

## SELECTED FINANCIAL AND OPERATING INFORMATION

	Three months ended September 30, (unaudited)		Nine months ended September 30, (unaudited)		Year ended December 31, 2019
	2020	2019	2020	2019	2019
(thousands of dollars except per share data, numbers of shares and kilometres of seismic data)					
Revenue					
Data library sales	1,829	2,460	5,869	18,354	23,635
Other revenue	76	127	257	437	520
Total revenue	1,905	2,587	6,126	18,791	24,155
Amortization of seismic data library	2,489	3,557	8,855	10,700	14,200
Net loss	(1,937)	(2,861)	(7,073)	(2,652)	(3,411)
Per share basic and diluted	(0.04)	(0.05)	(0.13)	(0.05)	(0.06)
Cash provided by (used in) operating activities	603	(1,609)	3,062	7,478	8,605
Per share basic and diluted	0.01	(0.03)	0.06	0.14	0.16
Cash EBITDA <sup>(a)</sup>	1,222	1,325	3,290	13,678	17,557
Per share – basic and diluted <sup>(a)</sup>	0.02	0.02	0.06	0.25	0.33
Shareholder free cash flow <sup>(a)</sup>	861	1,072	2,395	10,624	13,605
Per share – basic and diluted <sup>(a)</sup>	0.02	0.02	0.04	0.20	0.25
Capital expenditures					
Seismic data purchases, digitization and related costs	96	–	287	61,029	61,029
Property and equipment	–	–	7	398	439
Total capital expenditures	96	–	294	61,427	61,468
Weighted average shares outstanding					
Basic and diluted	53,793,317	53,793,317	53,793,317	53,793,317	53,793,317
Shares outstanding at period-end			53,793,317	53,793,317	53,793,317
Seismic library					
2D in kilometres			829,207	829,207	829,207
3D in square kilometres			65,310	65,310	65,310

## FINANCIAL POSITION AND RATIOS

	September 30, 2020	September 30, 2019	December 31, 2019
(thousands of dollars except ratios)			
Working capital	2,007	579	596
Working capital ratio	1.6:1	1.1:1	1.1:1
Cash and cash equivalents	282	814	1,356
Total assets	56,901	70,994	69,807
Long-term debt	28,417	31,854	31,511
Trailing 12-month (TTM) cash EBITDA <sup>(b)</sup>	7,169	16,887	17,557
Shareholders' equity	24,909	32,674	31,973
Long-term debt to TTM cash EBITDA ratio	3.96	1.89	1.79
Long-term debt to equity ratio	1.14	0.97	0.99

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

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

# CONDENSED CONSOLIDATED INTERIM STATEMENTS OF FINANCIAL POSITION

(thousands of Canadian dollars) (unaudited)

As at	Note	September 30, 2020	December 31, 2019
<b>ASSETS</b>			
Cash and cash equivalents		282	1,356
Trade and other receivables		4,271	4,167
Current tax assets		496	76
Prepaid expenses		308	347
Total current assets		5,357	5,946
Seismic data library	6	49,285	57,853
Property and equipment		247	368
Long-term receivables		1,155	4,410
Right-of-use assets	7	857	1,230
Total non-current assets		51,544	63,861
<b>Total assets</b>		<b>56,901</b>	69,807
<b>LIABILITIES AND SHAREHOLDERS' EQUITY</b>			
Accounts payable and accrued liabilities		846	1,138
Deferred revenue		189	1,897
Current portion of long-term debt	8	1,500	1,500
Current portion of lease liabilities	7	815	815
Total current liabilities		3,350	5,350
Long-term debt	8	26,917	30,011
Deferred income tax liabilities		954	1,107
Lease liabilities	7	723	1,246
Other long-term payable		48	120
Total non-current liabilities		28,642	32,484
<b>Total liabilities</b>		<b>31,992</b>	37,834
<b>SHAREHOLDERS' EQUITY</b>			
Share capital		74,581	74,581
Contributed surplus		2,430	2,421
Deficit		(52,102)	(45,029)
Total shareholders' equity		24,909	31,973
<b>Total liabilities and shareholders' equity</b>		<b>56,901</b>	69,807
Subsequent event	9		

See accompanying notes to consolidated financial statements  
2020 Q3 Report

# CONDENSED CONSOLIDATED INTERIM STATEMENTS OF LOSS AND COMPREHENSIVE LOSS

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

	Note	Three months ended September 30,		Nine months ended September 30,	
		2020	2019	2020	2019
<b>Revenue</b>					
Data library sales	5	1,829	2,460	5,869	18,354
Other revenue		76	127	257	437
<b>Total revenue</b>		<b>1,905</b>	<b>2,587</b>	<b>6,126</b>	<b>18,791</b>
<b>Operating expenses</b>					
Amortization of seismic data library	6	2,489	3,557	8,855	10,700
Salaries, internal commissions and benefits		497	751	1,799	3,470
Other selling, general and administrative costs		150	457	946	1,450
Restructuring costs		63	275	231	2,518
Depreciation		166	165	501	480
<b>Total operating expenses</b>		<b>3,365</b>	<b>5,205</b>	<b>12,332</b>	<b>18,618</b>
Results from operating activities		(1,460)	(2,618)	(6,206)	173
<b>Financing costs</b>					
Financing expenses		556	634	1,579	1,988
Interest income		(53)	(32)	(160)	(62)
<b>Net financing costs</b>		<b>503</b>	<b>602</b>	<b>1,419</b>	<b>1,926</b>
<b>Loss before income taxes</b>		<b>(1,963)</b>	<b>(3,220)</b>	<b>(7,625)</b>	<b>(1,753)</b>
Current income tax expense (recovery)		(60)	(279)	(316)	1,335
Deferred income tax expense (recovery)		34	(80)	(236)	(436)
Income tax expense (recovery)	9	(26)	(359)	(552)	899
<b>Loss and comprehensive loss</b>		<b>(1,937)</b>	<b>(2,861)</b>	<b>(7,073)</b>	<b>(2,652)</b>
<b>Loss per share, basic and diluted</b>	12	<b>(0.04)</b>	(0.05)	<b>(0.13)</b>	(0.05)

See accompanying notes to consolidated financial statements.

## CONDENSED CONSOLIDATED INTERIM STATEMENTS OF CHANGES IN EQUITY

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

	Note	Number of shares issued	Share capital	Contributed surplus	Deficit	Total equity
Balance at January 1, 2019		53,793,317	74,581	2,385	(41,728)	35,238
Net earnings for the period		-	-	-	(2,652)	(2,652)
Share-based compensation		-	-	213	-	213
Settlement of vested long-term incentive plan award		-	-	(266)	-	(266)
Tax effect of equity-settled share-based compensation		-	-	31	-	31
IFRS 16, Leases adjustment		-	-	-	110	110
Balance at September 30, 2019		53,793,317	74,581	2,363	(44,270)	32,674

	Note	Number of shares issued	Share capital	Contributed surplus	Deficit	Total equity
Balance at January 1, 2020		<b>53,793,317</b>	<b>74,581</b>	<b>2,421</b>	<b>(45,029)</b>	<b>31,973</b>
Net loss for the period		-	-	-	<b>(7,073)</b>	<b>(7,073)</b>
Share-based compensation	11	-	-	<b>198</b>	-	<b>198</b>
Settlement of vested long-term incentive plan award	11	-	-	<b>(106)</b>	-	<b>(106)</b>
Tax effect of equity-settled share-based compensation		-	-	<b>(83)</b>	-	<b>(83)</b>
Balance at September 30, 2020		<b>53,793,317</b>	<b>74,581</b>	<b>2,430</b>	<b>(52,102)</b>	<b>24,909</b>

See accompanying notes to consolidated financial statements.

# CONDENSED CONSOLIDATED INTERIM STATEMENTS OF CASH FLOWS

(thousands of Canadian dollars) (unaudited)

Nine months ended September 30,	Note	2020	2019
<b>Cash flows provided by (used in):</b>			
<b>Operating:</b>			
Net loss and comprehensive loss		<b>(7,073)</b>	(2,652)
Adjustment for:			
Amortization of seismic data library	6	<b>8,855</b>	10,700
Depreciation		<b>501</b>	480
Loss on disposition of capital assets		–	8
Income tax expense (recovery)		<b>(552)</b>	899
Share-based compensation		<b>198</b>	213
Net financing costs		<b>1,419</b>	1,926
Interest and standby fees paid		<b>(1,372)</b>	(1,533)
Interest paid (lease liabilities)		<b>(89)</b>	(116)
Interest received		<b>2</b>	25
Income tax paid		<b>(182)</b>	(1,227)
Income tax received		<b>78</b>	1,048
		<b>1,785</b>	9,771
Net change in non-cash working capital	13	<b>1,277</b>	(2,293)
Cash provided by operating activities		<b>3,062</b>	7,478
<b>Financing:</b>			
Shares purchased for equity-settled share-based payments		<b>(106)</b>	(266)
Proceeds from long-term debt		–	35,500
Scheduled repayment of long-term debt		<b>(1,125)</b>	(750)
Additional payment of long-term debt		<b>(2,000)</b>	(2,600)
Lease payments of principal	7	<b>(523)</b>	(465)
Debt transaction costs		<b>(88)</b>	(387)
Cash provided by (used in) financing activities		<b>(3,842)</b>	31,032
<b>Investing:</b>			
Seismic data purchases, digitization and related costs	6	<b>(287)</b>	(61,029)
Additions to property and equipment		<b>(7)</b>	(398)
Cash used in investing activities		<b>(294)</b>	(61,427)
Decrease in cash and cash equivalents		<b>(1,074)</b>	(22,917)
Cash and cash equivalents, beginning of period		<b>1,356</b>	23,731
<b>Cash and cash equivalents, end of period</b>		<b>282</b>	814

See accompanying notes to consolidated financial statements.

# NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

INFORMATION AS AT AND FOR THE PERIODS ENDED SEPTEMBER 30, 2020 AND 2019.

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

## 1. REPORTING ENTITY

Pulse Seismic Inc. (the Company) was incorporated under the Canada Business Corporations Act and is a publicly-listed company on the Toronto Stock Exchange (TSX) trading under the symbol PSD and on the OTCQX International trading under the symbol PLSDF. The Company's registered office is located at 421, 7 Avenue S.W., Suite 2700 in Calgary, Alberta. The Company is a provider of seismic data to the energy sector in western Canada.

## 2. BASIS OF PREPARATION

### (A) STATEMENT OF COMPLIANCE

The financial statements were prepared in accordance with International Accounting Standard (IAS) 34, *Interim Financial Reporting*, as issued by the International Accounting Standards Board (IASB) and using the accounting policies the Company adopted in its consolidated financial statements for the year ended December 31, 2019. The condensed consolidated interim financial statements do not include all of the information required for full annual financial statements. These financial statements should be read in conjunction with the annual financial statements and notes thereto for the year ended December 31, 2019. The condensed consolidated interim financial statements were approved by the Board of Directors on November 10, 2020.

### (B) BASIS OF PRESENTATION

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

### (C) BASIS OF MEASUREMENT

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

### (D) FUNCTIONAL AND PRESENTATION CURRENCY

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

### (E) BASIS OF CONSOLIDATION

#### (I) JOINT OPERATIONS

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

#### (II) TRANSACTIONS ELIMINATED ON CONSOLIDATION

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

### 3. COVID-19 ESTIMATION UNCERTAINTY

In March 2020 the COVID-19 outbreak was recognized as a pandemic. In addition, global commodity prices declined significantly due to disputes between major oil-producing countries, combined with the pandemic's impact. Governments worldwide, including those in Canada, enacted emergency measures to combat the spread of the virus. These measures included travel bans, quarantine periods, shutdowns of numerous businesses and economic sectors, and social distancing, causing material disruption to businesses globally, resulting in a severe economic slowdown. Governments and central banks reacted with significant monetary and fiscal interventions designed to stabilize economic conditions; the longer-term success of these interventions, however, is not currently determinable. In the third quarter of 2020, the Company benefited from the Canada Emergency Wage Subsidy (CEWS) in the amount of \$135,000, bringing the total to \$357,000 in 2020. The Company's reported salaries, internal commissions and benefits expenses are net of these amounts.

The current challenging economic climate may continue to have significant adverse impacts on the Company, including but not limited to:

- Material declines in revenue and cash flows as the Company's customers, which are concentrated in the oil and natural gas industry, further cut capital budgets and reduce field activities;
- Declines in revenue that could, in turn, result in an impairment charge against the Company's seismic data library asset;
- Declines in revenue that make the Company unable to comply with covenants in its syndicated credit facility. Based on management's forecasts, which have been updated to reflect the current market conditions caused by COVID-19 and the decline in commodity prices, the Company expects to remain in compliance with its syndicated credit facility covenants. As certain financial metrics are expected to be near the covenant thresholds, further market weakness and an extended impact from COVID-19 could change management's forecasts, which could in turn affect the Company's future covenant compliance; and
- Non-performance by the Company's customers, in turn resulting in non-payment of accounts receivable and customer defaults.

Although the economies of Alberta and B.C. slowly re-opened during the spring/summer and government authorities in both provinces are currently attempting to avoid reimposing greater restrictions, the situation remains dynamic and the duration and magnitude of the economic impact and financial effects on the Company cannot be determined. Estimates and judgements made by management in the preparation of the financial statements are difficult and subject to a higher degree of measurement uncertainty during this volatile period.

### 4. SIGNIFICANT ACCOUNTING POLICIES

The accounting policies applied in these condensed consolidated interim financial statements are the same as those applied by the Company in the audited consolidated financial statements for the year ended December 31, 2019.

### 5. REVENUE

#### DATA LIBRARY SALES

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

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

#### (A) TRANSACTION TYPE

	Three months ended September 30,		Nine months ended September 30,	
	2020	2019	2020	2019
Traditional sales	57	2,435	3,697	14,325
Transaction-based sales	1,772	25	2,172	4,029
Total data library sales	1,829	2,460	5,869	18,354

#### (B) DATA TYPE

	Three months ended September 30,		Nine months ended September 30,	
	2020	2019	2020	2019
2D data sales	88	759	773	1,899
3D data sales	1,741	1,701	5,096	16,455
Total data library sales	1,829	2,460	5,869	18,354

#### (C) GEOGRAPHICAL BREAKDOWN

	Three months ended September 30,		Nine months ended September 30,	
	2020	2019	2020	2019
Alberta sales	753	2,426	3,592	10,362
British Columbia sales	1,025	–	1,796	7,149
Other area sales	51	34	481	843
Total data library sales	1,829	2,460	5,869	18,354

## 6. SEISMIC DATA LIBRARY

	September 30, 2020	December 31, 2019
<b>Cost</b>		
Opening balance, January 1	506,065	445,036
Acquisitions through purchases and related cost	287	61,029
<b>Closing balance</b>	<b>506,352</b>	506,065
<b>Accumulated amortization</b>		
Opening balance, January 1	448,212	434,012
Amortization for the period	8,855	14,200
<b>Closing balance</b>	<b>457,067</b>	448,212
<b>Carrying amount</b>	<b>49,285</b>	57,853

On January 15, 2019 the Company acquired 100 percent of the shares of Seitel Canada Ltd. (Seitel) and its seismic data library. After reviewing the fair value of all the assets and liabilities acquired by Pulse, an amount of \$61.0 million was allocated to the seismic data library.

At September 30, 2020, the Company assessed the cash-generating units (CGUs) in its seismic data library for indicators of impairment, as required under IFRS, and concluded there were no new indicators and that, accordingly, no impairment test was required.

At March 31, 2020, the Company assessed the CGUs in its seismic data library for indicators of impairment, as required under IFRS, and concluded there were such indicators. The principal indicator was the significant reduction in commodity prices along with uncertainty over the timing of any improvement in conjunction with the COVID-19 pandemic and its impact on the global economy. Those indicators triggered an impairment test on the Seitel data library CGU. For the purpose of impairment testing, the recoverable amount of a Company CGU is the greater of its value-in-use and its fair value less costs to sell. The recoverable amount of the Seitel CGU was determined based on a value-in-use calculation. The Company used the following assumptions for this calculation:

- The estimated future cash flows for the next five years net of variable and fixed costs with a terminal valuation applied. The forecast is based on past performance as well as management's assessment of economic conditions, expected market trends and anticipated activity levels of the Western Canadian oil and natural gas sector;
- The terminal value of the Seitel CGU, estimated to be 40 percent of the 2024 cash flows with a decline rate of 2 percent;
- An after-tax discount rate of 11 percent to calculate the net present value of future cash flows, which is based on the Company's weighted average cost of capital calculated at March 31, 2020; and
- A combined federal-provincial income tax rate of 25 percent.

Based on these assumptions and the Company's calculations, no impairment loss was recognized.

## 7. RIGHT-OF-USE (ROU) ASSETS AND LEASE LIABILITIES

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

### ROU ASSETS

As at	<b>September 30, 2020</b>	December 31, 2019
Office and warehouse leases	<b>1,710</b>	325
Acquisition during the period	–	1,385
Total ROU assets	<b>1,710</b>	1,710
<b>Less</b>		
Accumulated amortization	<b>(853)</b>	(480)
ROU assets	<b>857</b>	1,230

### LEASE LIABILITIES

As at	<b>September 30, 2020</b>	December 31, 2019
Opening balance	<b>2,061</b>	325
Acquisition during the period	–	2,370
Repayments	<b>(612)</b>	(785)
Accretion	<b>89</b>	151
Total lease liabilities	<b>1,538</b>	2,061
<b>Less</b>		
Current portion	<b>(815)</b>	(815)
Long-term portion	<b>723</b>	1,246

## 8. LONG-TERM DEBT

As at	September 30, 2020	December 31, 2019
Senior term debt	12,750	13,875
Senior revolving credit facility	5,900	7,900
Subordinated debt	10,000	10,000
Deferred financing cost	(233)	(264)
Total long-term debt	28,417	31,511
Less		
Current portion of term debt	(1,500)	(1,500)
<b>Long-term portion</b>	<b>26,917</b>	<b>30,011</b>

On June 5, 2020, the Company amended its syndicated credit facility for a four-quarter modification period beginning on July 1, 2020. The syndicated credit facility is now comprised of \$12.8 million in term debt and a \$15.0 million revolving facility (previously \$30.0 million) with \$5.9 million drawn, both of which were utilized for the acquisition of Seitel in January 2019. The Company paid an amendment fee of \$88,000 in June 2020 for the modifications to its credit facility. Up to \$5.0 million of the revolving facility remains available as an operating line of credit. The facility specifies repayment terms, interest rates and financial covenants that are described below.

Significant terms of the credit facility are:

- Interest on the term debt and the revolving facility is based on prime rate plus 0.75 percent to 4.25 percent (previously plus 0.25 percent to 2.75 percent), following a ten-tier margin structure (previously eight-tier) based on the Company's total debt to adjusted EBITDA ratio as described below;
- The facility includes an accordion feature allowing the Company to increase the facility's size up to an additional \$25.0 million, subject to the lenders' consent. The accordion will not be available during the modification period;
- \$375,000 aggregate quarterly principal payments on the term debt, with voluntary prepayments permitted in whole or part at any time, without premium or penalty. This is unchanged from the original agreement;
- Three-year term until January 22, 2022 on the syndicated credit facility, with an extension of up to one year available on January 15 of every year with the approval of the lenders. If the extension is not granted, any outstanding amounts will be payable on the then-current applicable maturity date. Pulse did not request an extension on January 15, 2020;
- Standby fees based on the daily undrawn balance of the revolving portion of the credit facility and the Company's total debt to adjusted EBITDA ratio following the amended ten-tier margin structure. At September 30, 2020 the applicable margin and standby fee remained at level 7 of the 10 of rates specified under the facility; and
- Security through a charge on all of the assets of the Company and its material subsidiaries.

The credit facility also includes the following financial covenants:

### 1) MAXIMUM SENIOR DEBT TO ADJUSTED EBITDA RATIO

The senior debt to adjusted EBITDA ratio was unchanged for the first and second quarters of 2020 and shall not be greater than 3.5:1 on March 31, 2020 and 3.25:1 on June 30, 2020. During the four-quarter modification period, the maximum ratio shall increase in steps to 4.25:1 (previously 3.25:1) for September 30, 2020, 5.5:1 (previously 3.0:1) for December 31, 2020 and March 31, 2021 and then decrease in steps to 4.25:1 (previously 3.0:1) for June 30, 2021, following which it is to remain unchanged at 3:1 for fiscal quarters ending September 30, 2021 and thereafter.

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

Adjusted EBITDA is to be calculated on a trailing 12-month basis and is defined as earnings or loss before interest, income taxes, depreciation and amortization, plus extraordinary losses, non-cash losses and expense charges, and any other unusual or non-recurring cash charges, expenses or losses consented to by the lenders, less participation

survey revenue, lease payments treated as capital lease, warehouse storage fees, extraordinary gains and non-cash gains and income. Adjusted EBITDA is to be adjusted for acquisitions or dispositions to reflect such acquisition or disposition as if it occurred on the first day of such calculation period.

## 2) MINIMUM INTEREST COVERAGE RATIO

The minimum interest coverage ratio, defined as the ratio of adjusted EBITDA to interest expense, shall not be less than 3:1.

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

The fixed charge coverage ratio is equal to adjusted EBITDA less unfunded capital expenditures, cash taxes and permitted cash distributions divided by the sum of scheduled principal repayments and interest expense paid in cash, and previously was 1.2:1 for each period including the period ended June 30, 2020. This changes during the modification period and shall not be less than 1.15:1 for September 30, 2020, 1.05:1 for December 31, 2020 and March 31, 2021 and then increases to 1.15:1 for June 30, 2021 and 1.20:1 for fiscal quarters ending September 30, 2021 and thereafter.

To complete the financing of the acquisition, Pulse also entered into a five-year subordinated debt agreement for \$10 million. The agreement has no requirement to repay the principal prior to the end of term. Under its terms, the loan will accrue interest at a rate of 10 percent per annum, payable quarterly at the end of each quarter.

Interest and standby fees on the syndicated revolving bank loan are calculated based on the syndicate lead lender's prime rate, bankers' acceptance rate or LIBOR, plus an applicable margin based on the covenant ratio of total debt to adjusted EBITDA. At September 30, 2020, the applicable interest rate on the long-term debt was 5.20 percent (September 30, 2019 - 4.7 percent).

At September 30, 2020 the senior debt to adjusted EBITDA ratio was 2.60:1 and the fixed charge coverage ratio was 2.08:1. The Company was in compliance with all covenants at September 30, 2020.

## 9. INCOME TAX

Income tax expense differs from the amount that would be computed by applying the basic combined federal and provincial statutory income tax rate to earnings before income taxes. The reasons for the differences are as follows:

	<b>September 30, 2020</b>	September 30, 2019
Loss before income tax	<b>(7,625)</b>	(1,753)
Combined federal and provincial income tax rate	<b>25%</b>	26.5%
Expected income tax expense	<b>(1,906)</b>	(465)
Effects of difference:		
Non-deductible expenses	<b>6</b>	45
Adjustment in respect of prior years	-	9
Change in valuation allowance	<b>(15)</b>	(17)
Permanent difference related to the seismic data library acquired in January 2019	<b>1,475</b>	1,480
Permanent difference related to IFRS 16, Leases	<b>(53)</b>	(49)
Changes in future Alberta corporate tax rates	<b>(59)</b>	(104)
<b>Actual income tax expense (recovery)</b>	<b>(552)</b>	899

Subsequent to quarter end, on October 20, 2020, the government of Alberta substantively enacted the reduction of the 2020 corporate income tax rate from 10% to 8% retroactive to July 1, 2020. The average combined income tax rate for 2020 fiscal year will be 24%. The effect of this change on the year-to-date results as of September 30, 2020 would be an income tax recovery increase of \$32,000 which will be reflected in the December 31, 2020 income tax recovery.

## 10. EQUITY

### SHARE CAPITAL

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

## 11. SHARE-BASED PAYMENTS

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

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

In determining the amount of equity-settled share-based compensation related to PSUs, management makes estimates about future results and vesting criteria. It is reasonably possible that future outcomes could differ from the estimates, which are based on current knowledge, and require a material adjustment to the share-based compensation expense recorded in future periods. The impact of any change in the number of PSUs expected to vest is recognized in the period the estimate is revised.

On March 31, 2020 186,658 RSUs and 237,113 PSUs were eligible to vest. The Company's performance in 2019 did not meet the predetermined performance benchmarks and, consequently, no PSUs vested on March 31, 2020. RSUs vest automatically based upon time and, consequently, all of the eligible RSUs vested automatically on March 31, 2020.

To satisfy its obligation, in April 2020 the Company provided \$106,000 to the plan's trustee to purchase common shares on the open market for the total after-tax number of cash- and equity-settled RSUs that vested on March 31, 2020. The related payroll taxes of \$102,000 were paid to settle the accrued cash-settled portion of the share-based payment liabilities.

In the condensed consolidated interim statement of comprehensive loss for the nine months ended September 30, 2020, the Company recognized \$130,000 (nine months ended September 30, 2019 - \$447,000) in compensation expense related to the LTIP in salaries, internal commissions and benefits. The equity-settled portion was \$198,000 (nine months ended September 30, 2019 - \$213,000).

At September 30, 2020 the obligation related to the cash-settled portion of the LTIP was \$90,000 (September 30, 2019 - \$244,000) with \$42,000 (September 30, 2019 - \$139,000) included in accounts payable and accrued liabilities and \$48,000 (September 30, 2019 - \$105,000) included in other long-term payable.

The following summarizes activity in the Company's LTIP during the periods ended September 30, 2020 and 2019:

RSUs	Three months ended September 30,		Nine months ended September 30,	
	2020	2019	2020	2019
Outstanding, beginning of period	706,197	556,895	553,575	528,670
Vested	-	-	(186,658)	(184,657)
Granted	-	5,459	339,295	224,678
Cancelled or forfeited	(14,057)	(8,779)	(14,072)	(15,116)
Outstanding, end of period	692,140	553,575	692,140	553,575

PSUs	Three months ended September 30,		Nine months ended September 30,	
	2020	2019	2020	2019
Outstanding, beginning of period	891,030	708,282	704,962	687,938
Vested	-	-	-	-
Granted	-	5,459	423,195	280,435
Cancelled or forfeited	(14,057)	(8,779)	(251,184)	(263,411)
Outstanding, end of period	876,973	704,962	876,973	704,962

The 186,658 RSUs that vested on March 31, 2020 were settled in the second quarter of 2020. The 237,127 PSUs that did not vest were cancelled from the notional accounts on the vesting date.

## 12. EARNINGS PER SHARE

### (A) BASIC EARNINGS PER SHARE

The calculation of basic earnings per share was based on the net loss attributable to common shareholders of \$1.9 million for the three months ended September 30, 2020 (three months ended September 30, 2019 - net loss of \$2.9 million) and a net loss of \$7.1 million for the nine months ended September 30, 2020 (nine months ended September 30, 2019 - net loss of \$2.7 million) and a weighted average number of common shares of 53,793,317 in 2020 and 2019.

### (B) DILUTED EARNINGS PER SHARE:

The Company does not have any dilutive securities.

## 13. NET CHANGE IN NON-CASH OPERATING WORKING CAPITAL

Nine months ended September 30,	2020	2019
Trade and other receivables	(104)	(1,306)
Prepaid expenses	39	(103)
Long-term receivable	3,255	(2,100)
Accounts payable and accrued liabilities	(292)	30
Deferred revenue	(1,708)	931
Other long-term payable	(72)	13
Others	159	242
<b>Net change in non-cash operating working capital</b>	<b>1,277</b>	<b>(2,293)</b>

## 14. RISK MANAGEMENT AND FINANCIAL INSTRUMENTS

The Company's risk management policy objectives include the long-term management of its business activities and, wherever possible, mitigation of the associated business risks. The Company has exposure to the following risks from its use of financial instruments:

- Credit risk;
- Liquidity risk; and
- Market risk.

**(A) RISK MANAGEMENT**

The Board of Directors has overall responsibility for the establishment and oversight of the Company's risk management framework.

The Company's risk management policies are established to identify and analyze the risks faced by the Company, to set appropriate risk limits and controls, and to monitor risks and adherence to limits. The Company, through its training and management standards and procedures, aims to develop a disciplined and constructive control environment in which all employees understand their roles and obligations.

The Audit and Risk Committee oversees how management monitors compliance with the Company's risk management policies and procedures, and reviews the adequacy of the risk management framework in relation to the risks faced by the Company. Reviews of risk management controls and procedures are performed, the results of which are reported to the Board of Directors.

**(B) CREDIT RISKS**

Credit risk is the risk of financial loss to the Company if a customer or counterparty to a financial instrument fails to meet its contractual obligations and arises principally from the Company's accounts receivable.

The Company is exposed to credit risk in connection with data sales and participation surveys with its customers. The Company's exposure to credit risk is influenced mainly by each customer's individual characteristics. The nature of the Company's customer base, including the default risk of the industry in which customers operate, has an influence on credit risk. As the Company operates to a large extent in the oil and natural gas industry, nearly all of the trade receivables and long-term receivables relate to customers from this industry.

Each new customer is analyzed individually for creditworthiness, including credit reference checks, before payment and delivery terms and conditions such as credit limits are offered. Customer accounts are monitored and accounts receivable aging is regularly reviewed. Certain customers have signed agreements with the Company that provide for extended payment terms. The Company's credit risk increases in these arrangements due to their longer time-frame. The risk is mitigated by attempting to limit these arrangements to major oil and natural gas companies which have long operating histories and adequate resources to fulfill their commitments.

The majority of the Company's customers have been doing business with it for many years, and insignificant losses have occurred in the past. The Company does not require customers to provide collateral.

**EXPOSURE TO CREDIT RISK**

The carrying amount of financial assets represents the maximum credit exposure. The maximum exposure to credit risk at the reporting date was the value of accounts receivable of \$5.4 million. The Company has a significant concentration of customers in the oil and natural gas industry, with the majority located in Alberta. At September 30, 2020, 96 percent of total accounts receivable were due from three customers. For the nine months ended September 30, 2020, approximately 82 percent of the Company's data library sales were attributable to five customers.

The following table provides information about the exposure to credit risk for trade receivables from individual customers as at September 30, 2020 and December 31, 2019.

	<b>September 30, 2020</b>		December 31, 2019	
	<b>Gross</b>	<b>Impairment</b>	Gross	Impairment
Current and long-term	<b>5,255</b>	–	8,318	–
Past due 31-60 days	<b>42</b>	–	26	–
Past due 61-90 days	<b>129</b>	–	26	–
More than 90 days	–	–	387	180
<b>Total</b>	<b>5,426</b>	–	8,757	180

The current and long-term accounts receivable of \$5.4 million in the table above include \$4.4 million from two clients benefiting from extended payment terms. All amounts are due during 2020, 2021 and 2022.

The allowance for impairment of trade receivables at December 31, 2019 was related to one overdue account. On July 20, 2020, the Company received payment in full from this customer. The allowance for impairment of trade receivables that had been recorded in 2019 was reversed in the third quarter of 2020 against the other selling, general and administrative costs.

Accounts receivable over 90 days are monitored and assessed for impairment. Those accounts are evaluated on a case-by-case basis using information received from the customer and market information.

### (C) LIQUIDITY RISK

Liquidity risk is the risk that the Company will encounter difficulty in meeting the obligations associated with its financial liabilities that are settled in cash or another financial asset. The Company's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under normal and stressed conditions, without incurring unacceptable losses or risking damage to its reputation.

The Company regularly prepares and updates budgets and monitors its cash flow and funding options available in the capital markets, as well as trends in the availability and costs of such funding, with a view to monitoring its liquidity and ability to meet its financial obligations and commitments, including the ability to comply with the financial covenants under the Company's credit facility. Consolidated cash flow information, including a projection for the remainder of the year where applicable, is presented quarterly to the Audit and Risk Committee, which aids in planning to ensure that the Company has sufficient cash to meet expected operational expenses, including the servicing of financial obligations.

Beyond cash on hand of \$282,000 and total working capital of \$2.0 million at September 30, 2020 the Company had \$24.1 million available for future draws on its revolving credit facility, with a further \$25.0 million available via an accordion feature, subject to the banking syndicate's approval. During the modification period, however, the revolving facility has been reduced to \$15.0 million with \$9.1 million remaining undrawn and the \$25.0 million accordion is unavailable.

The following are the contractual maturities of financial liabilities at September 30, 2020:

	Carrying amounts	1 year	2 years	3 years	4 years
Long-term debt	28,650	1,500	17,150	-	10,000
Long-term debt interest	4,522	1,970	1,260	1,000	292
Accounts payable	846	846	-	-	-
Long-term payable	48	-	48	-	-
<b>Total</b>	<b>34,066</b>	<b>4,316</b>	<b>18,458</b>	<b>1,000</b>	<b>10,292</b>

### (D) MARKET RISK

Market risk is the risk that changes in market prices will affect the Company's income or the value of its holdings of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimizing the return.

#### (I) COMMODITY PRICE RISK

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

#### (II) INTEREST RATE RISK

The Company's interest rate risk exposure is mainly related to long-term debt. The Company is exposed to interest rate cash-flow risk on its floating-rate long-term debt as described in note 8. Changes in market interest rates will cause fluctuations in future interest payments.

The Company earns minimal interest income on its cash balances.

#### (E) FAIR VALUES

The fair values of cash and cash equivalents, accounts receivable and accounts payable approximate their carrying amount largely due to the short-term maturities of these instruments.

## 15. RELATED PARTY TRANSACTIONS

During the third quarter of 2020, EdgePoint Investment Group Inc. (EdgePoint), an institutional shareholder of the Company increased its ownership in the Company by 5.8%, bringing its total position from 18.8% at June 30, 2020 to 24.6% at September 30, 2020.

EdgePoint is also the holder of the \$10.0 million subordinated debt that Pulse utilized in acquiring Seitel Canada Ltd. in January 2019. The balance of the subordinated debt at September 30, 2020 was \$10.0 million. As explained in Note 8 above, the agreement has no requirement to repay the principal prior to the end of term in 2024.

Under the term, the subordinated debt accrues interest at a rate of 10 percent per annum, payable quarterly at the end of each quarter. For the three months ended September 30, 2020, the interest expense related to the subordinated debt was \$250,000 (three months ended September 30, 2019 - \$250,000) and for the nine months ended September 30, 2020, was \$750,000 (nine months ended September 30, 2019 - \$707,000).

The quarterly interest payments were made in January, April, July and October 2020.