

Selected Financial and Operating Information

	Three months ended September 30, (unaudited)		Nine months ended September 30, (unaudited)		Year ended December 31,
<i>(thousands of dollars except per share data, numbers of shares and kilometres of seismic data)</i>	2022	2021	2022	2021	2021
Revenue					
Data library sales	2,163	8,832	6,934	32,545	48,717
Other revenue	15	100	197	300	433
Total revenue	2,178	8,932	7,131	32,845	49,150
Amortization of seismic data library	2,444	2,509	7,402	7,510	10,010
Net earnings (loss)	(1,675)	3,164	(5,959)	13,356	21,514
Per share basic and diluted	(0.03)	0.06	(0.11)	0.25	0.40
Cash provided by operating activities	829	7,572	11,231	25,787	29,799
Per share basic and diluted	0.02	0.14	0.21	0.48	0.55
EBITDA ^(a)	741	7,458	1,568	28,797	42,632
Per share — basic and diluted ^(a)	0.01	0.14	0.03	0.54	0.79
Shareholder free cash flow ^(a)	880	5,867	2,292	21,254	32,082
Per share — basic and diluted ^(a)	0.02	0.11	0.04	0.40	0.60
Capital expenditures					
Seismic data digitization and related costs	—	96	—	287	350
Property and equipment	—	5	12	8	8
Total capital expenditures	—	101	12	295	358
Weighted average shares outstanding					
Basic and diluted	53,699,692	53,793,317	53,726,390	53,793,317	53,792,984
Shares outstanding at period-end			53,634,317	53,793,317	53,784,717
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

<i>(thousands of dollars except ratios)</i>	September 30, 2022	September 30, 2021	December 31, 2021
Working capital	6,597	2,708	9,749
Working capital ratio	7.5:1	1.8:1	2.7:1
Cash and cash equivalents	5,811	—	—
Total assets	37,552	46,036	52,899
Long-term debt	—	3,117	2,265
Trailing twelve-month (TTM) EBITDA ^(b)	15,403	33,033	42,632
Shareholders' equity	35,964	38,710	44,141
Long-term debt to TTM EBITDA ratio	0.00	0.09	0.05
Long-term debt to equity ratio	0.00	0.08	0.05

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

(b) TTM EBITDA is defined as the sum of 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, 2022	December 31 2021
ASSETS			
Cash and cash equivalents		5,811	—
Trade and other receivables		1,080	15,030
Current tax assets		468	—
Prepaid expenses		249	363
Total current assets		7,608	15,393
Seismic data library	6	29,826	37,228
Property and equipment		23	50
Deferred financing costs		58	—
Right-of-use assets	7	37	228
Total non-current assets		29,944	37,506
Total assets		37,552	52,899
LIABILITIES AND SHAREHOLDERS' EQUITY			
Accounts payable and accrued liabilities		876	2,593
Deferred revenue		47	45
Current portion of lease liabilities	7	88	479
Current income tax liabilities		—	2,527
Total current liabilities		1,011	5,644
Long-term debt	8	—	2,265
Deferred income tax liabilities		337	572
Lease liabilities	7	—	21
Other long-term payable		240	256
Total non-current liabilities		577	3,114
Total liabilities		1,588	8,758
SHAREHOLDERS' EQUITY			
Share capital		74,360	74,569
Contributed surplus		2,795	2,702
Deficit		(41,191)	(33,130)
Total shareholders' equity		35,964	44,141
Total liabilities and shareholders' equity		37,552	52,899
Subsequent event	15		

See accompanying notes to condensed consolidated interim financial statements.

On behalf of the Board:



Robert Robotti
Chair of the Board



Paul Crilly
Audit and Risk Committee Chair

Condensed Consolidated Interim Statements of Net Earnings (Loss) and Comprehensive Income (Loss)

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

	Note	Three months ended Sept. 30, 2022	2021	Nine months ended Sept. 30, 2022	2021
Revenue					
Data library sales	5	2,163	8,832	6,934	32,545
Other revenue		15	100	197	300
Total revenue		2,178	8,932	7,131	32,845
Operating expenses					
Amortization of seismic data library	6	2,444	2,509	7,402	7,510
Salaries, internal commissions and benefits		874	919	3,364	2,785
Other selling, general and administrative costs		563	555	2,199	1,263
Depreciation		25	164	230	496
Total operating expenses		3,906	4,147	13,195	12,054
Results from operating activities		(1,728)	4,785	(6,064)	20,791
Financing costs					
Financing expenses		46	122	153	1,814
Interest income		(35)	(14)	(49)	(62)
Net financing costs		11	108	104	1,752
Earnings (loss) before income taxes		(1,739)	4,677	(6,168)	19,039
Current income tax expense		(20)	1,568	29	5,926
Deferred income tax recovery		(44)	(55)	(238)	(243)
Income tax expense (recovery)	9	(64)	1,513	(209)	5,683
Net earnings (loss) and comprehensive income (loss)		(1,675)	3,164	(5,959)	13,356
Net earnings (loss) per share, basic and diluted	12	(0.03)	0.06	(0.11)	0.25

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)

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

	<i>Note</i>	Number of shares issued	Share capital	Contributed surplus	Deficit	Total equity
Balance at January 1, 2022		53,784,717	74,569	2,702	(33,130)	44,141
Net loss for the period		—	—	—	(5,959)	(5,959)
Share-based compensation	11	—	—	406	—	406
Settlement of vested long-term incentive plan award	11	—	—	(310)	—	(310)
Tax effect of equity-settled share-based compensation		—	—	(3)	—	(3)
Normal course issuer bid	10	(150,400)	(209)	—	(87)	(296)
Dividends paid	10	—	—	—	(2,015)	(2,015)
Balance at September 30, 2022		53,634,317	74,360	2,795	(41,191)	35,964

See accompanying notes to condensed consolidated interim financial statements.

Condensed Consolidated Interim Statements of Cash Flows

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(thousands of Canadian dollars) (unaudited)

		Three months ended Sept. 30,		Nine months ended Sept. 30,	
	Note	2022	2021	2022	2021
Cash flows provided by (used in):					
Operating:					
Net earnings (loss) and comprehensive income (loss)		(1,675)	3,164	(5,959)	13,356
Adjustment for:					
Amortization of seismic data library	6	2,444	2,509	7,402	7,510
Depreciation		25	164	230	496
Income tax expense (recovery)	9	(64)	1,513	(209)	5,683
Share-based compensation	11	96	67	406	217
Net financing costs		11	108	104	1,752
Interest and standby fees paid		(29)	(60)	(94)	(1,827)
Interest paid — lease liabilities		(2)	(14)	(11)	(52)
Interest received		34	—	43	—
Income tax paid		(12)	(2,639)	(3,115)	(4,695)
Income tax received		92	—	92	—
		920	4,812	(1,111)	22,440
Net change in non-cash working capital	13	(91)	2,760	12,342	3,347
Cash provided by operating activities		829	7,572	11,231	25,787
Financing:					
Normal course issuer bid	10	(167)	—	(296)	—
Shares purchased for equity-settled share-based payments	11	—	—	(310)	(163)
Repayment of long-term debt		—	(7,282)	(2,375)	(24,770)
Dividends paid		(672)	—	(2,015)	—
Lease payments for principal	7	(89)	(189)	(412)	(559)
Cash used in financing activities		(928)	(7,471)	(5,408)	(25,492)
Investing:					
Seismic data digitization and related costs	6	—	(96)	—	(287)
Additions to property and equipment		—	(5)	(12)	(8)
Cash used in investing activities		—	(101)	(12)	(295)
Increase (decrease) in cash and cash equivalents		(99)	—	5,811	—
Cash and cash equivalents, beginning of period		5,910	—	—	—
Cash and cash equivalents, end of period		5,811	—	5,811	—

See accompanying notes to condensed consolidated interim financial statements.

PULSE SEISMIC INC.

Notes to Condensed Consolidated Interim Financial Statements

INFORMATION AS AT SEPTEMBER 30, 2022 AND DECEMBER 31, 2021 AND FOR THE THREE AND NINE-MONTH PERIODS ENDED SEPTEMBER 30, 2022 AND 2021

(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 2700, 421 7th Avenue SW in Calgary, Alberta. The Company is a provider of seismic data to the energy and resource sector in western Canada.

2. BASIS OF PREPARATION

(A) STATEMENT OF COMPLIANCE

The condensed consolidated interim 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, 2021. 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, 2021. The condensed consolidated interim financial statements were approved by the Board of Directors on October 25, 2022.

(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 consolidated financial statements.

3. COVID-19 ESTIMATION UNCERTAINTY

Ongoing uncertainty caused by the global pandemic may continue affecting business conditions for the Company. There may continue to be adverse impacts on the Company. The situation surrounding COVID-19 has evolved significantly with the widespread availability of vaccines.

The Company continues to monitor administrative and operating expenses and capital spending plans closely.

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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, 2021.

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 year-over-year by transaction type, data type and geographically.

The following tables summarize the Company's disaggregated revenue:

(A) TRANSACTION TYPE

	Three months ended September 30,		Nine months ended September 30,	
	2022	2021	2022	2021
Traditional sales	2,050	1,863	6,717	6,553
Transaction-based sales	113	6,969	217	25,992
Total data library sales	2,163	8,832	6,934	32,545

(B) DATA TYPE

	Three months ended September 30,		Nine months ended September 30,	
	2022	2021	2022	2021
2D data sales	753	1,583	3,363	4,120
3D data sales	1,410	7,249	3,571	28,425
Total data library sales	2,163	8,832	6,934	32,545

(C) GEOGRAPHICAL BREAKDOWN

	Three months ended September 30,		Nine months ended September 30,	
	2022	2021	2022	2021
Alberta sales	1,859	4,919	4,939	27,246
British Columbia sales	83	3,687	1,017	4,075
Other area sales	221	226	978	1,224
Total data library sales	2,163	8,832	6,934	32,545

6. SEISMIC DATA LIBRARY

	September 30,	December 31,
As at	2022	2021
Cost		
Opening balance, January 1	506,798	506,448
Seismic digitization and related cost	—	350
Closing balance	506,798	506,798
Accumulated amortization		
Opening balance, January 1	469,570	459,560
Amortization for the period	7,402	10,010
Closing balance	476,972	469,570
Carrying amount	29,826	37,228

At September 30, 2022 and 2021, the Company assessed the cash-generating units (CGUs) in its seismic data library for indicators of impairment, as required under IFRS, and concluded there were no indicators and, accordingly, that 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,	December 31,
As at	2022	2021
Office and warehouse leases	228	733
Less		
Depreciation in the period	(191)	(505)
ROU assets	37	228
Lease Liabilities		
As at	September 30,	December 31,
	2022	2021
Opening balance	500	1,358
Repayments on principal and interest	(423)	(903)
Interest expense	11	45
Total lease liabilities	88	500
Less		
Current portion	88	479
Long-term portion	—	21

In January 2017, the Company entered into a sublease arrangement for office space, which expires in March 2023.

On January 15, 2019, following the acquisition of Seitel Canada Ltd., the Company assumed two leases, one for a warehouse and another for downtown office space. The lease agreement for the warehouse expired in April 2022 and the office lease expires in November 2022.

8. LONG-TERM DEBT

As at	September 30, 2022	December 31, 2021
Revolving credit facility	—	2,375
Deferred financing cost	—	(110)
Total long-term debt	—	2,265

On December 21, 2021, the Company renewed its revolving credit facility and extended the maturity date for two years to January 15, 2025. The facility's available borrowing amount remains at \$25.0 million and all other major terms, including financial covenants, were unaffected by the renewal.

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 debt to adjusted EBITDA following a ten-tier structure. At September 30, 2022, the applicable interest rate was 6.20 percent, based on level 1 of the 10 rates specified under the facility;
- Standby fees are based on the daily undrawn balance of the credit facility and the Company's total debt to adjusted EBITDA ratio following a ten-tier margin structure. At September 30, 2022, the applicable standby fee was set at level 1 of the 10 rates specified under the facility;
- Three-year term until January 15, 2025, 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 December 31, 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, 2022 and thereafter.

At September 30, 2022, the long-term debt to adjusted EBITDA ratio was 0.0:1 and the interest coverage ratio was 72.4:1. The Company was in compliance with all covenants at September 30, 2022.

When the Company doesn't carry a balance on its revolving credit facility, the deferred financing costs are included in the non-current assets. The balance of the deferred financing costs was \$58,000 at September 30, 2022.

9. INCOME TAX

Income tax expense (recovery) 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,	2022	2021
Earnings (loss) before income tax	(6,168)	19,039
Combined federal and provincial income tax rate	23%	23%
Expected income tax expense (recovery)	(1,419)	4,379
Effects of difference:		
Change in valuation allowance	(14)	(14)
Scientific research and experimental development investment tax credits	(105)	—
Permanent difference related to the seismic data library acquired in January 2019	1,376	1,368
Permanent difference related to IFRS 16, Leases	(59)	(55)
Others	12	5
Actual income tax expense (recovery)	(209)	5,683

10. SHARE CAPITAL

(A) 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.

On October 29, 2021, the Company announced the renewal of its normal course issuer bid (NCIB). The Company may purchase, for cancellation, up to a maximum of 3,097,433 common shares, equal to 10 percent of the public float of 30,974,330 common shares as at October 20, 2021. The Company is also limited under the NCIB to purchasing no more than 8,113 common shares on any given day, subject to the block purchase exemption under the TSX rules. The NCIB will continue until November 1, 2022. Purchases will be made on the open market through the TSX or alternative platforms at the market price of such shares. All shares purchased under the NCIB will be cancelled.

During the nine months ended September 30, 2022, the Company purchased for cancellation 150,400 common shares pursuant to its NCIB at a weighted average price of \$1.97 per share, including brokerage fees, for a total cost of \$296,000. The total cost paid, including fees, was first charged to share capital to the extent of the average carrying value of the common shares purchased and the excess of \$87,000 was charged to the deficit.

(B) DIVIDENDS

On February 17, 2022, the Company approved a quarterly dividend of \$0.0125 per share. The dividend totalling \$672,000 was paid on March 21, 2022 to shareholders of record at the close of business on March 14, 2022.

On April 20, 2022, the Company approved a quarterly dividend of \$0.0125 per share. The dividend totalling \$672,000 was paid on May 24, 2022 to shareholders of record at the close of business on May 16, 2022.

On July 20, 2022, the Company approved a quarterly dividend of \$0.0125 per share. The dividend totalling \$672,000 was paid on August 23, 2022 to shareholders of record at the close of business on August 15, 2022.

11. SHARE-BASED PAYMENTS

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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 (RSU) and performance share units (PSU), 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, 2022, 200,896 RSUs and 258,509 PSUs were eligible to vest. The Company's performance in 2021 exceeded the predetermined minimum performance benchmarks and, consequently, 9.5 percent or 24,540 PSUs vested on March 31, 2022. RSUs vest automatically based upon time and, consequently, all of the eligible RSUs vested automatically on March 31, 2022.

To satisfy its obligation, in April 2022 the Company provided \$310,000 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, 2022. The related payroll taxes of \$219,000 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, 2022, the Company recognized \$693,000 (nine months ended September 30, 2021 - \$477,000) in compensation expense related to the LTIP in salaries, internal commissions and benefits on the consolidated statement of comprehensive earnings. The equity-settled portion was \$406,000 (nine months ended September 30, 2021 - \$217,000).

For the nine months ended September 30, 2022, the obligation related to the cash-settled portion of the LTIP was \$518,000 (nine months ended September 30, 2021 - \$291,000) with \$278,000 (nine months ended September 30, 2021 - \$125,000) included in accounts payable and accrued liabilities and \$240,000 (nine months ended September 30, 2021 - \$166,000) 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, 2022 and 2021:

RSUs	Three months ended September 30,		Nine months ended September 30,	
	2022	2021	2022	2021
Outstanding, beginning of period	1,199,328	826,482	844,713	692,140
Vested	—	—	(200,896)	(161,805)
Granted	—	—	562,954	325,376
Dividend reinvested	7,139	—	19,013	—
Cancelled or forfeited	—	—	(19,317)	(29,229)
Outstanding, end of period	1,206,467	826,482	1,206,467	826,482

PSUs	Three months ended September 30,		Nine months ended September 30,	
	2022	2021	2022	2021
Outstanding, beginning of period	1,193,970	1,055,930	1,079,223	876,973
Vested	—	—	(24,540)	—
Granted	—	—	374,210	385,938
Dividend reinvested	7,107	—	20,264	—
Cancelled or forfeited	—	—	(248,080)	(206,981)
Outstanding, end of period	1,201,077	1,055,930	1,201,077	1,055,930

The 200,896 RSUs and 24,540 PSUs that vested on March 31, 2022 were settled in the second quarter of 2022. The 233,969 PSUs that did not vest were cancelled from the employee notional accounts on the vesting date.

On March 31, 2022, the Company added a special one-time RSU award to each employee's notional account. For each employee, the additional award represents the number of PSUs that were eligible to vest on March 31, 2022, less the number that vested. These RSUs will be eligible to vest automatically each year on March 31, 2023, 2024 and 2025.

12. EARNINGS (LOSS) PER SHARE

(A) BASIC EARNINGS (LOSS) PER SHARE

The calculation of basic earnings per share was based on the net loss attributable to common shareholders of \$1.7 million for the three months ended September 30, 2022 (three months ended September 30, 2021 - net earnings of \$3.2 million) and a weighted average number of common shares of 53,699,692 (three months ended September 30, 2021 - 53,793,317).

The calculation of basic earnings per share was based on the net loss attributable to common shareholders of \$6.0 million for the nine months ended September 30, 2022 (nine months ended September 30, 2021 - net earnings of \$13.4 million) and a weighted average number of common shares of 53,726,390 (nine months ended September 30, 2021 - 53,793,317), calculated as follows:

	Three months ended September 30,		Nine months ended September 30,	
	2022	2021	2022	2021
Common shares outstanding at beginning of period	53,720,317	53,793,317	53,784,717	53,793,317
Effect of common shares purchased and cancelled	(20,625)	—	(58,327)	—
Weighted average number of common shares	53,699,692	53,793,317	53,726,390	53,793,317

(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,	2022	2021
Trade and other receivables	13,950	1,864
Prepaid expenses	114	(10)
Long-term receivable	—	1,140
Accounts payable and accrued liabilities	(1,717)	74
Deferred revenue	2	(105)
Other long-term payable	(16)	84
Others	9	300
Net change in non-cash operating working capital	12,342	3,347

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. The Committee conducts reviews of risk management controls and procedures, 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 cash and credit risk in connection with data sales to its customers. The cash risk is minimal as it is held with a major bank. 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. 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 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 cash of \$5.8 million and the value of accounts receivable of \$1.1 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, 2022, 77 percent of total accounts receivable were due from three customers. At September 30, 2022, approximately 64 percent of the Company's data library sales were attributable to seven customers.

The aging of trade receivables at the reporting date was:

	September 30, 2022		December 31, 2021	
	Gross	Impairment	Gross	Impairment
Current	436	—	14,772	—
Past due 31-60 days	16	—	56	—
Past due 61-90 days	16	—	48	—
More than 90 days	612	—	154	—
Total	1,080	—	15,030	—

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.

The Company believes that all accounts receivable 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 has working capital of \$6.6 million at September 30, 2022 in addition to \$25.0 million available to draw on its revolving credit facility.

The following are the contractual maturities of financial liabilities at September 30, 2022:

	Carrying amounts	2022	2023	2024	2025 and thereafter
Accounts payable	876	876	—	—	—
Leases	242	242	—	—	—
Long-term payable	240	—	240	—	—
Total	1,358	1,118	240	—	—

(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 when there is a balance owing. 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 would cause fluctuations in future interest payments but the Company does not currently have long-term debt outstanding.

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. SUBSEQUENT EVENTS

On October 20, 2022 the Company entered into a lease agreement for office space for the period of April 2023 to June 2028.

On October 25, 2022, the Company declared a quarterly dividend of \$0.0125 per common share to be paid on November 22, 2022 to shareholders of record at the close of business on November 14, 2022.

Pulse is a market leader in the acquisition, marketing and licensing of 2D and 3D seismic data to the western Canadian energy sector. Pulse owns the largest licensable seismic data library in Canada, currently consisting of approximately 65,310 net square kilometres of 3D seismic and 829,207 net kilometres of 2D seismic. The library extensively covers the Western Canada Sedimentary Basin where most of Canada's oil and natural gas exploration and development occur.

OFFICERS

Neal Coleman
President and CEO

Pamela Wicks
Vice President Finance and CFO

Trevor Meier
Vice President, Sales and Marketing

Catherine Samuel
Corporate Secretary

BOARD OF DIRECTORS

Robert Robotti ⁽¹⁾ ⁽²⁾ ⁽³⁾
Chair

Paul Crilly ⁽¹⁾ ⁽³⁾
Director

Dallas Droppo ⁽¹⁾ ⁽²⁾ ⁽³⁾
Director

Grant Grimsrud ⁽²⁾ ⁽⁴⁾
Director

Melanie Westergaard ⁽¹⁾ ⁽⁴⁾
Director

Neal Coleman ⁽⁴⁾
Director

(1) *Member of the Audit and Risk Committee*

(2) *Member of the Compensation Committee*

(3) *Member of the Corporate Governance and Nominating Committee*

(4) *Member of the Environment, Health and Safety Committee*

BANKERS

The Toronto-Dominion Bank
Calgary, Alberta

REGISTRAR AND TRANSFER AGENT

Computershare Trust Company of Canada
Calgary, Alberta

SOLICITORS

McCarthy Tétrault LLP
Calgary, Alberta

AUDITORS

MNP LLP
Calgary, Alberta

STOCK EXCHANGE LISTING

TSX: PSD
OTCQX: PLSDF

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PULSE

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Q3

For the three and nine months
ended September 30, 2022

TSX: PSD
OTCQX: PLSDF

