

## SELECTED FINANCIAL AND OPERATING INFORMATION

	Three months ended September 30, (unaudited)		Nine months ended September 30, (unaudited)		Year ended December 31,
	2021	2020	2021	2020	2020
(thousands of dollars except per share data, numbers of shares and kilometres of seismic data)					
Revenue					
Data library sales	<b>8,832</b>	1,829	<b>32,545</b>	5,869	11,011
Other revenue	<b>100</b>	76	<b>300</b>	257	338
Total revenue	<b>8,932</b>	1,905	<b>32,845</b>	6,126	11,349
Amortization of seismic data library	<b>2,509</b>	2,489	<b>7,510</b>	8,855	11,348
Net earnings (loss)	<b>3,164</b>	(1,937)	<b>13,356</b>	(7,073)	(6,786)
Per share basic and diluted	<b>0.06</b>	(0.04)	<b>0.25</b>	(0.13)	(0.13)
Cash provided by operating activities	<b>7,572</b>	603	<b>25,787</b>	3,062	3,814
Per share basic and diluted	<b>0.14</b>	0.01	<b>0.48</b>	0.06	0.07
Cash EBITDA <sup>(a)</sup>	<b>7,500</b>	1,243	<b>28,760</b>	3,354	7,553
Per share – basic and diluted <sup>(a)</sup>	<b>0.14</b>	0.02	<b>0.53</b>	0.06	0.14
Shareholder free cash flow <sup>(a)</sup>	<b>5,867</b>	855	<b>21,254</b>	2,370	5,346
Per share – basic and diluted <sup>(a)</sup>	<b>0.11</b>	0.02	<b>0.40</b>	0.04	0.10
Capital expenditures					
Seismic data digitization and related costs	<b>96</b>	96	<b>287</b>	287	383
Property and equipment	<b>5</b>	–	<b>8</b>	7	7
Total capital expenditures	<b>101</b>	96	<b>295</b>	294	390
Weighted average shares outstanding					
Basic and diluted	<b>53,793,317</b>	53,793,317	<b>53,793,317</b>	53,793,317	53,793,317
Shares outstanding at period-end			<b>53,793,317</b>	53,793,317	53,793,317
Seismic library					
2D in kilometres			<b>829,207</b>	829,207	829,207
3D in square kilometres			<b>65,310</b>	65,310	65,310

## FINANCIAL POSITION AND RATIOS

	September 30, 2021	September 30, 2020	December 31, 2020
(thousands of dollars except ratios)			
Working capital	<b>2,708</b>	2,007	5,601
Working capital ratio	<b>1.8:1</b>	1.6:1	3.6:1
Cash and cash equivalents	–	282	–
Total assets	<b>46,036</b>	56,901	56,742
Long-term debt	<b>3,117</b>	28,417	27,715
Trailing twelve-month (TTM) cash EBITDA <sup>(b)</sup>	<b>32,959</b>	7,253	7,553
Shareholders' equity	<b>38,710</b>	24,909	25,266
Long-term debt to TTM cash EBITDA ratio	<b>0.09</b>	3.92	3.67
Long-term debt to equity ratio	<b>0.08</b>	1.14	1.10

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

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

# CONDENSED CONSOLIDATED INTERIM STATEMENTS OF FINANCIAL POSITION

(thousands of Canadian dollars) (unaudited)

As at	Note	September 30, 2021	December 31, 2020
<b>ASSETS</b>			
Trade and other receivables		5,663	7,527
Prepaid expenses		258	248
Total current assets		5,921	7,775
Seismic data library	6	39,665	46,888
Property and equipment		90	206
Long-term receivables		-	1,140
Right-of-use assets	7	360	733
Total non-current assets		40,115	48,967
<b>Total assets</b>		<b>46,036</b>	56,742
<b>LIABILITIES AND SHAREHOLDERS' EQUITY</b>			
Accounts payable and accrued liabilities		1,068	994
Deferred revenue		45	150
Current portion of lease liabilities	7	654	815
Current income tax liabilities		1,446	215
Total current liabilities		3,213	2,174
Long-term debt	8	3,117	27,715
Deferred income tax liabilities		685	962
Lease liabilities	7	145	543
Other long-term payable		166	82
Total non-current liabilities		4,113	29,302
<b>Total liabilities</b>		<b>7,326</b>	31,476
<b>SHAREHOLDERS' EQUITY</b>			
Share capital	10	74,581	74,581
Contributed surplus		2,588	2,500
Deficit		(38,459)	(51,815)
Total shareholders' equity		38,710	25,266
<b>Total liabilities and shareholders' equity</b>		<b>46,036</b>	56,742
Subsequent event	16		

See accompanying notes to condensed consolidated interim financial statements.

# CONDENSED CONSOLIDATED INTERIM STATEMENTS OF NET EARNINGS (LOSS) AND COMPREHENSIVE INCOME (LOSS)

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

	Note	Three months ended September 30,		Nine months ended September 30,	
		2021	2020	2021	2020
<b>Revenue</b>					
Data library sales	5	8,832	1,829	32,545	5,869
Other revenue		100	76	300	257
<b>Total revenue</b>		<b>8,932</b>	1,905	<b>32,845</b>	6,126
<b>Operating expenses</b>					
Amortization of seismic data library	6	2,509	2,489	7,510	8,855
Salaries, internal commissions and benefits		919	497	2,785	1,799
Other selling, general and administrative costs		555	213	1,263	1,177
Depreciation		164	166	496	501
<b>Total operating expenses</b>		<b>4,147</b>	3,365	<b>12,054</b>	12,332
Results from operating activities		<b>4,785</b>	(1,460)	<b>20,791</b>	(6,206)
<b>Financing costs</b>					
Financing expenses		122	556	1,814	1,579
Interest income		(14)	(53)	(62)	(160)
<b>Net financing costs</b>		<b>108</b>	503	<b>1,752</b>	1,419
<b>Earnings (loss) before income taxes</b>		<b>4,677</b>	(1,963)	<b>19,039</b>	(7,625)
Current income tax expense (recovery)		1,568	(60)	5,926	(316)
Deferred income tax expense (recovery)		(55)	34	(243)	(236)
Income tax expense (recovery)	9	1,513	(26)	5,683	(552)
<b>Net earnings (loss) and comprehensive income (loss)</b>		<b>3,164</b>	(1,937)	<b>13,356</b>	(7,073)
<b>Net earnings (loss) per share, basic and diluted</b>	12	<b>0.06</b>	(0.04)	<b>0.25</b>	(0.13)

See accompanying notes to condensed consolidated interim 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, 2020		53,793,317	74,581	2,421	(45,029)	31,973
Net loss for the period		-	-	-	(7,073)	(7,073)
Share-based compensation	11	-	-	198	-	198
Settlement of vested long-term incentive plan award		-	-	(106)	-	(106)
Tax effect of equity-settled share-based compensation		-	-	(83)	-	(83)
Balance at September 30, 2020		53,793,317	74,581	2,430	(52,102)	24,909

	Note	Number of shares issued	Share capital	Contributed surplus	Deficit	Total equity
Balance at January 1, 2021		<b>53,793,317</b>	<b>74,581</b>	<b>2,500</b>	<b>(51,815)</b>	<b>25,266</b>
Net earnings for the period		-	-	-	<b>13,356</b>	<b>13,356</b>
Share-based compensation	11	-	-	<b>217</b>	-	<b>217</b>
Settlement of vested long-term incentive plan award	11	-	-	<b>(163)</b>	-	<b>(163)</b>
Tax effect of equity-settled share-based compensation		-	-	<b>34</b>	-	<b>34</b>
Balance at September 30, 2021		<b>53,793,317</b>	<b>74,581</b>	<b>2,588</b>	<b>(38,459)</b>	<b>38,710</b>

See accompanying notes to condensed consolidated interim financial statements.

# CONDENSED CONSOLIDATED INTERIM STATEMENTS OF CASH FLOWS

(thousands of Canadian dollars) (unaudited)

Nine months ended September 30,	Note	2021	2020
<b>Cash flows provided by (used in):</b>			
<b>Operating:</b>			
Net earnings (loss) and comprehensive income (loss)		13,356	(7,073)
Adjustment for:			
Amortization of seismic data library	6	7,510	8,855
Depreciation		496	501
Income tax expense (recovery)	9	5,683	(552)
Share-based compensation	11	217	198
Net financing costs		1,752	1,419
Interest and standby fees paid		(1,827)	(1,372)
Interest paid - lease liabilities		(52)	(89)
Interest received		-	2
Income tax paid		(4,695)	(182)
Income tax received		-	78
		<b>22,440</b>	1,785
Net change in non-cash working capital	13	<b>3,347</b>	1,277
Cash provided by operating activities		<b>25,787</b>	3,062
<b>Financing:</b>			
Shares purchased for equity-settled share-based payments	11	(163)	(106)
Repayment of long-term debt		(24,770)	(3,125)
Lease payments for principal	7	(559)	(523)
Debt transaction costs		-	(88)
Cash used in financing activities		<b>(25,492)</b>	(3,842)
<b>Investing:</b>			
Seismic data purchases, digitization and related costs	6	(287)	(287)
Additions to property and equipment		(8)	(7)
Cash used in investing activities		<b>(295)</b>	(294)
Decrease in cash and cash equivalents		-	(1,074)
Cash and cash equivalents, beginning of period		-	1,356
<b>Cash and cash equivalents, end of period</b>		<b>-</b>	282

See accompanying notes to condensed consolidated interim financial statements.

# NOTES TO CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

INFORMATION AS AT SEPTEMBER 30, 2021 AND DECEMBER 31, 2020 AND FOR THE THREE AND NINE MONTHS ENDED SEPTEMBER 30, 2021 AND 2020.

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

## 2. BASIS OF PREPARATION

### (A) STATEMENT OF COMPLIANCE

The condensed consolidated interim financial statements (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, 2020. 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, 2020. The condensed consolidated interim financial statements were approved by the Board of Directors on October 27, 2021.

### (B) BASIS OF PRESENTATION

The condensed consolidated interim financial statements include the accounts of the Company's wholly-owned subsidiaries. Certain comparative figures have been reclassified to conform to the current year's presentation.

### (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 consolidated financial statements include the Company's share in the joint assets, joint liabilities, expenses incurred and income earned from the joint operations.

#### (II) TRANSACTIONS ELIMINATED ON CONSOLIDATION

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

### 3. COVID-19 ESTIMATION UNCERTAINTY

Ongoing uncertainty caused by the global pandemic, including emergency measures to combat the virus, continues to impact global oil demand and influence global commodity pricing. These factors are likely to continue affecting business conditions for the Company.

There may continue to be significant adverse impacts on the Company, including but not limited to:

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

Although the situation surrounding COVID-19 has evolved significantly in the third quarter of 2021 with the widespread availability of vaccines, a "fourth wave" in Alberta has continued to impact conditions for doing business. Estimates and judgements made by management in the preparation of the financial statements are difficult and subject to a higher-than-normal degree of measurement uncertainty during this volatile period.

### 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, 2020.

### 5. REVENUE

#### DATA LIBRARY SALES

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 period-over-period.

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,	
	2021	2020	2021	2020
Traditional sales	1,863	57	6,553	3,697
Transaction-based sales	6,969	1,772	25,992	2,172
Total data library sales	8,832	1,829	32,545	5,869

#### (B) DATA TYPE

	Three months ended September 30,		Nine months ended September 30,	
	2021	2020	2021	2020
2D data sales	1,583	88	4,120	773
3D data sales	7,249	1,741	28,425	5,096
Total data library sales	8,832	1,829	32,545	5,869

**(C) GEOGRAPHICAL BREAKDOWN**

	Three months ended September 30,		Nine months ended September 30,	
	2021	2020	2021	2020
Alberta sales	4,919	753	27,246	3,592
British Columbia sales	3,687	1,025	4,075	1,796
Other area sales	226	51	1,224	481
Total data library sales	8,832	1,829	32,545	5,869

**6. SEISMIC DATA LIBRARY**

	September 30, 2021	December 31, 2020
<b>Cost</b>		
Opening balance, January 1	506,448	506,065
Acquisitions through digitization and related cost	287	383
<b>Closing balance</b>	<b>506,735</b>	506,448
<b>Accumulated amortization</b>		
Opening balance, January 1	459,560	448,212
Amortization for the period	7,510	11,348
<b>Closing balance</b>	<b>467,070</b>	459,560
<b>Carrying amount</b>	<b>39,665</b>	46,888

At September 30, 2021 and 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 indicators; accordingly, no impairment test was required.

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

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

**ROU ASSETS**

	September 30, 2021	December 31, 2020
As at		
Office and warehouse leases	733	1,230
<b>Less:</b>		
Depreciation in the period	(373)	(497)
<b>ROU assets</b>	<b>360</b>	733

**LEASE LIABILITIES**

	September 30, 2021	December 31, 2020
As at		
Opening balance	1,358	2,061
Repayments on principal and interest	(611)	(815)
Interest expense	52	112
Total lease liabilities	799	1,358
<b>Less:</b>		
Current portion	(654)	(815)
Long-term portion	145	543

## 8. LONG-TERM DEBT

As at	<b>September 30, 2021</b>	December 31, 2020
Senior revolving credit facility	<b>3,209</b>	17,978
Subordinated debt	–	10,000
Deferred financing cost	<b>(92)</b>	(263)
Total long-term debt	<b>3,117</b>	27,715

On June 29, 2021, the Company repaid the \$10 million subordinated debt incurred as partial financing for the acquisition of Seitel Canada Ltd. in January 2019. The subordinated debt had a 10 percent interest rate. The Company paid a \$750,000 prepayment premium as per the terms of the agreement. The \$750,000 was included in financing expenses.

On December 18, 2020, the Company amended and restated its credit agreement. The credit facility now consists of a \$25 million revolving credit facility.

Significant terms of the credit facility are:

- Interest is calculated based on the lender's prime rate, bankers' acceptance rate or LIBOR, plus an applicable margin based on the covenant ratio of total long-term debt to adjusted EBITDA following a ten-tier structure. At September 30, 2021, the applicable interest rate was 3.2 percent, based on level 1 of the 10 rates specified under the facility;
- Standby fee is based on the daily undrawn balance of the credit facility and the Company's long-term debt to adjusted EBITDA ratio following a ten-tier margin structure. At September 30, 2021, the applicable standby fee was set at level 1 of the 10 rates specified under the facility;
- Two-year term until January 15, 2023, with an extension of up to one year available on January 15 of every year with the approval of the lender. If the extension is not granted, any outstanding amounts will be payable on the then-current applicable maturity date; and
- Security through a charge on all of the assets of the Company and its material subsidiaries.

The revolving credit facility also includes the following financial covenants:

### 1) MAXIMUM LONG-TERM DEBT TO ADJUSTED EBITDA RATIO

The long-term debt to adjusted EBITDA ratio shall not be greater than 3.0:1 on September 30, 2021 and thereafter.

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

The minimum interest coverage ratio shall not be less than 2.5:1 at September 30, 2021 and thereafter.

At September 30, 2021, the long-term debt to adjusted EBITDA ratio was 0.10:1 and the interest coverage ratio was 13.94:1.

The Company was in compliance with all covenants at September 30, 2021.

At September 30, 2021, Pulse's revolving credit facility balance was \$3.2 million with \$21.8 million of additional borrowing capacity.

## 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:

Nine months ended September 30,	2021	2020
Earnings (loss) before income tax	19,039	(7,625)
Combined federal and provincial income tax rate	23%	25%
Expected income tax expense (recovery)	4,379	(1,906)
Effects of difference:		
Non-deductible expenses	3	6
Change in valuation allowance	(14)	(15)
Permanent difference related to the seismic data library acquired in January 2019	1,368	1,475
Permanent difference related to IFRS 16, Leases	(55)	(53)
Others	2	(59)
<b>Actual income tax expense (recovery)</b>	<b>5,683</b>	<b>(552)</b>

## 10. SHARE CAPITAL

### 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 could 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, 2021, 161,805 RSUs and 206,981 PSUs were eligible to vest. The Company's performance in 2020 did not meet the predetermined performance benchmarks and, consequently, no PSUs vested on March 31, 2021. RSUs vest automatically based upon time and, consequently, all of the eligible RSUs vested automatically on March 31, 2021.

To satisfy its obligation, in April 2021 the Company provided \$163,000 to the plan's trustee to purchase common shares on the open market for the total after-tax number of cash- and equity-settled RSUs that vested on March 31, 2021. The related payroll taxes of \$110,000 were paid in the second quarter to settle the accrued cash-settled portion of the share-based payment liabilities.

For the nine months ended September 30, 2021, the Company recognized \$477,000 (nine months ended September 30, 2020 - \$130,000) in compensation expense related to the LTIP in salaries, internal commissions and benefits on the statement of comprehensive earnings. The equity-settled portion was \$217,000 (nine months ended September 30, 2020 - \$198,000).

At September 30, 2021, the obligation related to the cash-settled portion of the LTIP was \$291,000 (September 30, 2020 - \$90,000) with \$125,000 (September 30, 2020 - \$42,000) included in accounts payable and accrued liabilities and \$166,000 (September 30, 2020 - \$48,000) included in other long-term payable.

The following summarizes activity in the Company's LTIP during the three and nine-month periods ended September 30, 2021 and 2020:

RSUs	Three months ended September 30,		Nine months ended September 30,	
	2021	2020	2021	2020
Outstanding, beginning of period	826,482	706,197	692,140	553,575
Vested	-	-	(161,805)	(186,658)
Granted	-	-	325,376	339,295
Cancelled or forfeited	-	(14,057)	(29,229)	(14,072)
<b>Outstanding, end of period</b>	<b>826,482</b>	<b>692,140</b>	<b>826,482</b>	<b>692,140</b>

PSUs	Three months ended September 30,		Nine months ended September 30,	
	2021	2020	2021	2020
Outstanding, beginning of period	1,055,930	891,030	876,973	704,962
Granted	-	-	385,938	423,195
Cancelled or forfeited	-	(14,057)	(206,981)	(251,184)
<b>Outstanding, end of period</b>	<b>1,055,930</b>	<b>876,973</b>	<b>1,055,930</b>	<b>876,973</b>

The 161,805 RSUs that vested on March 31, 2021 were settled in the second quarter of 2021. The 206,981 PSUs that did not vest were cancelled from the notional accounts on the vesting date.

## 12. EARNINGS (LOSS) PER SHARE

### (A) BASIC EARNINGS (LOSS) PER SHARE

The calculation of basic earnings per share was based on the net earnings attributable to common shareholders of \$3.2 million for the three months ended September 30, 2021 (three months ended September 30, 2020 - net loss of \$1.9 million) and net earnings of \$13.4 million for the nine months ended September 30, 2021 (nine months ended September 30, 2020 - net loss of \$7.1 million) and a weighted average number of common shares of 53,793,317 in 2021 and 2020.

### (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,	2021	2020
Trade and other receivables	1,864	(104)
Prepaid expenses	(10)	39
Long-term receivable	1,140	3,255
Accounts payable and accrued liabilities	74	(292)
Deferred revenue	(105)	(1,708)
Other long-term payable	84	(72)
Others	300	159
<b>Net change in non-cash operating working capital</b>	<b>3,347</b>	<b>1,277</b>

## 14. FINANCIAL INSTRUMENTS

The Company's risk management policy objectives include the long-term management of the Company's 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 RISK

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 the collection of payment for data sales. 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 relate to customers from this industry.

The effective monitoring and control of credit risk is a core competency of the Company. 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. From time to time certain customers 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 the Company 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 \$5.7 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, 2021, 83 percent of total accounts receivable were due from three customers. For the nine months ended September 30, 2021, approximately 82 percent of the Company's data library sales were attributable to six customers.

The aging of trade receivables at the reporting date was:

	September 30, 2021		December 31, 2020	
	Gross	Impairment	Gross	Impairment
Current	3,797	-	7,527	-
Past due 31-60 days	1,741	-	-	-
Past due 61-90 days	20	-	-	-
More than 90 days	105	-	-	-
Total accounts receivable	5,663	-	7,527	-
Less: discounted accounts receivable	-	-	1,140	-
Accounts receivable	5,663	-	8,667	-

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.

As at the reporting date, the Company believes that all accounts are collectible, based on historical payment behaviour and extensive analysis of customers' underlying credit ratings.

### (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 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 maintaining financial flexibility and limiting repayment risks. The Company does not believe that it will encounter difficulty in meeting its financial obligations. 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.

The Company had working capital of \$2.7 million at September 30, 2021, with \$21.8 million available for future draws on its revolving credit facility.

The following are the contractual maturities of financial liabilities at September 30, 2021:

	Carrying amounts	1 year	2 years	3 years	4 years and thereafter
Long-term debt	3,209	-	3,209	-	-
Long-term debt interest	133	103	30	-	-
Accounts payable	1,068	1,068	-	-	-
Current income tax	1,446	1,446	-	-	-
Leases	1,338	1,096	242	-	-
Long-term payable	166	-	166	-	-
<b>Total</b>	<b>7,360</b>	<b>3,713</b>	<b>3,647</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

The Company is not directly exposed to commodity price risk as it does not have any contracts that are directly based on commodity prices. A change in commodity prices, specifically oil and natural gas prices, could have a material impact on the Company's customers' cash flows and could therefore affect the level of seismic data library sales. 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 the long-term debt note. 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, trade and other receivables and accounts payable and accrued liabilities approximate their carrying amount largely due to the short-term maturities of these instruments.

## 15. RELATED-PARTY TRANSACTIONS

At September 30, 2021, EdgePoint Investment Group Inc. (EdgePoint), an institutional shareholder in the Company, held 24.6 percent of the Company's total outstanding common shares.

EdgePoint was also the holder of the \$10.0 million subordinated debt that Pulse utilized to acquire Seitel Canada Ltd. in January 2019. On June 29, 2021, Pulse fully repaid the subordinated debt.

Under the terms of the agreement with EdgePoint, the subordinated debt accrued interest at a rate of 10 percent per annum, payable quarterly at the end of each quarter. For the nine months ended September 30, 2021, the interest expense debt was \$493,000 (nine months ended September 30, 2020 - \$750,000). Pulse's early repayment of the loan incurred a 7.5 percent prepayment premium, resulting in an additional \$750,000 payment to EdgePoint.

## 16. SUBSEQUENT EVENT

On October 27, 2021 the Company declared a special dividend of \$0.04 per common share. In addition to this one-time special dividend, the Board has resumed paying a regular quarterly dividend in the amount of \$0.0125 per common share.

The estimated total dividend of \$2.8 million will be paid on November 29, 2021 to shareholders of record at the close of business on November 12, 2021.