

## 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.

# MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

THREE AND NINE MONTHS ENDED SEPTEMBER 30, 2021

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The following Management's Discussion and Analysis (MD&A) of the financial condition and results of operations of Pulse Seismic Inc. ("Pulse" or "the Company") for the three and nine months ended September 30, 2021 was prepared taking into consideration information available to October 27, 2021 and should be read with the unaudited condensed consolidated interim financial statements and related notes for the three and nine months ended September 30, 2021. This MD&A is supplemental to the MD&A, audited consolidated financial statements and related notes for the year ended December 31, 2020.

The unaudited condensed consolidated interim financial statements were prepared in accordance with International Financial Reporting Standards (IFRS) with comparative figures for the prior year's period. Certain comparative figures have been reclassified to conform to the current year's presentation. The unaudited condensed consolidated interim financial statements and the MD&A were reviewed by Pulse's Audit and Risk Committee and approved by Pulse's Board of Directors. All financial information is reported in Canadian dollars. This MD&A discusses matters which Pulse's management considers material. Management determines whether information is material based on whether it believes a reasonable investor's decision whether or not to buy, sell or hold shares in the Company would likely be influenced or changed if the information were omitted or misstated. Readers should also read the cautionary statement in "Forward-Looking Information".

## OVERVIEW

### ABOUT PULSE

Pulse is a market leader in the acquisition, marketing and licensing of two-dimensional (2D) and three-dimensional (3D) seismic data for the energy sector in Western Canada. Seismic data is used by oil and natural gas exploration and development companies to identify portions of geological formations that have the potential to hold hydrocarbons, as well as by companies exploring for non-traditional forms of energy and related resources, for example helium and lithium, that utilize advanced geophysics to ensure project success. Seismic data is used in conjunction with well logging data, well core comparisons, geological mapping and surface outcrops to create a detailed map of the Earth's subsurface at various depths.

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 (WCSB), where most of Canada's oil and natural gas exploration and development occur.

Pulse calculates net kilometres of 2D data and net square kilometres of 3D data by multiplying the number of kilometres of seismic data in each 2D line and the number of square kilometres of seismic data in each individual 3D seismic dataset by Pulse's percentage of ownership in each.

### MISSION AND STRATEGY

Pulse is a pure-play seismic data library company focused on the acquisition, marketing and licensing of seismic data to the western Canadian oil and natural gas and new energy sectors. The Company's business model is designed to generate a growing stream of cash flow by repeatedly licensing the data in its seismic data library to oil and natural gas companies and more recently to companies exploring for non-traditional forms of energy.

Pulse is exploring a variety of seismic attribute technologies to enhance our existing data sets, strategically acquiring a powerful blend of new technical insights for revealing enhanced properties that reduce the risk of energy exploration. In collaboration with technology and energy transformation leaders, Pulse's focus is aligning with the pace of new and evolving demands for understanding subsurface reservoir geology to support new energy transformation.

Pulse's strategy is to pursue growth opportunities that meet its financial and technical criteria while maintaining a low cost structure.

## COVID 19-IMPACT ON THE COMPANY'S OPERATIONS AND RISKS

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.

In the third quarter of 2021, the Company benefited from the Canada Emergency Wage Subsidy (CEWS) in the amount of \$5,000 for a total of \$307,000 in 2021. The Company also benefited from the Canada Emergency Rent Subsidy (CERS) in the amount of \$6,000 in the third quarter of 2021 for a total of \$294,000 in 2021.

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, 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; 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.

The Company continues to monitor administrative and operating expenses and capital spending plans closely. As noted above, the Company also received government subsidies under both the wage and rent subsidy programs in 2020 and 2021.

Since March 2020, Pulse has consistently encouraged its employees to follow the guidance of health authorities, and it has maintained compliance with the Government of Alberta COVID-19 public health restrictions. The restrictions, including limiting person-to-person contact in the office setting, have shifted over time to align with government efforts to manage hospital capacity. At the beginning of the third quarter, restrictions were eased allowing all employees to safely return to work at the office. Some staff has since returned to work from home or a hybrid work from home and the office arrangement in accordance with new restrictions based on a state of public health emergency that was declared in Alberta on September 24, 2021. Pulse's business is supplying licences to a digitally-based product, seismic data and, as a result, the hybrid work situation has supported business continuity. The Company's top priorities continue to be the safety of its employees and, generating data sales, while keeping costs low and improving the balance sheet as we continue to navigate uncertain times.

## KEY PERFORMANCE INDICATORS

The key performance indicators used by Pulse's management to analyze business results are seismic data library sales, net earnings, cash EBITDA and shareholder free cash flow. The definitions, calculations and reconciliations of cash EBITDA and shareholder free cash flow to the nearest GAAP financial measures are provided in "Non-GAAP Financial Measures and Reconciliations".

Results for the key performance indicators for the three and nine months ended September 30, 2021, with comparative figures for 2020, are set out in the following table:

(thousands of dollars except per share data)	Three months ended September 30,			Nine months ended September 30,		
	2021	2020	Variance	2021	2020	Variance
Data library sales	<b>8,832</b>	1,829	7,003	<b>32,545</b>	5,869	26,676
Other revenue	<b>100</b>	76	24	<b>300</b>	257	43
Total revenue	<b>8,932</b>	1,905	7,027	<b>32,845</b>	6,126	26,719
Net earnings (loss)	<b>3,164</b>	(1,937)	5,101	<b>13,356</b>	(7,073)	20,429
Per share basic and diluted	<b>0.06</b>	(0.04)	0.10	<b>0.25</b>	(0.13)	0.38
Cash generated by operating activities	<b>7,572</b>	603	6,969	<b>25,787</b>	3,062	22,725
Per share basic and diluted	<b>0.14</b>	0.01	0.13	<b>0.48</b>	0.06	0.42
Cash EBITDA	<b>7,500</b>	1,243	6,257	<b>28,760</b>	3,354	25,406
Per share basic and diluted	<b>0.14</b>	0.02	0.12	<b>0.53</b>	0.06	0.47
Shareholder free cash flow	<b>5,867</b>	855	5,012	<b>21,254</b>	2,370	18,884
Per share basic and diluted	<b>0.11</b>	0.02	0.09	<b>0.40</b>	0.04	0.36

For the three months ended September 30, 2021, Pulse generated \$8.9 million of revenue compared to \$1.9 million for the same period in 2020. For the nine months ended September 30, 2021, Pulse generated \$32.8 million of revenue compared to \$6.1 million for the same period in 2020.

The increase in data library sales during the three and nine months ended September 30, 2021 from the same periods of 2020 is the main factor contributing to the period-over-period increase in all of the Company's key performance metrics.

In the third quarter of 2021, the Company generated \$7.0 million of transaction-based data library sales related to mergers and acquisitions compared to \$1.8 million for the same period in 2020. For the first three quarters of 2021, the Company generated \$26.0 million in transaction-based data library sales related to mergers and acquisitions compared to \$2.2 million for the same period in 2020.

The fast pace of industry mergers and acquisitions and the recovery of commodity prices in 2021 explains the improvement of data library sales in the three quarters of 2021 over the same period of 2020, which was adversely affected by the drop in commodity prices and the COVID-19 outbreak in March 2020.

On May 28, 2021 the Company announced it had signed a \$17.0 million seismic data licensing contract. The Company delivered a portion of the data and recognized revenue of \$7.3 million in the second quarter. The remainder of the data must be selected by the customer before April 15, 2022. If the data is selected before that date, revenue will be recognized upon data delivery. There is an additional \$9.7 million in licensing fees to be recognized as revenue no later than April 15, 2022. Invoices will be issued when the remainder of the data is delivered, with payment due in 30 days.

## SEISMIC REVENUE FLUCTUATIONS

Revenue fluctuations are a normal part of the seismic data library business, and data library sales can vary significantly year-over-year.

Traditional data library sales can occur at any time. This is due to the nearly continual changes in oil and natural gas industry conditions, sudden or increased demand for seismic data covering a specific area or play, and the timing of public offerings of petroleum and natural gas rights (land sales).

Transaction-based sales can also occur at any time. This is due to corporate merger-and-acquisition, joint venture and asset disposition activity involving Pulse's customers, which is unpredictable.

## OUTLOOK

The improvements to industry and business conditions noted in the previous quarter's outlook have continued and in some aspects strengthened further, with a global commodities rally that has included crude oil and, in particular, natural gas. Exports of Canadian energy products have rebounded to pre-pandemic and, in fact, to near-record levels, reaching \$12 billion in August, according to Statistics Canada. In the third quarter the effects of merger-and-acquisition activity in Canada's oil and natural gas sector translated into transaction-based sales of seismic data, along with moderate traditional sales. Pulse's sales revenue of \$32.5 million for the first nine months of 2021 is equivalent to 295 percent of full-year 2020 sales revenue, and has been exceeded in only two years since 2011.

The Company has made use of the unexpectedly strong rebound in sales to continue strengthening its balance sheet, repaying all of its long-term and subordinated debt. The resulting reduced interest costs further strengthen Pulse's ability to generate shareholder free cash flow at a low break-even revenue level should business conditions weaken, and improve the Company's profitability during periods of robust sales. This strengthens Pulse's ability to act on attractive opportunities and provides renewed financial flexibility concerning capital allocation decisions.

On October 27, 2021 Pulse's Board of Directors declared a special dividend of \$0.04 per share and a regular quarterly dividend of \$0.0125 per share, enabling shareholders to benefit directly from the shareholder free cash flow that has been generated so far this year. With the repayment of all long-term debt, the added clarity built into 2022 sales provided from the backlog related to the large second quarter transaction-based sale, as well as the improved outlook in the business conditions in general, these positive developments have led the Board of Directors to view the return of approximately \$2.8 million of cash to shareholders, while maintaining balance sheet strength, as an appropriate use of cash. As well, the Company will file a notice with the Toronto Stock Exchange (TSX) to undertake a Normal Course Issuer Bid which will allow for approximately 3.1 million shares to be purchased and cancelled in a one-year period. The details will be released following TSX approval.

Positive trends noted above extended into the fourth quarter of 2021. The U.S. Energy Information Administration recently forecast that U.S. natural gas prices will average US\$5.67 per mmBtu from October 2021 to March 2022, the highest winter pricing since 2007-2008. U.S. exports of liquefied natural gas (LNG) are expected to grow by over 40 percent year-on-year, averaging nearly 10 billion cubic feet (bcf) per day in 2021, while U.S. natural gas production grows only modestly. Meanwhile, natural gas spot prices in some international markets have approached and even exceeded US\$30.00 per mmBtu. This provides favourable conditions for the U.S. natural gas market to absorb increasing amounts of exported Canadian natural gas at strengthening prices, somewhat compensating for the slow development pace of Canadian LNG export projects.

Canadian short-term (spot) natural gas prices, following years of weakness, in September and October increased sharply to the range of \$4.50-\$5.00 per gigajoule (GJ, roughly equivalent to 1 mmBtu), and are expected to maintain this range through the winter, although the longer-term outlook is for a return to the \$3.00-per-GJ range. Combined with continued strength in crude oil prices, all of this is encouraging to Canadian natural gas and oil producers and is supportive of higher rates of capital investment, including drilling, land acquisition and seismic data. To date, the industry's response signals have been relatively weak, with continued low rates of drilling and no recent increases in drilling forecasts, but a recovery in mineral lease auctions or "land sales" in Alberta from only \$29.4 million in 2020 to \$72.2 million in the first nine months of 2021.

Accordingly, Pulse's outlook for traditional seismic data library sales for the balance of 2021 and the first half of 2022 has improved further, while transaction-based sales of any size could continue to occur at any time. In addition, the Company anticipates further sales of seismic data related to the emerging global energy transformation. The seismic library incurs minimal maintenance costs and the digitally-stored data does not deteriorate or expire.

## DISCUSSION OF OPERATING RESULTS

### SUMMARY FOR THE THREE AND NINE MONTHS ENDED SEPTEMBER 30, 2021

#### EARNINGS (LOSS) BEFORE INCOME TAXES

For the three months ended September 30, 2021, the Company generated earnings before income taxes of \$4.7 million (\$0.09 per share basic and diluted) compared to a loss before income taxes of \$2.0 million (\$0.04 per share basic and diluted) for the comparable period of 2020.

For the nine months ended September 30, 2021, the Company generated earnings before income taxes of \$19.0 million (\$0.35 per share basic and diluted) compared to a loss before income taxes of \$7.6 million (\$0.11 per share basic and diluted) for the comparable period of 2020.

#### DATA LIBRARY SALES REVENUE

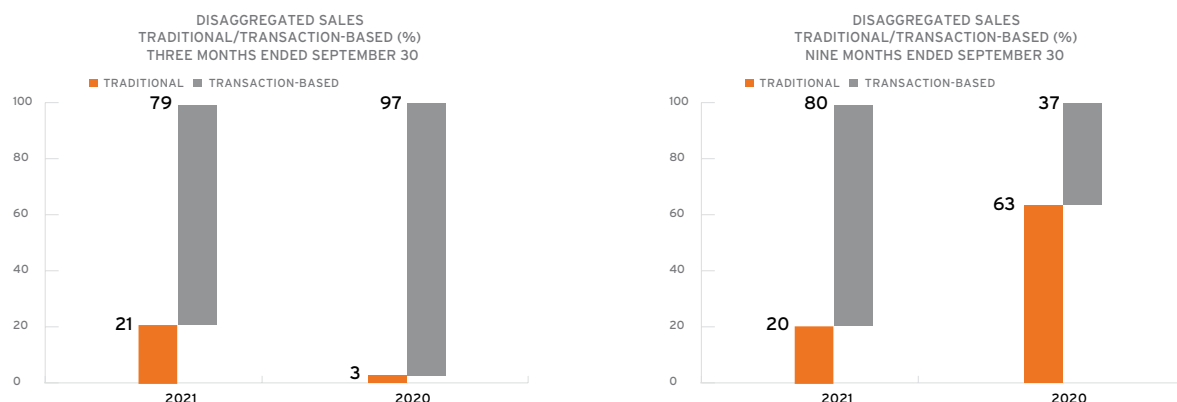
Data library sales were \$8.8 million for the three months ended September 30, 2021 compared to \$1.8 million for the three months ended September 30, 2020.

Data library sales were \$32.5 million for the nine months ended September 30, 2021 compared to \$5.9 million for the nine months ended September 30, 2020.

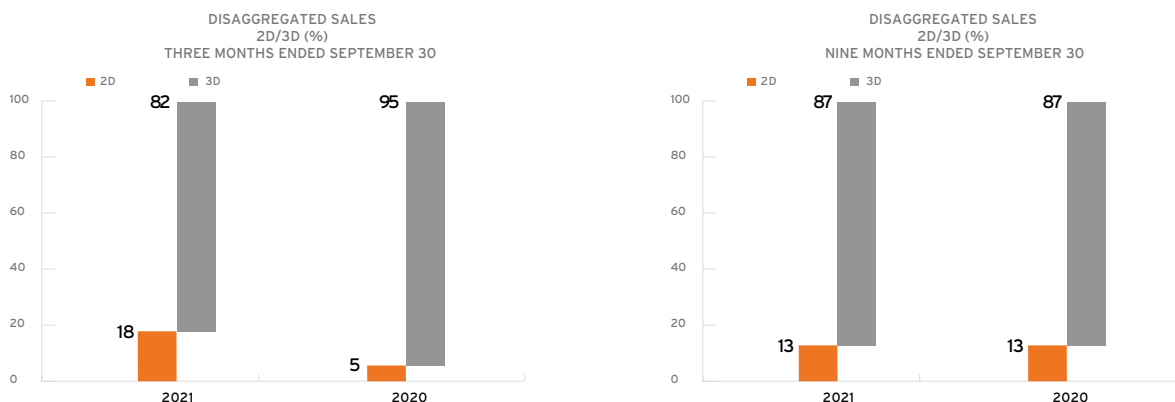
#### DISAGGREGATED DATA LIBRARY SALES BREAKDOWN

Pulse uses three ways to disaggregate its data library sales. The following graphs illustrate the three forms of sales disaggregation for the three-and nine-month periods ended September 30, 2021 and 2020.

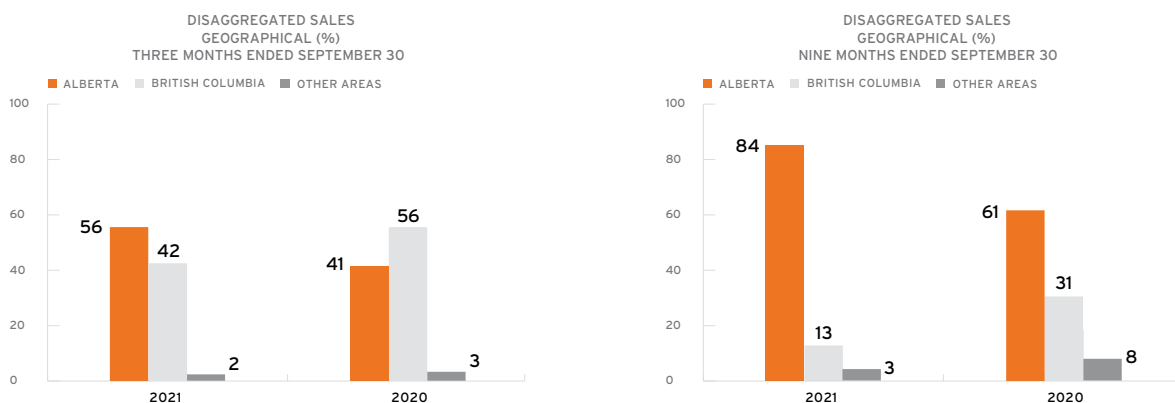
The first breakdown, transaction type, separates sales between traditional and transaction-based sales. These two types fluctuate greatly from period to period and year to year. A ten-year historical breakdown is also provided in the MD&A for the year ended December 31, 2020.



The second breakdown, data type, compares sales of 2D and 3D seismic data. As 3D seismic licence contracts are generally larger than 2D seismic licence contracts, the percentage of seismic data library revenues generated from 2D and 3D seismic data can fluctuate significantly depending on the number of 3D seismic sale contracts signed during a given period.



The third breakdown is geographical. The largest proportion of data sales usually comes from data in Alberta, as that is where the majority of Pulse's data coverage and current industry activity are.



The Company's customers are currently and generally focusing on liquids-rich natural gas and light oil pools found primarily in a broad corridor running from northwest of Calgary, Alberta, along the Foothills of the Rocky Mountains to the British Columbia border, as compared to "dry" natural gas more often found in British Columbia, on Alberta's eastern prairies and in Saskatchewan and Manitoba. During the nine months ended September 30, 2021, 84 percent (nine months ended September 30, 2020 - 61 percent) of the data library sales were from data located in Alberta, 13 percent from British Columbia (nine months ended September 30, 2020 - 31 percent) and 3 percent from other areas (nine months ended September 30, 2020 - 8 percent).

#### AMORTIZATION OF SEISMIC DATA LIBRARY

For the three months ended September 30, 2021 and 2020 seismic data library amortization expense was \$2.5 million. For the nine months ended September 30, 2021, seismic data library amortization expense was \$7.5 million compared to \$8.9 million in the comparable period of 2020. The decrease is due to certain data acquired in previous years becoming fully amortized.

Amortization of the seismic data library is described further under "Critical Accounting Estimates".

## IMPAIRMENT

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

## SALARIES, INTERNAL COMMISSIONS AND BENEFITS (SCB)

SCB includes salaries, related benefits, incentive compensation and internal commissions.

SCB for the three months ended September 30, 2021 was \$919,000 compared to \$497,000 in the comparable period of 2020. SCB for the nine months ended September 30, 2021 was \$2.8 million compared to \$1.8 million in the comparable period of 2020. The majority of the increase in both periods from 2020 is explained by the increase in the estimated non-cash long-term incentive plan expense due to the Company's share price increase since year-end, a higher short-term incentive plan accrual and higher sales commissions from increased data library sales. As stated above, the Company also benefited from the CEWS, which was recorded as a reduction of SCB and offset the increase in SCB in 2021.

## OTHER SELLING, GENERAL AND ADMINISTRATIVE COSTS (SG&A)

SG&A for the three months ended September 30, 2021 was \$555,000 compared to \$213,000 for the three months ended September 30, 2020.

SG&A for the nine months ended September 30, 2021 was \$1.3 million compared to \$1.2 million for the nine months ended September 30, 2020.

The increase in both periods was mainly related to consulting and legal fees offset by a reduction in the rent expense and audit fees. As stated above, the Company benefited from the CERS in 2021 and this amount was recorded as a reduction of SG&A.

Also of note, in the third quarter of 2020, there was a reversal of a \$180,000 allowance for impairment of trade receivables that had been taken in 2019. On July 20, 2020, the Company received payment in full from this customer. This expense reversal also contributed to lower 2020 SG&A expense.

The reduction in restructuring costs also offset the increase in the SG&A expense. Included in SG&A are the restructuring costs related to the acquisition of Seitel Canada Ltd. in 2019. Restructuring costs for the nine months ended September 30, 2021 were a \$6,000 recovery compared to \$231,000 for the same period in 2020. These expenses include the warehouse lease and the former Seitel office premises, which is subleased. The CERS resulted in a recovery of the restructuring costs in 2021.

These additional costs were categorized as restructuring costs and make up part of the expected \$4.2 million in future liabilities as outlined in previous acquisition-related disclosure. Pulse will continue to have some level of restructuring costs until November 2022, at the end of the former Seitel office lease term.

## NET FINANCING COSTS

For the three months ended September 30, 2021, net financing costs were \$108,000 compared to \$503,000 for the same period in 2020. For the nine months ended September 30, 2021, net financing costs were \$1.8 million compared to \$1.4 million for the same period in 2020.

The decrease for the three months ended September 30, 2021 from the same period last year is related to a lower long-term debt balance during the quarter. In 2021, the Company repaid \$24.8 million of long-term debt. At September 30, 2021, the long-term debt, net of deferred financing costs, was \$3.1 million compared to \$27.7 million at December 31, 2020.

The increase for the nine months ended September 30, 2021 over the same period last year is due to the \$750,000 prepayment premium to eliminate the balance owing on the subordinated debt.

On June 30, 2021, the Company announced the repayment of the \$10.0 million of subordinated debt incurred to partially finance the Seitel acquisition in 2019.



The net financing costs usually include the interest expense and standby fees related to the Company's revolving credit facility and the interest expense related to its subordinated debt.

Also included in the financing expenses is the interest related to lease liabilities as per IFRS 16. Interest income of \$62,000 related to data library sales with extended payment terms was also recognized during the period.

### INCOME TAXES

The income tax expense for the three months ended September 30, 2021 was \$1.5 million, reflecting an effective tax rate for accounting of 32.3 percent, compared to an income tax recovery of \$26,000 and an effective tax rate for accounting of 1.3 percent for the comparable 2020 period. The income tax expense for the nine months ended September 30, 2021 was \$5.7 million, reflecting an effective tax rate for accounting of 29.8 percent, compared to an income tax recovery of \$552,000 and an effective tax recovery rate for accounting of 7.2 percent for the comparable 2020 period. A reconciliation of the income tax expense or recovery is included in the notes to the interim consolidated financial statements.

The average combined federal-provincial income tax rate for 2021 is 23 percent compared to 25 percent in 2020 due to corporate tax rate decreases at the provincial level.

The effective tax rate for accounting in 2021 was different from the enacted income tax rate as a result of the permanent difference between the tax basis of the data library acquired in 2019 and its cost. The change in valuation allowance related to future resource deductions and non-deductible expenditures also contributed slightly to the variance between the effective and the enacted income tax rate.

## REVIEW OF FINANCIAL POSITION

AS AT SEPTEMBER 30, 2021

### TRADE AND OTHER RECEIVABLES

Trade and other receivables at September 30, 2021 totalled \$5.7 million compared to \$7.5 million at December 31, 2020. The majority of the trade and other receivables at September 30, 2021 are related to data library sales in the third quarter of 2021. All receivables related to data library sales at June 30, 2021, including the amount classified as long-term receivables, were collected in the third quarter.

### SEISMIC DATA LIBRARY

Pulse has grown its seismic data library through two main methods. The Company purchases proprietary rights to complementary seismic datasets when it finds appropriate opportunities, and it has also conducted many participation surveys over its history. On participation surveys, Pulse partners with customers in need of the data, sharing the capital costs, and the seismic data collected is added to Pulse's data library to generate future licensing revenue. Pulse retains full ownership of the data, and participating customers are provided with a licensed copy in return for their contribution to the capital costs of the survey. Pulse has not conducted a participation survey since the first quarter of 2015 but has grown significantly during this time through acquisition.

At September 30, 2021, the Company considered indicators of impairment for each of its CGUs and, based on that review, no impairment test was performed.

### LONG-TERM RECEIVABLES

A 2019 data library sale that had included extended payment terms for payments to be received from 2020-2022 has been fully paid.

### RIGHT-OF-USE (ROU) ASSETS

Included in the ROU assets are the present values of the basic rent related to Pulse's office and warehouse lease agreements. The present values were calculated using an incremental borrowing rate of 6.7 percent. The operating costs associated with the lease agreements were not included as those costs are not fixed or based on an index or rate.

The office lease agreement terminates in March 2023 and the warehouse lease agreement terminates in April 2022.

No fair value was allocated to the ROU asset related to the former Seitel office space. This office was not required for business by Pulse. The office lease agreement terminates in November 2022. In the third quarter of 2019 a sub-lease for the remainder of the term of the acquired office space was finalized, which has led to a recovery of a portion of the monthly lease operating costs.

### CURRENT TAX LIABILITIES

Included in current tax liabilities is the current tax expense for the first three quarters of 2021 less the 2021 tax instalments.

### LONG-TERM DEBT

In January 2019, Pulse acquired Seitel. The Company partially funded the acquisition with a combination of debt from its syndicated credit facility and subordinated debt of \$10.0 million. As explained above, in June 2021 the Company repaid the \$10.0 million subordinated debt using cash on hand and a portion of its senior credit facility.

In December 2020, the Company amended and restated its senior credit facility. The facility now consists of a \$25.0 million revolver with no principal payments required until the end of the term in January 2023. Prior to the amendment, the credit facilities included a term loan with quarterly mandatory principal repayments of \$375,000, for a total of \$1.5 million per year.

The long-term debt is offset by deferred financing charges to be amortized over two years.

### LEASE LIABILITIES

Included in lease liabilities are the present values of the basic rent related to the lease agreements for Pulse's office space, Seitel's former office space and the warehouse, all calculated using an incremental borrowing rate of 6.7 percent. The operating costs included in the lease agreements were not included in the lease liabilities as these costs are not fixed or based on an index or rate.

### OTHER LONG-TERM PAYABLE

Included in the other long-term payable is the long-term portion of the cash-settled liability related to the long-term incentive plan.

### SHARE CAPITAL SUMMARY

The Company's authorized share capital consists of an unlimited number of common shares and an unlimited number of preferred shares, issuable in series.

The following table details the Company's outstanding share capital:

	Three months ended September 30,		Nine months ended September 30,	
	2021	2020	2021	2020
Weighted average shares outstanding:				
Basic and diluted	<b>53,793,317</b>	53,793,317	<b>53,793,317</b>	53,793,317
Shares outstanding at period-end and at October 27, 2021			<b>53,793,317</b>	53,793,317

### DILUTED EARNINGS PER SHARE RECONCILIATION

The Company does not have any dilutive securities.

### LONG-TERM INCENTIVE PLAN (LTIP)

The Company has an LTIP for employees, officers and directors designed to align the Company's long-term incentive compensation with its performance and to increase levels of stock ownership. Participants are granted restricted share units (RSUs) and performance share units (PSUs). LTIP awards are at the discretion of the Board of Directors.

RSUs and PSUs have accompanying dividend-equivalent rights and, therefore, when applicable, additional RSUs and PSUs are issued to reflect dividends declared on the common shares. The plan's trustee purchases common shares on the open market for the after-tax number of RSUs and PSUs vested using funds provided by the Company.

On March 31, 2021, 161,805 RSUs and 206,981 PSUs were eligible to vest. Corporate financial 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 the eligible RSUs vested 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 withholding taxes of \$110,000 were paid in the second quarter of 2021 to settle fully the accrued cash-settled portion of the share-based payment liabilities.

At September 30, 2021 there were 826,482 RSUs and 1,055,930 PSUs outstanding.

At October 27, 2021 the total number of RSUs and PSUs outstanding remain unchanged.

### DEFICIT

On September 30, 2021 the Company's deficit decreased by \$13.4 million, reflecting the net earnings for the nine-month period ended September 30, 2021.

### DIVIDENDS

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 instituted a regular quarterly dividend of \$0.0125 per common share. The estimated 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.

Pulse confirms that all dividends paid to shareholders in 2021 are designated as "eligible dividends" entitling Canadian resident individuals to a higher gross-up and dividend tax credit. For non-resident shareholders, Pulse's dividends are subject to Canadian withholding tax.

### DEFERRED TAX LIABILITY

The net deferred income tax liability was \$685,000 at September 30, 2021 compared to \$962,000 at December 31, 2020. The decrease is mainly due to the decrease in the difference between the tax base of the seismic data library and the carrying amount on the statement of financial position.

The deferred income tax liability consists mainly of taxable temporary differences between the tax base of the seismic data library and the carrying amount on the statement of financial position.

## FINANCIAL SUMMARY OF QUARTERLY RESULTS

(thousands of dollars, except per share data)	2021				2020			2019
	Q3	Q2	Q1	Q4	Q3	Q2	Q1	Q4
Data library sales	<b>8,832</b>	18,973	4,740	5,142	1,829	1,850	2,190	5,281
Other revenue	<b>100</b>	115	85	81	76	91	90	83
Total revenue	<b>8,932</b>	19,088	4,825	5,223	1,905	1,941	2,280	5,364
Amortization of seismic data library	<b>2,509</b>	2,503	2,498	2,493	2,489	2,850	3,516	3,500
Net earnings (loss)	<b>3,164</b>	10,159	33	287	(1,937)	(2,309)	(2,827)	(759)
Per share – basic and diluted	<b>0.06</b>	0.19	0.00	0.01	(0.04)	(0.04)	(0.05)	(0.01)

The revenue streams generated by Pulse's operations are data library sales and other revenue. Other revenue includes revenue from client services consisting of copy and reproduction charges, as well as data storage fees related to the leased warehouse that was acquired with the Seitel purchase.

Data library sales consist of traditional sales and transaction-based sales, as described below under "Traditional Sales vs. Transaction-Based Sales: Ten-Year History". See also "Seismic Revenue Fluctuations".

During the last eight quarters, transaction-based sales contributed to data library sales to varying degrees. The third quarter of 2021 included \$7.0 million in transaction-based sales. The second quarter of 2021 included \$14.8 million in transaction-based sales. The first quarter of 2021 included \$4.2 million in transaction-based sales. The third quarter of 2020 included \$1.8 million in transaction-based sales. The fourth quarter of 2020 included \$4.6 million in transaction-based sales.

Very little transaction-based sales revenue was generated in the other quarters depicted in the table above.

Amortization expense decreased in the second quarter of 2020 from the prior quarters depicted above due to the completion of the amortization of a large amount of data that was shot by the Company in 2013. As amortization is a non-cash expense, the Company continued to generate cash EBITDA and shareholder free cash flow in each quarter.

During the past eight quarters, the fluctuations in net earnings or loss have largely been a function of the corresponding quarterly fluctuations in revenue. For the fourth quarter of 2019 and the first quarter of 2020, the higher amortization expense as discussed above, restructuring expenses and financing costs related to the acquisition offset the increased revenue, and contributed to the lower net result.

## CONTRACTUAL OBLIGATIONS

Pulse's known contractual obligations at September 30, 2021 are comprised of leases for its office spaces and warehouse space, minimum payments under seismic data services contracts and accounts payable and accrued liabilities. The following table reflects the Company's anticipated payment of contractual obligations:

(thousands of dollars)	Total	Payments due by period			
		Less than 1 year	1 – 3 years	4 – 5 years	After 5 years
Long-term debt – capital	3,209	–	3,209	–	–
Long-term debt – interest	133	103	30	–	–
Lease liabilities	1,338	1,096	242	–	–
Seismic data services contracts	281	244	37	–	–
Accounts payable and accrued liabilities	1,234	1,068	166	–	–
<b>Total contractual obligations</b>	<b>6,195</b>	<b>2,511</b>	<b>3,684</b>	<b>–</b>	<b>–</b>

Obligations in the category of seismic data services contracts include geophysical services such as digitization and data storage.

## LIQUIDITY, CAPITAL RESOURCES AND CAPITAL REQUIREMENTS

At September 30, 2021 Pulse had working capital of \$2.7 million and a working capital ratio of 1.84:1.

In the first three quarters of 2021 the Company generated \$25.8 million of cash from operating activities compared to \$3.1 million for the same period in 2020. The main differences between the two periods relate to higher sales and the collection of accounts receivable in the first three quarters of 2021.

The Company also utilized cash for the following outlays:

- Long-term debt repayments of \$24,8 million;
- Settlement of equity share-based payment of \$163,000;
- Capital lease principal repayments of \$559,000;

- Property and equipment of \$8,000; and
- Seismic data digitization and related cost of \$287,000.

The Company will not carry cash while there is a balance on the revolving credit facility, as all cash is applied to the amount outstanding.

Significant terms of the current credit facility are:

- Interest is based on prime rate plus 0.75 percent to 4.25 percent following a ten-tier margin structure based on the Company's long-term debt to adjusted EBITDA ratio as described below;
- 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;
- 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.

At September 30, 2021 the Company had a balance of \$3.2 million on the revolving credit facility and the applicable interest rate was 3.2 percent (September 30, 2020 - 5.2 percent).

The credit facility also includes the following two financial covenants:

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

The long-term 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.

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

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

#### 2) INTEREST COVERAGE RATIO

The 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 interest coverage ratio was 13.9:1.

The Company was therefore in compliance with the credit facility's covenants at September 30, 2021.

The Company pays interest and a standby fee based on the daily undrawn balance of the credit facility and its debt to adjusted EBITDA ratio. Interest and standby fees on the revolving bank loan are calculated based on the lender's prime rate, bankers' acceptance rate or LIBOR, plus an applicable margin based on the covenant ratio of long-term debt to adjusted earnings before interest, income taxes, depreciation and amortization (adjusted EBITDA). The long-term debt (before deferred financing charges) to adjusted EBITDA ratio at September 30, 2021 was 0.10:1 and the applicable margin and standby fee will be set at the first-level rates specified in the facility.

The interest and standby fee rates are adjusted the day after the covenant's calculation for the previous fiscal quarter is received and approved by the lender.

The applicable margin and standby fee rate were determined as follows:

Total debt to adjusted EBITDA ratio	Applicable margin for Canadian prime rate loans	Applicable margin for bankers' acceptances	Standby fee rate
Less than or equal to 1:1	0.75%	2.25%	0.45000%
Greater than 1:1 but less than or equal to 1.5:1	1.00%	2.50%	0.50000%
Greater than 1.5:1 but less than or equal to 2:1	1.25%	2.75%	0.55000%
Greater than 2:1 but less than or equal to 2.5:1	1.50%	3.00%	0.67500%
Greater than 2.5:1 but less than or equal to 3:1	1.75%	3.25%	0.73125%
Greater than 3:1 but less than or equal to 3.5:1	2.25%	3.75%	0.93750%
Greater than 3.5:1 but less than or equal to 4:1	2.75%	4.25%	1.06250%
Greater than 4:1 but less than or equal to 4.5:1	3.25%	4.75%	1.18750%
Greater than 4.5:1 but less than or equal to 5:1	3.75%	5.25%	1.31250%
Greater than 5:1	4.25%	5.75%	1.43750%

Funding for Pulse's future capital expenditures will generally depend on the level of future data library sales. Pulse's management believes that the Company's capital resources will be sufficient to finance future operations and carry out the necessary capital expenditures through 2021. The Company anticipates that future capital expenditures will be financed through the available credit facility and funds from operations. The Company has a \$25.0 million revolving credit facility with \$21.8 million undrawn. If deemed appropriate by management and the Board of Directors, Pulse can also issue common or preferred shares.

Pulse requires flexibility in managing its capital structure to take advantage of opportunities in raising additional capital where opportunities for seismic data acquisitions arise. Historically, the Company has used a combination of debt and equity to finance growth initiatives, and it continues to rely on internal measures such as the long-term debt to equity ratio to structure and forecast its capital requirements. Long-term debt is defined as long-term debt net of deferred financing costs. At September 30, 2021, the long-term debt to equity ratio was 0.08:1. Pulse's management considers the current capital structure appropriate.

This discussion on liquidity, capital resources and capital requirements contains forward-looking information; users of this information are cautioned that actual results may vary and are encouraged to review the discussions of risk factors and forward-looking statements below.

## NON-CAPITAL RESOURCES

The Company's main non-capital resource is its key management and staff. The Company has an experienced team with extensive knowledge about the seismic industry. Pulse's management understands industry cycles and how to manage the business in the downturn and recovery phases. Pulse has built strong sales, financial and IT departments. Key management and staff are eligible to participate in the short-term and long-term incentive plans, which are tied to the Company's shareholder free cash flow per share.

## NON-GAAP FINANCIAL MEASURES AND RECONCILIATIONS

This MD&A and the Company's continuous disclosure documents provide discussion and analysis of cash EBITDA and shareholder free cash flow. IFRS do not include standard definitions for these measures and, therefore, they may not be comparable to similar measures used and disclosed by other companies. As IFRS have been incorporated into Canadian generally accepted accounting principles (GAAP), these non-IFRS measures are also non-GAAP measures. The Company has included these non-GAAP financial measures because management, investors, analysts and others use them to evaluate the Company's financial performance.

Cash EBITDA and shareholder free cash flow are not calculations based on IFRS and should not be considered in isolation or as a substitute for IFRS performance measures, nor should they be used as an exclusive measure of cash flow, because they do not consider working capital changes, capital expenditures, long-term debt repayments and other sources and uses of cash which are disclosed in the consolidated audited and interim statements of cash flows.

### CASH EBITDA AND SHAREHOLDER FREE CASH FLOW

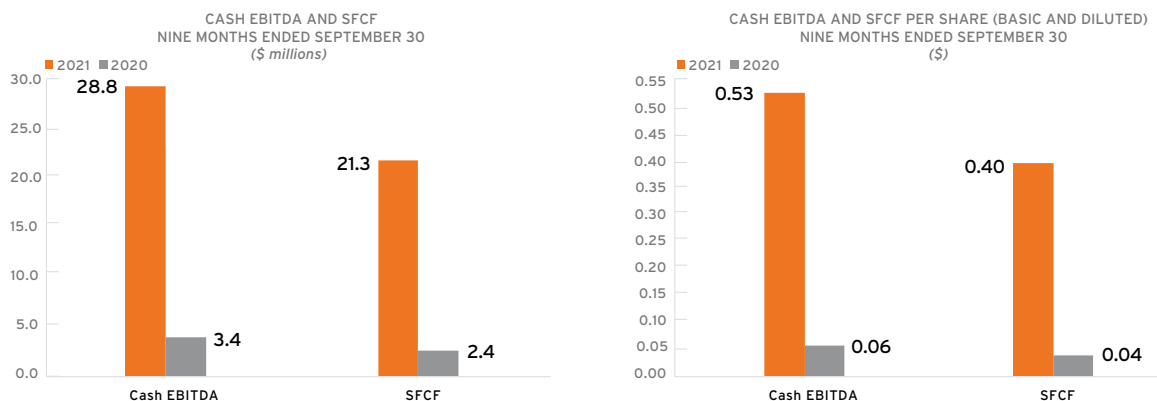
Cash EBITDA represents the capital available to invest in growing the Company's 2D and 3D seismic data library, to pay interest and principal on its long-term debt, to purchase its common shares, to pay taxes and to pay dividends.

Cash EBITDA is calculated as earnings or loss from operations before interest, taxes, depreciation and amortization less participation survey revenue, plus non-cash and non-recurring expenses. Cash EBITDA excludes participation survey revenue as this revenue is directly used to fund specific participation surveys and is unavailable for discretionary expenditures. The Company believes cash EBITDA helps investors compare Pulse's results on a consistent basis without regard to participation survey revenue and non-cash items, such as depreciation and amortization, which can vary significantly depending on accounting methods or non-operating factors such as historical cost.

Shareholder free cash flow further refines the calculation of capital available to invest in growing the Company's 2D and 3D seismic data library, to repay debt, to purchase its common shares and to pay dividends, by deducting non-discretionary expenditures from cash EBITDA. Non-discretionary expenditures are defined as debt financing costs (net of deferred financing expenses amortized in the current period) and current tax provisions.

A reconciliation of net earnings or loss to EBITDA, cash EBITDA and shareholder free cash flow follows:

	Three months ended September 30,		Nine months ended September 30,	
(thousands of dollars, except per share data)	2021	2020	2021	2020
<b>Net earnings (loss)</b>	<b>3,164</b>	(1,937)	<b>13,356</b>	(7,073)
Add:				
Amortization of seismic data library	<b>2,509</b>	2,489	<b>7,510</b>	8,855
Net financing costs	<b>108</b>	503	<b>1,752</b>	1,419
Income tax expense (recovery)	<b>1,513</b>	(26)	<b>5,683</b>	(552)
Depreciation	<b>164</b>	166	<b>496</b>	501
<b>EBITDA</b>	<b>7,458</b>	1,195	<b>28,797</b>	3,150
Add:				
Non-cash expenses	<b>67</b>	60	<b>217</b>	198
Net restructuring costs	<b>(25)</b>	(12)	<b>(254)</b>	6
<b>Cash EBITDA</b>	<b>7,500</b>	1,243	<b>28,760</b>	3,354
Deduct:				
Net financing costs	<b>108</b>	503	<b>1,752</b>	1,419
Current income tax expense	<b>1,568</b>	–	<b>5,926</b>	–
Add:				
Non-cash deferred financing charges	<b>43</b>	55	<b>172</b>	119
Current income tax recovery	<b>–</b>	60	<b>–</b>	316
<b>Shareholder free cash flow (SFCF)</b>	<b>5,867</b>	855	<b>21,254</b>	2,370
Cash EBITDA per share – basic and diluted	<b>0.14</b>	0.02	<b>0.53</b>	0.06
SFCF per share – basic and diluted	<b>0.11</b>	0.02	<b>0.40</b>	0.04



As reported in previous filings concerning the Seitel acquisition, in addition to the purchase price of \$58.6 million, Pulse assumed various future liabilities viewed by the Company as being part of the total cost of the acquisition. These estimated \$4.2 million of costs are being expensed over time and categorized as restructuring costs, with \$2.7 million occurring in 2019 and \$200,000 in 2020. Because these expenses, net of the warehouse storage fees received for the use of a portion of the warehouse by a third party, are expected to be non-recurring, they are excluded from the Company's calculation of cash EBITDA and shareholder free cash flow.

## FINANCIAL INSTRUMENTS

A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another entity. Financial instruments are recognized on the statement of financial position when the Company becomes a party to the instrument's contractual obligations. The Company's financial assets include cash and cash equivalents, trade and other receivables. Its financial liabilities mainly comprise accounts payable and long-term debt.

### FAIR VALUE

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. The fair value of the long-term debt approximates the carrying value because interest charges under the bank loan are based on current Canadian bankers' acceptance rates and margins.

### CREDIT RISK

There have been no significant changes in Pulse's credit risk as disclosed in the Company's MD&A for the year ended December 31, 2020.

At September 30, 2021, 83 percent of the total accounts receivable were due from three customers. All amounts should be collected by the end of October 2021.

### LIQUIDITY RISK

There have been no significant changes in Pulse's liquidity risk as disclosed in the Company's MD&A for the year ended December 31, 2020.

### COMMODITY PRICE RISK

The Company is not directly exposed to commodity price risk as it does not have any contracts 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 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.



## NEW IFRS STANDARDS

A number of new standards, amendments to standards and interpretations have been issued by the International Accounting Standards Board (IASB) but were not yet effective for the period ending September 30, 2021. Accordingly, they were not applied in preparing the condensed consolidated interim financial statements. None is expected to have a significant effect on the consolidated financial statements.

## CRITICAL ACCOUNTING ESTIMATES

There have been no significant changes in Pulse's critical accounting estimates as disclosed in the Company's MD&A for the year ended December 31, 2020.

## DISCLOSURE CONTROLS AND PROCEDURES (DC&P) AND INTERNAL CONTROLS OVER FINANCIAL REPORTING (ICFR)

The Company applies the COSO Internal Control – Integrated Framework (2013 Framework). There were no changes in the ICFR that occurred during the period beginning on July 1, 2021 and ending on September 30, 2021 that materially affected, or are reasonably likely to materially affect, the Company's ICFR. No material weaknesses relating to the design of the ICFR were identified. As well, there were no limitations on the scope of the design of the DC&P or the ICFR.

No changes were made to ICFR during the period beginning on July 1, 2021 and ending on September 30, 2021 that have materially affected, or are reasonably likely to materially affect, Pulse's ICFR.

## RISK FACTORS

There have been no significant changes in Pulse's risk factors as described in the Company's MD&A for the year ended December 31, 2020.

## ADDITIONAL INFORMATION

You may find additional information relating to Pulse, including the Company's Annual Information Form, on SEDAR at [www.sedar.com](http://www.sedar.com).

## FORWARD-LOOKING INFORMATION

This document contains information that constitutes "forward-looking information" or "forward-looking statements" (collectively, "forward-looking information") within the meaning of applicable securities legislation. Forward-looking information is often, but not always, identified by the use of words such as "anticipate", "believe", "expect", "plan", "intend", "forecast", "target", "project", "guidance", "may", "will", "should", "could", "estimate", "predict" or similar words suggesting future outcomes or language suggesting an outlook.

This MD&A and, specifically, the Outlook and the Liquidity, Capital Resources and Capital Requirements sections herein contain forward-looking information which includes, but is not limited to, statements regarding:

- The outlook of the Company for the year ahead, including future operating costs and expected revenues;
- The Company's capital resources and sufficiency thereof to finance future operations, meet its obligations associated with financial liabilities and carry out the necessary capital expenditures through 2021;
- Pulse's capital allocation strategy;
- Oil and natural gas prices and forecast trends;
- Oil and natural gas drilling activity and land sales activity;
- Oil and natural gas company capital budgets;

- Future demand for seismic data;
- Future seismic data sales;
- Pulse's business and growth strategy; and
- Other expectations, beliefs, plans, goals, objectives, assumptions, information and statements about possible future events, conditions, results and performance, as they relate to the Company or to the oil and natural gas industry as a whole.

Sources for the forecasts and the material assumptions underlying this forward-looking information are, where applicable, noted in the relevant sections of this MD&A.

By its very nature, forward-looking information involves inherent risks and uncertainties, both general and specific, and risks that predictions, forecasts, projections and other forward-looking statements will not be achieved. Pulse does not publish specific financial goals or otherwise provide guidance, due to the inherently poor visibility of seismic revenue. Pulse cautions readers not to place undue reliance on these statements as a number of important factors could cause the actual results to differ materially from the beliefs, plans, objectives, expectations and anticipations, estimates and intentions expressed in such forward-looking information. These factors include, but are not limited to:

- Uncertainty of the timing and volume of data sales from the recently acquired seismic data library, which was partially funded with long-term debt;
- Volatility of oil and natural gas prices;
- Risks associated with the oil and natural gas industry in general;
- The Company's ability to access external sources of debt and equity capital;
- Credit, liquidity and commodity price risks;
- The demand for seismic data;
- The pricing of data library licence sales;
- Cybersecurity;
- Relicensing (change-of-control) fees and partner copy sales;
- Environmental, health and safety risks, including those related to the COVID-19 pandemic;
- Federal and provincial government laws and regulations, including those pertaining to taxation, royalty rates, environmental protection, public health and safety;
- Competition;
- Dependence on key management, operations and marketing personnel;
- The loss of seismic data;
- Protection of intellectual property rights;
- The introduction of new products; and
- Climate change.

Pulse cautions that the foregoing list of factors that may affect future results is not exhaustive. Additional information on these risks and other factors which could affect the Company's operations and financial results is included under "Risk Factors" in the Company's most recent annual information form and in the Company's most recent audited annual financial statements, management information circular, quarterly reports, material change reports and news releases. Copies of the Company's public filings are available on SEDAR at [www.sedar.com](http://www.sedar.com).

When relying on forward-looking information to make decisions with respect to Pulse, investors and others should carefully consider the foregoing factors and other uncertainties and potential events. Furthermore, the forward-looking information in this MD&A is provided as of the date of this MD&A and the Company does not undertake any obligation to update publicly or to revise any of the included forward-looking information, except as required by law. The forward-looking information in this document is provided for the limited purpose of enabling current and potential investors to evaluate an investment in Pulse. Readers are cautioned that such forward-looking information may not be appropriate, and should not be used, for other purposes.

# 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)

	<i>Note</i>	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	<i>11</i>	-	-	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

	<i>Note</i>	<b>Number of shares issued</b>	<b>Share capital</b>	<b>Contributed surplus</b>	<b>Deficit</b>	<b>Total equity</b>
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	<i>11</i>	-	-	<b>217</b>	-	<b>217</b>
Settlement of vested long-term incentive plan award	<i>11</i>	-	-	<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**

As at	September 30, 2021	December 31, 2020
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**

As at	September 30, 2021	December 31, 2020
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.

# CORPORATE INFORMATION

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 Robottj**<sup>(1) (2) (3)</sup>

Chair

### **Paul Crilly**<sup>(1) (3)</sup>

Director

### **Dallas Droppo**<sup>(1) (2) (3)</sup>

Director

### **Grant Grimsrud**<sup>(2) (4)</sup>

Director

### **Melanie Westergaard**<sup>(1) (4)</sup>

Director

### **Neal Coleman**<sup>(4)</sup>

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

## HEAD OFFICE

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TSX: PSD  
OTCQX: PLSDF