
license fee. In these cases, the revenue recorded by Pulse is the management fee plus the
commission and the net amount of the licensing revenue.

Participation Surveys

Pulse designs, markets and operates participation surveys where non-exclusive licences to the
seismic data acquired from such surveys are granted by Pulse to parties that participate in the
surveys. In these surveys, Pulse, either by itself or in consultation with oil and gas companies,
selects a location for the survey based upon a risk analysis undertaken by Pulse. Once an area has
been selected, Pulse approaches oil and natural gas companies to subscribe for the seismic
information to be obtained from the survey prior to the information being gathered in the field.
Obtaining such subscriptions assists in the financing of the surveys and helps to indicate the
marketability of the data. When sufficient subscriptions have been procured, Pulse hires sub-
contractors to perform all field acquisition activities (surveying, clearing and mulching
vegetation, providing the drills and energy source, recording the physical survey, and processing
the data), although Pulse supervises all aspects of the survey. By way of presales of licences, the
oil and natural gas companies participating in the survey purchase a non-exclusive licence to use
the seismic information obtained. Such licences may include a limited exclusive period of three
to six months after delivery, are perpetual and transfer no ownership rights. Exclusive periods
have not been common for the last five years, and are negotiated on a survey by survey basis.
Pulse retains the ownership rights to continue to licence the seismic data to interested parties after
the expiry of any applicable exclusivity period.

Pulse currently has a target of 70% for overall pre-funding of all participation surveys shot in any
year, with the actual percentage funding of each particular survey determined by Pulse ahead of
time depending upon Pulse’s risk analysis of such survey. In circumstances where Pulse believes
that there is a high probability of license sales after completion of the survey, or where a survey is
located in a strategic location, Pulse has proceeded in the past, and may proceed in the future,
with the survey when it has obtained presales for less than 70% of the cost of the survey. In some
cases, participation may be limited to one particular oil and/or natural gas company. Pulse may
also conduct a “spec” survey with no participation survey funding, if it believes there is a strong
likelihood of subsequent license sales or the survey is strategically located.

The advantages to oil and gas companies of purchasing non-exclusive seismic surveys are: (i) the
ability to evaluate large tracts of land with cost-effective seismic data; (ii) the ability to obtain
seismic data in an area on a confidential basis during an exclusivity period for exploration
purposes; (iii) the opportunity to interpret new, high quality seismic data with little competition
(only the other initial purchasers of licences) during an exclusivity period; and (iv) the ability to
re-allocate personnel to other tasks that would otherwise be tied up supervising the acquisition of
this seismic data. These advantages accrue not only to large oil and natural gas companies, which
may utilize the surveys to complement their own seismic databases, but also to junior and
intermediate companies which gain access to seismic data through their direct investment in
participation surveys or on a licensed basis upon the expiry of the exclusivity period. The
primary benefit to Pulse from its participation in these surveys is the addition, on a cost-effective
basis, of modern seismic information to its database. The asset value of these surveys ranges
from hundreds of thousands to millions of dollars depending on the size and location of the
project.

Project Management

Pulse sometimes generates revenues through project management services provided to oil and gas
companies for seismic surveys. In these cases, Pulse does not acquire an ownership interest in the
seismic data. The revenues from these services have historically been very minor.
Seismic Overview

The use of seismic data by oil and gas companies in exploration and development activities and reserve management greatly enhances their chances for success. As a result, seismic data is essential information in the oil and natural gas exploration and development business. Seismic data is obtained by laying cable connected sensors called geophones along the surface of the ground. The cable is connected to a computer capable of recording data received. Once the cable and geophones are in place, an explosion is detonated. The explosion sends acoustic energy through the ground and into the subsurface in the form of a seismic wave. The seismic wave is reflected back to the geophones where it is converted to electrical energy and transferred along the cable to the computer and digitally recorded on tape, different physical properties in the subsurface cause changes in the velocity and travel paths of the energy wave. This information is processed using sophisticated computer software to produce a seismic image that can then be used by geophysicists to assist in evaluating the oil and gas bearing potential of various geological zones. The use of a single cable produces a 2D image.

The 3D seismic imaging process involves the use of parallel cables in a grid format set over a defined area. Again, an explosion is used to send acoustic energy waves into the subsurface. In the case of 3D seismic, the data, once processed, produces a three dimensional seismic image that provides detailed information for oil and natural gas exploration and development activities and reservoir management.

Seismic Data Library Business Competitive Conditions

Pulse owns the second largest licensable seismic data library in Canada, currently consisting of approximately 27,100 net square kilometres of 3D seismic and 340,000 net kilometres of 2D seismic.

Based upon information available to Pulse, its competitive position against its direct competitors in the Western Canadian seismic data library business is estimated to be as follows:

The western Canadian geophysical services industry is fragmented and is comprised of a full spectrum of service providers from large multi-national full service companies to single proprietorship owners of seismic data. Unlike full-service companies, which own and operate equipment and field crews for the purposes of seismic data acquisition and seismic data processing, Pulse’s focus remains on the procurement of seismic data by purchasing existing data.
and developing new participation surveys through the use of contracted equipment and crews as well as the marketing and management of its seismic data library.

The western Canadian geophysical services industry is highly competitive. Pulse competes with other more established companies which may have greater financial, marketing and other resources, and certain of which are large international geophysical services companies that offer a wider array of geophysical services to their clients than Pulse. The Corporation also competes with other companies that acquire, market and license seismic data, that maintain their own seismic data libraries, and that compete against Pulse in shooting participation surveys and licensing seismic data to their customers. The Corporation also competes against oil and gas companies that may choose to license their own proprietary seismic data to customers.

**Intangible Properties**

Pulse relies upon a combination of license agreements, copyright and other intellectual property rights to protect its ownership rights and confidentiality of its seismic data.

**Seismic Industry Cycles and Seasonality**

Pulse’s revenue fluctuates over quarters due to the seasonality of participation surveys and because the timing of seismic data library sales depends on the timing of capital expenditures by oil and natural gas companies.

Historically, the trend has been that fourth quarter data library sales are often higher than in other quarters as result of a number of oil and natural gas companies expediting their capital expenditures prior to year-end.

The majority of seismic acquisition is typically acquired in the winter under frozen ground conditions from November to March. Summer seismic programs can only be completed in certain areas that have drier ground conditions and that can be easily accessed without leaving harmful environmental effects. The demand for seismic equipment and contractors is typically lower during the summer months; therefore programs during this time can be more cost-effective. The Corporation’s focus on acquiring data in the core Edson-Fort St John multi-zone corridor has allowed multi-season surveys to be conducted.

**Environment**

*Environmental Regulation:*

Seismic survey field operations are subject to extensive environmental protection laws and regulations.

Before proceeding with a seismic survey, Pulse must first obtain the necessary governmental geophysical permits and approvals. These permits and approvals include operating and environmental restrictions for the survey, including conditions and restrictions on activities in environmentally sensitive areas, wildlife zones, archeological sites, water crossings, pipeline crossings, power lines, private landowners, FMA (Forest Management Agreement areas) and road usage, and any seasonal access restrictions.

Within a set period of time (usually two years after completion of field operations), Pulse is required by laws and regulations to obtain a letter of clearance from the applicable governmental body that granted the geophysical permits and approvals, that the surface of the lands have been satisfactorily reclaimed and restored.
Field Operations:

Pulse subcontracts all field operations to seismic contractors, which encompass four main phases: (1) line clearing; (2) surveying; (3) drilling; and (4) recording. Line clearing involves the cutting of trees and vegetation to prepare for the receiver and source points and for site access for equipment and crews. Surveying involves pre-determining the exact source and receiver locations. Drilling involves the drilling and preparation of holes with the energy source, which is usually dynamite. Recording involves the laying out of the receivers and cables, initiating the energy source (usually the detonation of dynamite) and physically recording the seismic energy.

Mitigation of Environmental Impact:

The environmental impact of field operations has been greatly reduced due to improved field practices:

- GPS technology means that surveyors no longer require line-of-sight, and so lines are allowed to meander, allowing mulchers on source lines to reduce their cutting of trees and to cut source lines at a reduced width of approximately 3.5 metres.
- Receiver lines are cut manually with chainsaws, resulting in a meandering footpath no wider than 1.5 metres.
- Line clearing is no longer conducted by bulldozer, which left a large footprint on the landscape. Smaller mulchers are also now used, which leave a smaller imprint. Smaller equipment is also used for surveying, drilling and recording, which require smaller line width. Equipment is also lighter, and is often transported by helicopter into environmentally sensitive areas, avoiding the need to build new roads.
- Cut trees and vegetation are completely mulched and spread on the lines, to facilitate faster regrowth.
- Mulchers do not disturb the duff layer of the soil, so that root systems are left intact and regrowth begins immediately.
- Line access is closed to the public, providing protection for undisturbed regrowth and reducing wildlife disturbance by hunters and recreational users.

Costs of Compliance:

Pulse currently has a target of 70% for overall prefunding of all participation surveys conducted in any year. The costs of compliance with environmental laws and regulations and the conditions and restrictions in the geophysical permits and regulations (including the restoration and reclamation of the surface of the lands) are accrued as part of the survey costs. Since participation survey customers usually subscribe for a survey at a fixed rate, any cost overruns will effectively reduce the percentage of pre-funding for that survey.

Pulse is required to pay the Crown and private landowners for timber damage caused by line clearing and for site access fees. These costs are budgeted by Pulse and accrued as part of the survey costs. Since participation survey customers usually subscribe for a survey at a fixed rate, any cost overruns will effectively reduce the percentage of pre-funding for that survey.

Risks and Risk Management:
If Pulse fails to conduct a seismic survey in accordance with the conditions and restrictions in the applicable geophysical permits and approvals, the permits and approvals for that survey could be terminated and Pulse could be fined. Under current laws and regulations, these fines could be significant. Pulse mitigates this risk through comprehensive training, field supervision and monitoring.

Pulse subcontracts all field operations to seismic contractors. Under applicable environmental laws and regulations, Pulse is generally responsible for ensuring compliance by these seismic contractors with environmental laws and regulations and with the applicable government permits and approvals. Pulse mitigates this risk by carefully screening its seismic contractors, by requiring all seismic contractors to sign Master Service Agreements under which they are required to comply with environmental laws and regulations and with the applicable government permits and approvals, and by using Pulse field supervisors to supervise all field operations by seismic contractors.

The detonation of dynamite in shot holes could potentially damage water aquifers, including private landowner wells. The incidence of this type of damage is very rare, but the costs of remediating this type of damage could include the drilling of a replacement water well. Pulse mitigates this risk by adhering to appropriate setback distances. In addition, Pulse tests private landowner wells both before and after field operations for flow rates and quality, in order to accurately assess whether or not there has been any damage.

The drilling of shot holes or the detonation of dynamite in shot holes could cause underground water to be released and flow to the surface (a flowing hole). Pulse mitigates this risk by plugging any flowing holes with bentonite to stop the flow of water to the surface.

Seismic surveys are typically conducted during winter when frozen ground conditions permit the movement and operation of equipment. In addition, government geophysical permits and approval for environmentally sensitive areas may be restricted to winter access only. If an unseasonably late or warm winter delays or prevents sufficient freezing, or if an early spring results in an early thaw, Pulse may not be able to complete its winter seismic surveys on time and within budget.

Seismic surveys may be conducted during summer in certain areas that have drier ground conditions. Under excessive rainfall, field operations may be shut down by governmental agencies to prevent environmental damage until the ground dries up. Under typical line clearing, surveying and drilling contracts, the seismic contractors are paid standby rates and mobilization / demobilization costs during these shutdown periods. Since participation survey customers usually subscribe for a survey at a fixed rate, any cost overruns will effectively reduce the percentage of pre-funding for that survey. If excessive rain results in significant shutdowns, Pulse may not be able to complete its summer programs on time and within budget.

While Pulse maintains liability insurance, including insurance for environmental claims, the insurance is subject to coverage limits and exclusions. There can be no assurance that the possible types of environmental liabilities that may be incurred by Pulse will be covered by Pulse's insurance, or that the dollar amount of such liabilities will not exceed Pulse's policy limits.

**Employees**

As of December 31, 2011, the Corporation had 28 full time and 4 part time employees.

**Environmental, Health and Safety Policies**
The Corporation has implemented written policies and procedures to promote a safe, healthy and accident free workplace for its employees and contractors and to mitigate adverse effects on the environment. In addition, the Board of Directors has established an Environment, Health and Safety Committee, whose mandate is to monitor the environmental, health and safety practices and procedures of the Corporation for compliance with applicable legislation, conformity with industry standards, and prevention or mitigation of losses. In September 2009, the Corporation received its three year Certificate of Recognition (“COR”) certification, issued by Enform and the Government of Alberta.

**RISK FACTORS**

The Section entitled “Risk Factors” in the Corporation’s MD&A for the year ended December 31, 2011 is incorporated by reference. The Corporation’s MD&A for the year ended December 31, 2011 was filed on SEDAR at [www.sedar.com](http://www.sedar.com) on March 19, 2012 as “Management’s Discussion and Analysis”.

**DIVIDENDS**

The following table discloses the amount of cash dividends declared per common share for each of the three most recently completed financial years:

<table>
<thead>
<tr>
<th>Year ended December 31, 2009</th>
<th>Year ended December 31, 2010</th>
<th>Year ended December 31, 2011</th>
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<tr>
<td>$0.000 (1)</td>
<td>$0.000</td>
<td>$0.025 (2)</td>
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Notes:

(1) No dividend was paid in 2009 or 2010 as a result of the suspension of the quarterly dividend in March 2009.

(2) Represents two quarterly dividends of $0.0125 per common share paid in 2011.

On August 4, 2011 Pulse announced the reinstatement of the quarterly dividend at $0.05 per year, per common share. The dividend had been suspended in the first quarter of 2009 and was reviewed on quarterly basis by the Board of Directors of the Corporation.

Under the Corporation’s syndicated revolving credit facility, the Corporation may not without the prior written consent of its lenders, pay any dividend if the dividend puts the Corporation in default of any of the covenants in such credit facility.

Pulse has not reinstated the Dividend Reinvestment Plan (DRIP) and Optional Share Purchase Plan (OSSP) at this time. The Board of Directors reviews the DRIP and OSSP reinstatement on a quarterly basis.

**DESCRIPTION OF CAPITAL STRUCTURE**

The Corporation is authorized to issue an unlimited number of common shares and an unlimited number of preferred shares, issuable in series. As of December 31, 2011 there were 66,045,571 common shares outstanding and no preferred shares outstanding.

The holders of the common shares are entitled to receive dividends if, as and when declared by the Board of Directors. The holders of common shares are entitled to receive notice of and to attend all meetings of shareholders and are entitled to one vote per common share held at all such
meetings. In the event of the liquidation, dissolution or winding up of the Corporation or other distribution of assets of the Corporation among its shareholders for the purpose of winding up its affairs, the holders of the common shares will be entitled to share equally, share for share, in any distribution of the assets of the Corporation.

The preferred shares are non-voting and are issuable in series, with such designations, rights, privileges, restrictions and conditions as are determined by the Board of Directors at the time of issue.

The Corporation ratified and confirmed its Shareholder Rights Plan by way of an Amended and Restated Shareholder Rights Plan Agreement dated May 20, 2010 between the Corporation and Valiant Trust Company, as Rights Agent. The Shareholder Rights Plan was ratified and confirmed by the shareholders at the special meeting of shareholders of the Corporation on May 20, 2010.

**MARKET FOR SECURITIES**

The common shares of Pulse are listed for trading on the TSX under the trading symbol PSD.

The following table provides information on the price ranges and volumes traded on the TSX for each month during 2011:

<table>
<thead>
<tr>
<th>Month</th>
<th>Trading Volume</th>
<th>Price Range</th>
</tr>
</thead>
<tbody>
<tr>
<td>January</td>
<td>8,956,837</td>
<td>$1.62 - $2.23</td>
</tr>
<tr>
<td>February</td>
<td>6,425,897</td>
<td>$2.10 - $2.40</td>
</tr>
<tr>
<td>March</td>
<td>3,925,151</td>
<td>$2.11 - $2.43</td>
</tr>
<tr>
<td>April</td>
<td>2,625,562</td>
<td>$2.20 - $2.35</td>
</tr>
<tr>
<td>May</td>
<td>3,160,431</td>
<td>$1.90 - $2.34</td>
</tr>
<tr>
<td>June</td>
<td>2,355,946</td>
<td>$1.87 - $2.20</td>
</tr>
<tr>
<td>July</td>
<td>1,135,639</td>
<td>$1.90 - $2.05</td>
</tr>
<tr>
<td>August</td>
<td>1,721,979</td>
<td>$1.55 - $2.00</td>
</tr>
<tr>
<td>September</td>
<td>1,165,619</td>
<td>$1.79 - $2.29</td>
</tr>
<tr>
<td>October</td>
<td>948,385</td>
<td>$1.77 - $1.98</td>
</tr>
<tr>
<td>November</td>
<td>715,191</td>
<td>$1.80 - $1.95</td>
</tr>
<tr>
<td>December</td>
<td>1,164,639</td>
<td>$1.70 - $1.85</td>
</tr>
</tbody>
</table>

**DIRECTORS AND OFFICERS**

The name, province or state and country of residence, positions and offices held with the Corporation, and principal occupation of the directors and executive officers of Pulse are as follows:
<table>
<thead>
<tr>
<th>Name and Residence</th>
<th>Positions Held</th>
<th>Principal Occupation</th>
<th>Date First Elected as a Director&lt;sup&gt;(5)&lt;/sup&gt;</th>
</tr>
</thead>
<tbody>
<tr>
<td>Donald West&lt;sup&gt;(2)(3)(4)&lt;/sup&gt; Alberta, Canada</td>
<td>Director</td>
<td>Independent Businessperson</td>
<td>June 2000</td>
</tr>
<tr>
<td>Graham Weir&lt;sup&gt;(1)(3)&lt;/sup&gt; Alberta, Canada</td>
<td>Director, Chair of the Board</td>
<td>Chair of the Board of Graymont Limited, a private lime producing company</td>
<td>April 2002</td>
</tr>
<tr>
<td>Clark Zentner&lt;sup&gt;(2)(3)&lt;/sup&gt; Alberta, Canada</td>
<td>Director</td>
<td>Independent Businessperson</td>
<td>April 2002</td>
</tr>
<tr>
<td>Daphne Corbett&lt;sup&gt;(1)(3)(4)&lt;/sup&gt; British Columbia, Canada</td>
<td>Director</td>
<td>Independent Businessperson</td>
<td>June 2004</td>
</tr>
<tr>
<td>Douglas A. Cutts&lt;sup&gt;(4)&lt;/sup&gt; Alberta, Canada</td>
<td>President and Chief Executive Officer and Director</td>
<td>President &amp; CEO of Pulse</td>
<td>May 2007</td>
</tr>
<tr>
<td>Robert Robotti&lt;sup&gt;(1)(2)(3)&lt;/sup&gt; New York, USA</td>
<td>Director</td>
<td>President of Robotti &amp; Company LLC, a U.S. registered broker-dealer, and President of Robotti &amp; Company Advisors LLC, a U.S. registered investment advisor</td>
<td>December 2007</td>
</tr>
<tr>
<td>Peter Burnham&lt;sup&gt;(3)(4)&lt;/sup&gt; Alberta, Canada</td>
<td>Director</td>
<td>Independent Businessperson</td>
<td>January 31, 2012</td>
</tr>
<tr>
<td>Brent Gale Alberta, Canada</td>
<td>Senior Vice President and Chief Operating Officer</td>
<td>Senior Vice President &amp; COO of Pulse</td>
<td>N/A</td>
</tr>
<tr>
<td>Pamela Wicks Alberta, Canada</td>
<td>Vice President, Finance and Chief Financial Officer</td>
<td>Vice President Finance &amp; CFO of Pulse</td>
<td>N/A</td>
</tr>
<tr>
<td>Neal Coleman Alberta, Canada</td>
<td>Vice President Sales and Marketing</td>
<td>Vice President Sales and Marketing of Pulse</td>
<td>N/A</td>
</tr>
<tr>
<td>Jeff Bectold Alberta, Canada</td>
<td>Vice President Operations</td>
<td>Vice President Operations</td>
<td>N/A</td>
</tr>
</tbody>
</table>

**Notes:**

<sup>(1)</sup> Member of the Audit Committee. Daphne Corbett is the Chair of the Committee.

<sup>(2)</sup> Member of the Compensation Committee. Clark Zentner is the Chair of the Committee.

<sup>(3)</sup> Member of the Corporate Governance and Nominating Committee. Robert Robotti is the Chair of the Committee.
Member of the Environment, Health and Safety Committee. Donald West is the Chair of the Committee.

Each of the directors holds office until the next annual meeting of shareholders or until their successor is duly elected or appointed.

The background of each of the directors and executive officers of Pulse and their principal occupations for the past five years are as follows:

**Donald West, Director**

Mr. West has been a director of Enerplus Resources Fund (an oil and gas trust fund) since April 2003. From March 1993 to September 1999, he was the President, Chief Executive Officer and a director of Rigel Energy Corporation (an oil and gas company).

**Graham Weir, Director**

Mr. Weir is Chairman of the Board of Graymont Limited, a private lime producing company. From 1990 to December 2000, he was Vice President and Director of Corporate Finance for Goepel McDermid Inc. (an investment dealer). He is currently also a director of Grupo Calidra, Flagstone Energy, Coral Hill Energy, Joss Windpower and Zargon Oil & Gas Ltd.

**Clark Zentner, Director**

Mr. Zentner is an independent businessperson. From 1998 to present, he has been involved with a number of early stage energy and agriculture companies and as administrator/director with nonprofit organizations. Prior thereto, from 1990 to 1998, he was Managing Director, Merchant Banking with ARC Financial Corporation, an investment banking and merchant banking company at that time.

**Daphne Corbett, Director**

Ms. Corbett is an independent businessperson with over 20 years of experience in corporate banking. From 1981 to 2003 Ms. Corbett worked in various senior and executive positions with HSBC Bank in Canada, United States and South America.

**Douglas A. Cutts, President and Chief Executive Officer and Director**

Mr. Cutts was appointed President, CEO and a director of Pulse on May 22, 2007. Mr. Cutts joined Pulse on March 25, 2002 as Vice President, Finance and Chief Financial Officer. From September 2000 to November 2001 he was Vice President Finance, Chief Financial Officer, and a Director of Command Drilling Corporation (an energy services company). From July 1997 to April 1999 he was President, Chief Operating Officer, and a Director of IPEC (an energy services company).

**Robert Robotti, Director**

Mr. Robotti has been President of Robotti & Company, LLC, a U.S. registered broker-dealer since 1983. He is also President of Robotti & Company Advisor, LLC, a U.S. registered investment advisor. He is also a Managing Member of Ravenswood Management Company, LLC, which serves as the General Partner of the Ravenswood Investment Company, L.P. and Ravenswood III L.P. He has been a director of Panhandle Oil and Gas Inc., a New York Stock Exchange listed company, since 2004.

**Peter Burnham, Director**
Mr. Burnham is an independent businessman with extensive executive experience in both private and public oil and natural gas companies. Mr. Burnham's 32 years of experience encompasses various executive roles including that of Vice President, Exploration of Tri Link Resources Ltd. (1981 - 2000). Since the sale of Tri Link in 2000, Mr. Burnham has managed and directed a number of privately held companies, including the role of Co-Founder, President and Director of Arista Energy Ltd (2004 - 2008) which was sold to Tri Star in 2008. A graduate of the University of British Columbia, Mr. Burnham holds a B.Sc. Geological Sciences. He has extensive experience in capital markets and has intimate knowledge of the Western Canadian Sedimentary Basin. Mr. Burnham is a director for two privately held companies, Epping Energy Inc. and Kilo Technologies and is an active director on various charitable organizations.

Brent Gale, Senior Vice President and Chief Operating Officer

Mr. Gale assumed the role of Senior Vice President and Chief Operating Officer of Pulse on April 1, 2011. Prior thereto, Mr. Gale held the position of Vice President, Operations and Chief Operating Officer from August 2003. Mr. Gale was first appointed Vice President Operations in October 1999.

Pamela Wicks, Vice President Finance and Chief Financial Officer

Pamela Wicks was appointed Vice President Finance and Chief Financial Officer of Pulse on March 10, 2010. Prior thereto, she was Vice President Finance of Pulse since May 2007, and prior thereto was Controller of Pulse since January 2002.

Neal Coleman, Vice President Sales and Marketing

Neal Coleman was appointed Vice President Sales and Marketing of Pulse on April 1, 2008. Prior thereto, he was Manager, Sales and Marketing of Pulse since January 2006.

Jeff Bectold, Vice President Operations

Mr. Bectold assumed the role of Vice President Operations effective April 1, 2011. Mr. Bectold joined the Corporation in 2008 as Manager Participation Surveys.

Securities Owned

As at March 15, 2012, the directors and executive officers of Pulse, as a group, beneficially owned, or controlled or directed, directly or indirectly, 11,333,343 Pulse common shares (representing approximately 18% of the issued and outstanding Pulse common shares).

Cease Trade Orders, Bankruptcies, Penalties or Sanctions

On November 29, 2006 Robert Robotti was appointed to the Board of Directors of Advanced Marketing Services Inc. (“MKTS”), a San Diego, California based company. On December 29, 2006 MKTS filed a voluntary petition under Chapter 11 of the Federal Bankruptcy Code in United States Bankruptcy Court for the District of Delaware. On January 16, 2007 Mr. Robotti resigned as a director of MKTS.

TRANSFER AGENT AND REGISTRAR

The Corporation’s transfer agent and registrar is Valiant Trust Company with registers of transfers of the Corporation’s common shares in Calgary, Alberta and Toronto, Ontario.

MATERIAL CONTRACTS
Other than contracts entered into in the ordinary course of business, the following contracts that are material to the Corporation were entered into within the most recently completed financial year, or before the most recently completed financial year but which are still in effect:

Amended and Restated Shareholder Rights Agreement dated May 20, 2010 between the Corporation and Valiant Trust Company, as Rights Agent, a copy of which was filed on SEDAR on May 21, 2010 under “Security holders document – English”.

**INTERESTS OF EXPERTS**

KPMG LLP, Chartered Accountants, audited the annual consolidated financial statements for the financial year ended December 31, 2011.

KPMG LLP is independent in accordance with the auditor’s Rules of Professional Conduct of the Institute of Chartered Accountants of Alberta.

**ADDITIONAL INFORMATION**

Additional information relating to the Corporation may be found on SEDAR at [www.sedar.com](http://www.sedar.com).

Additional information, including directors’ and officers’ remuneration and indebtedness, principal holders of the Corporation’s securities and securities authorized for issuance under equity compensation plans, if applicable, is contained in the Corporation’s Information Circular for its most recent annual meeting of shareholders that involved the election of directors.

Additional financial information is provided in the Corporation’s financial statements and MD&A for its most recently completed financial year.

**AUDIT COMMITTEE INFORMATION**

The following Audit Committee information is provided in accordance with NI 52-110 Audit Committees:

**The Audit Committee’s Charter**

The Audit Committee’s Charter is attached to this AIF.

**Composition of the Audit Committee**

The members of the Audit Committee are Daphne Corbett (Chair), Robert Robotti and Graham Weir. All members of the Audit Committee are considered to be independent and financially literate within the meaning of NI 52-110 Audit Committees.

**Relevant Education and Experience**

The education and experience of each Audit Committee member that is relevant to the performance of such member’s responsibilities as an Audit Committee member are as follows:

<table>
<thead>
<tr>
<th>MEMBER’S NAME</th>
<th>RELEVANT EDUCATION AND EXPERIENCE</th>
</tr>
</thead>
<tbody>
<tr>
<td>Name</td>
<td>Relevant Education:</td>
</tr>
<tr>
<td>------------</td>
<td>------------------------------------------------------------------------------------</td>
</tr>
<tr>
<td></td>
<td>CMA – Member of the BC Association 1989-1999 (resigned as a member in good standing)</td>
</tr>
<tr>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
</tr>
<tr>
<td>Robert Robotti</td>
<td>B.S. – 1975 – Bucknell University, Pennsylvania</td>
</tr>
<tr>
<td></td>
<td>MBA – 1978 – Pace University, New York</td>
</tr>
<tr>
<td></td>
<td>CPA – Member of the New York State Association 1978 – to present</td>
</tr>
<tr>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>Chartered Business Valuator – 1994 – Canadian Institute of Business Valuators</td>
</tr>
</tbody>
</table>
Pre-Approval Policies and Procedures

The Audit Committee has adopted the following specific policies and procedures for the engagement of non-audit services:

On an annual basis, the Audit Committee updates and approves a list of pre-approved audit, audit-related, tax and other services, and pre-approves services that are recurring or are otherwise reasonably expected to be provided.

The Audit Committee is informed quarterly of the services on such list for which the auditor has actually been engaged.

Additional requests for pre-approval are addressed on a case by case specific engagement basis as follows:

- Where the aggregate fees for an engagement are estimated to be less than or equal to $10,000, the VP Finance & CFO submits a recommendation to the Chair of the Audit Committee for pre-approval. The full Audit Committee is informed of the service at the next meeting of the Audit Committee. The engagement may commence upon pre-approval by the Chair of the Audit Committee;

- Where the aggregate fees for an engagement are estimated to be greater than $10,000, the VP Finance & CFO submits a recommendation to the full Audit Committee for pre-approval. The engagement may commence upon pre-approval by the full Audit Committee.

External Auditor Service Fees (by Category)

<table>
<thead>
<tr>
<th></th>
<th>2011 Financial Year</th>
<th>2010 Financial Year</th>
</tr>
</thead>
<tbody>
<tr>
<td>Audit Fees (^{(1)})</td>
<td>$156,150</td>
<td>$156,140</td>
</tr>
<tr>
<td>Audit-Related Fees (^{(2)})</td>
<td>Nil</td>
<td>$31,500</td>
</tr>
<tr>
<td>Tax Fees (^{(3)})</td>
<td>$2,500</td>
<td>$25,000</td>
</tr>
</tbody>
</table>

Notes:

(1) Includes the audit of annual consolidated financial statements, review of interim consolidated financial statements for the periods ended March 31, June 30 and September 30 and IFRS consultation services of $7,150 in 2011 and $14,640 in 2010.
(2) Audit-related fees directly relating to the seismic data acquisition from Divestco Inc.
(3) Canadian compliance.
**Overview and Purpose**

The Audit Committee (the “Committee”) is appointed by and responsible to the Board of Directors (the “Board”) of Pulse Seismic Inc. (the “Corporation”). The Committee oversees the accounting and financial reporting processes of the Corporation and the audits of the financial statements of the Corporation, in accordance with applicable laws and securities policies and instruments and these Terms of Reference.

The Committee has the authority to investigate any financial activity of the Corporation. The primary responsibilities of the Committee include:

- assessing the processes related to identification of risks and effectiveness of the control environment;
- overseeing financial reporting; and
- evaluating the external audit process.

The Committee shall have unrestricted access to the Corporation’s personnel and documents and will be provided with the resources necessary to carry out its responsibilities.

**Composition**

The Committee will be comprised of a minimum of three directors. All Committee members will be independent and financially literate within the meaning of NI 52-110 Audit Committees.

The members of the Committee shall be appointed or reappointed at the meeting of the Board immediately following each annual meeting of the shareholders of the Corporation. Each member of the Committee shall continue to be a member thereof until such member’s successor is appointed, unless such member shall resign or be removed by the Board or such member shall otherwise cease to be a director of the Corporation. Where a vacancy occurs at any time in the membership of the Committee, it may be filled by the Board and shall be filled by the Board if the membership of the Committee is less than three (3) directors as a result of the vacancy.

The members of the Committee shall choose one of its members to serve as Chair (the “Chair”) who is responsible for the preparation of reports to the Board and conducting the meetings of the Committee. If the Chair of the Committee is not present at any meeting of the Committee, the Chair of the meeting shall be chosen by the Committee from among the members present.

Resolutions of the Committee shall be carried by the majority of the votes of the members of the Committee present at the meeting.

All members of the Board shall be free to attend any meetings of the Committee and participate, but only those members of the Committee shall be entitled to vote on any question before the Committee. Other than members of the Board, entitlement to attend all or a portion of any Committee meetings shall be determined by the Chair of the Committee or its members.
Chair of the Board is an ex-officio and non-voting member of the Committee, unless appointed by the Board as a full member of the Committee.

The members of the Committee shall be entitled to receive such remuneration for acting as members of the Committee as the Board may from time to time determine.

**Responsibilities**

The responsibilities of the Committee include the following:

- To review the Corporation’s quarterly financial statements, quarterly management’s discussion and analysis and the financial information contained in the interim results news releases and interim reports to shareholders, and to provide recommendations to the Board for their approval;

- To review the Corporation’s annual audited financial statements and notes thereto and satisfy itself that they are fairly presented in accordance with International Financial Reporting Standards (IFRS) and to recommend to the Board whether such financial statements should be approved;

- To review the financial information contained in the annual management’s discussion and analysis, the financial information contained in the annual results news releases and annual reports to shareholders, and the financial information contained in the Annual Information Form (the “AIF”), to determine that they provide consistency of disclosure with the financial statements themselves, and to provide recommendations to the Board for their approval;

- To review the disclosure of Audit Committee information contained in the AIF, and to provide recommendations to the Board for its approval;

- To review such other financial information as the Corporation may publish from time to time including financial information in prospectuses and other offering documents and financial information required by regulatory authorities, to satisfy itself that they are fairly presented in accordance with IFRS, and to provide recommendations to the Board for their approval;

- To review and monitor accounting policies and practices;

- To review and monitor risk management practices;

- To review and monitor any material litigation involving the Corporation;

- To satisfy itself that management of the Corporation has implemented appropriate systems of internal control over financial reporting and determine that these are operating effectively;

- To obtain reasonable assurance through discussions with management and external auditors that the Corporation’s accounting systems are reliable and that internal controls are adequate. The Committee will review the evaluation of internal controls by the external auditors, including any recommendations for improvement of accounting procedures and internal controls, together with management’s response.

- To satisfy itself that the external audit function has been effectively carried out in a cost effective manner and that any matter which the external auditors wish to bring to the attention of the Board has been addressed;
• To review the annual appointment of external auditors for recommendation to the Board for approval by the shareholders of the Corporation, and to review the compensation of the external auditors and provide a recommendation to the Board for approval;

• To review any new appointment to the position of chief financial officer or to any other key executive position with financial reporting responsibilities;

• To review and pre-approve any non-audit services to be provided to the Corporation or its subsidiaries by the Corporation’s external auditors (provided that the Committee may adopt policies and procedures for the pre-approval of de minimus non-audit services and for the delegation of the pre-approval of non-audit services to one or more members of the Committee, in accordance with NI 52-110 Audit Committees);

• To review on an annual basis the Terms of Reference of the Committee; and

• To satisfy itself that the interim and annual certifications by the Corporation’s CEO and CFO of the Corporation’s interim and annual financial statements are completed and filed in accordance with applicable securities laws and policies.

In addition, the Chair of the Committee (or in the Chair’s absence, any other member of the Committee) will review and approve any earnings guidance and any news release containing financial information based on the Corporation’s financial statements prior to their release (other than financial information contained in interim and annual results news releases, which are to be approved by the Committee as provided above.)

**Procedures**

The Committee will be satisfied that adequate procedures are in place for the review of the Corporation’s public disclosure of financial information extracted or derived from the Corporation’s financial statements (other than the public disclosure of financial statements, MD&A and annual and interim earnings news releases and reports to shareholders referred to above under “Responsibilities”) and will periodically assess the adequacy of those procedures.

The Committee will establish procedures for:

(a) the receipt, retention and treatment of complaints received by the Corporation regarding accounting, internal accounting controls, or auditing matters, and

(b) the confidential, anonymous submission by employees of the Corporation of concerns regarding questionable accounting or auditing matters.

The Committee will review and approve the Corporation’s hiring policies regarding partners, employees and former partners and employees of the present and former external auditor of the Corporation.

**External Auditor**

The external auditor will report directly to the Committee.

The Committee is directly responsible for overseeing the work of the external auditor engaged for the purpose of preparing or issuing an auditor’s report or performing other audit, review or attest services for the Corporation, including the resolution of disagreements between management and the external auditor regarding financial reporting.

**Authority**

The Committee has the authority:

(a) to engage independent counsel and other advisors as it determines necessary to carry out its duties;
(b) to set and pay the compensation for any advisors employed by the Committee; and
(c) to communicate directly with the internal and external advisors.

Meetings
The Committee will meet at least four times per year and additionally as necessary to discharge its responsibilities as outlined herein. Upon consultation with and approval by all parties affected, the business of the Committee may be conducted by way of a telephone conference call.

The time and place of meetings of the Committee and the procedures at such meetings shall be determined from time to time by the members thereof, provided that a quorum for meetings shall be a majority of the members of the Committee.

Notice of the time and place of and an agenda and related materials respecting every meeting shall be given in writing or electronic communication to each member of the Committee at least 48 hours prior to the time listed for such meeting, provided, however, that a member may in any manner waive a notice of a meeting and attendance of a member at a meeting is a waiver of notice of the meeting, except where a member attends a meeting for the express purpose of objecting to the transaction of any business on the grounds that the meeting is not lawfully called.

The Committee may invite such officers, directors and/or employees of the Corporation as it may see fit from time to time to attend a meeting of Committee and assist in the discussion and consideration of the matters being considered by the Committee.

The Corporation’s external auditors will be invited to attend Committee meetings when appropriate, particularly if they have been asked to provide any form of service with respect to specific agenda items.

Reporting
The minutes of all meetings of the Committee are to be provided to the Board. Oral reports by the Chair on recent matters not yet recorded in the minutes are to be provided to the Board at its next meeting.

Supporting schedules and information reviewed by the Committee will be available for examination by any directors upon request to the Chair of the Committee.

Calendar for Meetings
The following outlines a suggested program for regular meetings of the Committee. Prospectuses, acquisitions, or takeovers will require meetings over and above the following annual program.

Meeting Prior to Release of Annual Financial Statements (March)
- Discuss the audited annual financial statements and auditors’ report thereon and annual management’s discussion and analysis in detail with the Corporation’s senior officers and external auditors.
- Review and confirm the scheduled filing of the annual certifications by the Corporation’s CEO and CFO of the annual financial statements.
• Review the financial information contained in the annual results news release and annual report to shareholders.
• Review the financial information and the disclosure of Audit Committee information contained in the AIF.
• Review a summary provided by the Corporation’s senior officers of the status of any material pending or threatened litigation, claims and assessments.
• Review the Terms of Reference for the Audit Committee.
• Review and assess the adequacy of the procedures for the review of the Corporation’s public disclosure of financial information extracted or derived from the Corporation’s financial statements.
• Review and assess the adequacy of the procedures for (a) the receipt, retention and treatment of complaints received by the Corporation regarding accounting, internal accounting controls, or auditing matters, and (b) the confidential, anonymous submission by employees of the Corporation of concerns regarding questionable accounting or auditing matters.
• Discuss in private with the external auditors matters affecting the conduct of their audit and other corporate matters.
• Discuss in private with the Corporation’s senior officers the level and timeliness of service provided by the auditors and whether they recommend the reappointment of the auditors.
• Provide the Board a recommendation as to whether the annual financial statements and management’s discussion and analysis, the financial information contained in the annual results news release and annual report to shareholders, and the financial information and disclosure of Audit Committee information contained in the AIF should be approved.
• Recommend to the Board each year the retention or replacement of the external auditors and their compensation.

Meeting Prior to Release of First Quarter Results (May)

• Obtain information on any changes in financial reporting requirements that may affect the current year’s financial statements.
• Review interim financial statements, interim management’s discussion and analysis, the interim review report of the external auditors, and the financial information contained in the interim results news release and interim report to shareholders with the Corporation’s senior officers and the external auditors and provide recommendations to the Board for their approval prior to their release.
• Review and confirm the scheduled filing of the interim certifications by the Corporation’s CEO and CFO of the interim financial statements.
• Obtain information on how the Corporation’s senior officers monitor the effectiveness of the Corporation’s financial reporting controls. Inquire into any significant changes planned regarding systems or controls within the next year.
• Review reports from senior officers outlining any significant changes in financial or other risks facing the Corporation.

• Review the management letter of the external auditors and the Corporation’s responses to the suggestions made.

**Meeting Prior to Release of Second Quarter Results (August)**

• Review interim financial statements, interim management’s discussion and analysis, the interim review report of the external auditors, and the financial information contained in the interim results news release and interim report to shareholders with the Corporation’s senior officers and the external auditors and provide recommendations to the Board for their approval prior to their release.

• Review and confirm the scheduled filing of the interim certifications by the Corporation’s CEO and CFO of the interim financial statements.

• Review reports from senior officers outlining any significant changes in financial or other risks facing the Corporation.

**Meeting Prior to Release of Third Quarter Results (November)**

• Review interim financial statements, interim management’s discussion and analysis, the interim review report of the external auditors, and the financial information contained in the interim results news release and interim report to shareholders with the Corporation’s senior officers and the external auditors and provide recommendations to the Board for their approval prior to their release.

• Review and confirm the scheduled filing of the interim certifications by the Corporation’s CEO and CFO of the interim financial statements.

• Review reports from senior officers outlining any significant changes in financial or other risks facing the Corporation.

• Review the terms of engagement of the external auditors and the audit planning summary.

• Obtain summaries of complex financings and other significant transactions, and other potentially difficult matters whose treatment in the annual financial statements merits advance consideration.

• Obtain draft skeleton financial statements and draft notes to financial statements and assess, on a preliminary basis, the reasonableness of the financial statements in light of presentations by the chief financial officer.

**Meeting(s) to be called as Required**

• Review the financial information contained in any prospectus or other offering document prior to its release.

• Review any significant accounting policy changes.

• If there is a plan to change auditors, review all issues related to the change and the steps planned for an orderly transition.
• Review any new appointment to the position of chief financial officer or to any other key executive position with financial reporting responsibilities.

**Standard Agenda Items**

• Questions for Management and Auditors
• Questions for Private Discussion with External Auditors (Members of Management not present)
• Questions for Private Discussion with Management (External Auditors not present)
• Report from the Chair of the Committee on (a) any complaints received by the Corporation regarding accounting, internal accounting controls, or auditing matters, and (b) any confidential, anonymous submissions by employees of the Corporation of concerns regarding questionable accounting or auditing matters (Management and External Auditors not present).