

CONDENSED CONSOLIDATED INTERIM STATEMENTS OF FINANCIAL POSITION

(thousands of Canadian dollars) (unaudited)
As at

	Note	September 30, 2016	December 31, 2015
Assets			
Cash and cash equivalents		3,949	-
Trade and other receivables		4,669	6,158
Prepaid expenses		326	292
Total current assets		8,944	6,450
Seismic data library	6	37,187	47,623
Property and equipment		388	489
Other		263	56
Total non-current assets		37,838	48,168
Total assets		46,782	54,618
Liabilities and Shareholders' Equity			
Operating line of credit	7	-	222
Accounts payable and accrued liabilities		513	809
Deferred revenue		423	423
Total current liabilities		936	1,454
Deferred income tax liabilities		5,366	7,699
Other long-term payable		74	76
Total non-current liabilities		5,440	7,775
Total liabilities		6,376	9,229
Shareholders' Equity			
Share capital	8	77,864	76,504
Contributed surplus		2,169	2,184
Deficit		(39,627)	(33,299)
Total shareholders' equity		40,406	45,389
Total liabilities and shareholders' equity		46,782	54,618

See accompanying notes to condensed consolidated interim financial statements.

CONDENSED CONSOLIDATED INTERIM STATEMENTS OF COMPREHENSIVE LOSS

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

	Note	Three months ended September 30, 2016	2015	Nine months ended September 30, 2016	2015
Revenue					
Data library sales		5,613	4,678	10,163	12,455
Participation surveys		-	-	-	3,220
Total revenue		5,613	4,678	10,163	15,675
Operating expenses					
Amortization of seismic data library		4,701	5,262	14,316	17,857
Salaries, internal commissions and benefits		714	925	2,349	2,731
Other selling, general and administrative costs		594	492	1,867	1,791
Depreciation		36	47	108	139
Total operating expenses		6,045	6,726	18,640	22,518
Results from operating activities		(432)	(2,048)	(8,477)	(6,843)
Financing costs					
Financing expenses		39	112	134	394
Interest income		(3)	-	(3)	(1)
Net financing costs		36	112	131	393
Loss before income taxes		(468)	(2,160)	(8,608)	(7,236)
Current income tax reduction		(19)	-	(19)	-
Deferred income tax reduction		(147)	(581)	(2,352)	(1,270)
Income tax reduction		(166)	(581)	(2,371)	(1,270)
Net loss and comprehensive loss		(302)	(1,579)	(6,237)	(5,966)
Net loss per share, basic and diluted	10	(0.01)	(0.03)	(0.11)	(0.10)

See accompanying notes to condensed consolidated interim financial statements.

CONDENSED CONSOLIDATED INTERIM STATEMENTS OF CHANGES IN EQUITY

<i>(thousands of Canadian dollars, except number of shares) (unaudited)</i>	Note	Number of shares issued (repurchased)	Share capital	Contributed surplus	Deficit	Total equity
Balance at January 1, 2015		57,247,843	78,782	2,399	(22,780)	58,401
Net loss for the period		-	-	-	(5,966)	(5,966)
Share-based compensation		-	-	142	-	142
Settlement of vested long-term incentive plan award		-	-	(325)	-	(325)
Tax effect of equity-settled share-based compensation		-	-	(126)	-	(126)
Normal course issuer bid		(865,100)	(1,191)	-	(1,159)	(2,350)
Shares cancelled and related dividends		(29,754)	(41)	41	28	28
Dividends paid	8	-	-	-	(3,408)	(3,408)
Balance at September 30, 2015		56,352,989	77,550	2,131	(33,285)	46,396

	Note	Number of shares issued (repurchased)	Share capital	Contributed surplus	Deficit	Total equity
Balance at January 1, 2016		55,592,689	76,504	2,184	(33,299)	45,389
Net loss for the period		-	-	-	(6,237)	(6,237)
Share-based compensation		-	-	176	-	176
Settlement of vested long-term incentive plan award		-	-	(172)	-	(172)
Tax effect of equity-settled share-based compensation		-	-	(19)	-	(19)
Shares issued	8	669,643	1,500	-	-	1,500
Normal course issuer bid		(100,900)	(140)	-	(91)	(231)
Balance at September 30, 2016		56,161,432	77,864	2,169	(39,627)	40,406

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	2016	2015
Cash flows provided by (used in):			
Operating:			
Net loss and comprehensive loss		(6,237)	(5,966)
Adjustment for:			
Amortization of seismic data library		14,316	17,857
Depreciation		108	139
Loss on disposition of capital assets		-	3
Income tax reduction		(2,371)	(1,270)
Equity-settled share-based compensation		176	142
Net financing costs		131	393
Interest paid		(102)	(251)
Interest received		1	1
Income tax received		19	-
		6,041	11,048
Net change in non-cash working capital	11	913	3,145
Cash provided by operating activities		6,954	14,193
Financing:			
Normal course issuer bid		(231)	(2,350)
Shares purchased for equity-settled share-based payments		(166)	(325)
Repayment of long-term debt		-	(4,000)
Dividends paid		-	(3,408)
Dividend recovery from share cancellation		-	28
Cash used in financing activities		(397)	(10,055)
Investing:			
Additions to seismic data library through participation surveys	5	-	(3,959)
Seismic data purchases, digitization and related costs	6	(2,380)	(183)
Additions to property and equipment		(6)	(14)
Net change in non-cash working capital		-	(38)
Cash used in investing activities		(2,386)	(4,194)
Increase (decrease) in cash and cash equivalents		4,171	(56)
Cash and cash equivalents (operating line of credit), beginning of period		(222)	901
Cash and cash equivalents, end of period		3,949	845

See accompanying notes to condensed consolidated interim financial statements.

NOTES TO CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS (UNAUDITED)

Information as at September 30, 2016, December 31, 2015 and for the nine months ended September 30, 2016 and 2015.

(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 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 were prepared in accordance with International Financial Reporting Standards (IFRS).

The condensed consolidated interim financial statements were prepared by the Company's management and were approved by the Board of Directors on November 2, 2016.

(b) *Basis of presentation*

The condensed consolidated interim financial statements include the accounts of the Company's wholly-owned subsidiaries. Certain comparative figures were 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, which is the Company's functional currency. All financial information presented has been rounded to the nearest thousand, except per share data, number of shares and other exceptions as indicated.

(e) *Basis of consolidation*

(i) *Joint operations*

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

(ii) *Transactions eliminated on consolidation*

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

(f) *Use of estimates and judgements*

Preparing the condensed consolidated interim financial statements in accordance with IFRS required management to make estimates and judgements that affected the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities at the date of the consolidated financial statements, and the amounts of revenue and expenses attributed to the reporting period. Actual results could differ from those estimates.

The significant judgments made by management in applying the accounting policies and the key sources of estimation uncertainty in preparing the condensed consolidated interim financial statements were the same as those applied to the audited consolidated financial statements as at and for the year ended December 31, 2015.

The Canada Revenue Agency (CRA) may revise the way it assesses amortization for income tax purposes of certain seismic data library costs. To date the CRA has issued no policy related to this matter and, therefore, the Company is not able to estimate the impact any changes might have on its income tax calculations, carry-forward balances or consolidated financial statements.

3 | Significant accounting policies

The accounting policies adopted by the Company are described in the audited consolidated financial statements for the year ended December 31, 2015.

A number of new standards, and amendments to standards and interpretations, have been issued by the International Accounting Standards Board but are not effective for the year ending December 31, 2016. Accordingly, they were not applied in preparing the condensed consolidated interim financial statements. None is expected to have a significant effect on the Company's future consolidated financial statements, except:

/ IFRS 15, *Revenue from Contracts with Customers*, which provides guidance on revenue recognition and relevant disclosures. The standard provides a single, principles-based, five-step model to be applied to all contracts with customers. IFRS 15 was issued in May 2014 and applies to annual reporting periods beginning on or after January 1, 2018, with early adoption permitted. The new standard will also enhance revenue disclosure.

After review, Pulse's management concluded that IFRS 15 would affect the Company's policy for recognizing participation survey revenue. Pulse currently recognizes revenue on participation surveys based on the percentage of completion of the survey in question. With the amended standard, participation survey revenue can only be recognized in the financial statements when the survey is complete in all respects, meaning the risks and rewards of the final product have been passed on to the customer. Pulse will therefore have to adjust its revenue recognition policy accordingly and may choose to adopt IFRS 15 before January 2018. With this adjustment, the lag between the progressive recognition of participation survey revenue and initial amortization upon survey completion will disappear.

/ IFRS 16, *Leases*. IFRS 16 was issued in January 2016, significantly revising the way in which companies account for leases by requiring almost all leases to be included on the balance sheet of lessees. The standard provides a single lessee accounting model, requiring lessees to recognize assets and liabilities for all leases unless the lease term is 12 months or less or the underlying asset has a low value. IFRS 16 is effective for annual periods beginning on or after January 1, 2019, with early adoption permitted for companies that also apply IFRS 15, *Revenue from Contracts with Customers*. The Company continues to evaluate the potential impact of IFRS 16 on the financial statements and, therefore, the impact remains unknown.

4 | Participation surveys seasonality

Participation survey revenue varies significantly from quarter to quarter and year to year. The majority of new 3D seismic data is typically acquired under frozen ground conditions from November to March. Summer seismic programs can only be completed in certain areas that have drier ground conditions and can be easily accessed without environmental harm. In addition, the size and pre-funding levels of individual participation surveys can vary significantly. The number and size of participation surveys undertaken from 2014 to 2016 has been considerably less than historical averages.

5 | Participation surveys in progress

As at	September 30, 2016	December 31, 2015
Opening balance, January 1	-	36
Costs incurred	-	3,959
Transferred to seismic data library	-	(3,995)
Closing balance	-	-

No participation survey was in progress at September 30, 2016. The Peco South 3D survey was delivered during the first quarter of 2015.

6 | Seismic data library

As at	September 30, 2016	December 31, 2015
Cost		
Opening balance, January 1	439,455	434,527
Acquisitions through purchases and related cost	3,880	933
Transferred from participation surveys in progress	-	3,995
Closing balance	443,335	439,455
Accumulated amortization		
Opening balance, January 1	391,832	368,059
Amortization for the period	14,316	22,836
Impairment loss for the period	-	937
Closing balance	406,148	391,832
Carrying amount	37,187	47,623

On January 26, 2016, the Company acquired approximately 107,000 net kilometres of 2D seismic data and 58 net square kilometres of 3D seismic data, increasing Pulse's 2D seismic data library by 31.5 percent to approximately 447,000 net kilometres. The acquisition includes data spread throughout the Western Canada Sedimentary Basin and is complementary to the Company's existing data. The purchase price of \$3.65 million was funded through the issuance of 669,643 common shares, plus \$2.15 million in cash.

On September 27, 2016 the Company closed a small acquisition and added approximately 29 net square kilometres of 3D seismic data. The cost of the acquisition was \$100,000.

At September 30, 2016, the Company has considered indicators of impairment for each of its cash-generating units, and based on that review no impairment tests were performed.

7 | Long-term debt and operating line of credit

On February 15, 2013 the Company executed a \$50.0 million three-year extendible revolving credit facility with a syndicate of banks. There are no scheduled principal payments. Voluntary prepayments are permitted in whole or part at any time without premium or penalty.

On January 18, 2016 the Company elected to reduce the facility's available borrowing amount to \$30.0 million from \$50.0 million. Up to \$5.0 million of the revolving facility is available as an operating line of credit. As at September 30, 2016, the operating line of credit was \$nil (December 31, 2015 - \$222,000), and long term-debt was \$nil (December 31, 2015 - \$nil). The credit facility includes an accordion feature which allows the Company to increase the facility to \$70.0 million with the lenders' consent. The accordion incurs no renewal or standby fees. At the same time, the Company negotiated a one-year extension and the maturity date is currently February 13, 2019. The Company has the option annually to extend the maturity for one additional year with the lenders' approval and has done so each year.

Interest on the syndicated revolving bank loan 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 earnings before interest, tax, depreciation and amortization (adjusted EBITDA). At September 30, 2016 the applicable interest rate on the long-term debt was 3.2 percent if the Company was to use its credit facility.

The Company pays a standby fee based on the daily undrawn balance of the credit facility and an applicable margin based on the covenant ratio of total debt to adjusted EBITDA.

The covenants include two financial ratio tests. The first is that the total debt to adjusted EBITDA must not exceed a ratio of 2.50:1. The ratio was 0.00:1 at September 30, 2016. The second financial covenant is that the interest coverage ratio must be at least 3:1 at all times. The ratio was 89:1 at September 30, 2016. The Company was in compliance with all covenants at September 30, 2016.

The credit facility is secured by a charge on all of the assets of the Company and its material subsidiaries.

8 | Equity

(a) Share capital

The purchase price of the \$3.65 million acquisition discussed in Note 6 was funded with \$2.15 million cash plus the issuance of 669,643 Pulse common shares valued at approximately \$2.24 per share, based on the 10-day volume-weighted average price of the shares on the Toronto Stock Exchange at close of trading on January 21, 2016.

(b) Dividends

In 2015, the Company declared and paid three quarterly dividends of \$0.02 per common share for a total of \$0.06 per common share.

No dividends were paid in 2016.

9 | Share-based payments

In 2012, the Company's Board of Directors approved a new 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.

On March 31, 2016 one-third of the awards which were eligible to vest were RSUs and two-thirds were PSUs. The Company's performance in 2015 did not meet the predetermined performance measures and, consequently, no PSUs vested on March 31, 2016. RSUs vest automatically based upon time and, consequently, all of the eligible RSUs vested automatically on March 31, 2016.

To satisfy its obligation, in April 2016 the Company provided \$182,000 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, 2016. The related payroll taxes of \$131,000 were paid in June 2016 to settle fully the accrued cash-settled portion of the share-based payment liabilities.

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.

In the condensed consolidated interim statement of comprehensive loss for the nine months ended September 30, 2016, the Company recognized \$287,000 in compensation expense (nine months ended September 30, 2015 - \$174,000) related to the LTIP in salaries, internal commissions and benefits. The equity-settled portion was \$176,000 (nine months ended September 30, 2015 - \$142,000) and the cash-settled portion was \$111,000 (nine months ended September 30, 2015 - \$32,000). At September 30, 2016, the obligation related to the cash-settled portion of the LTIP was \$150,000 with \$76,000 included in accounts payable and accrued liabilities and \$74,000 included in other long-term liabilities.

The following summarizes activity in the Company's LTIP notional accounts during the periods ended September 30, 2016 and 2015:

	Three months ended September 30,		Nine months ended September 30,	
RSUs	2016	2015	2016	2015
Outstanding, beginning of period	347,414	387,954	344,729	427,359
Vested	-	-	(121,713)	(174,577)
Granted	-	-	142,055	133,520
Dividend-equivalent share units	-	3,104	-	8,930
Cancelled or forfeited	(3,974)	(7,523)	(21,631)	(11,697)
Outstanding, end of period	343,440	383,535	343,440	383,535

	Three months ended September 30,		Nine months ended September 30,	
PSUs	2016	2015	2016	2015
Outstanding, beginning of period	527,664	586,413	498,746	658,896
Vested	-	-	-	(10,910)
Granted	-	-	208,469	201,950
Dividend-equivalent share units	-	4,691	-	13,584
Cancelled or forfeited	(7,947)	(15,011)	(187,498)	(287,427)
Outstanding, end of period	519,717	576,093	519,717	576,093

On March 31, 2016, 121,713 RSUs vested and were settled in June 2016. The 177,812 PSUs which were eligible to vest did not meet the performance criteria and were cancelled from the notional account on the vesting date.

The RSUs and PSUs cancelled or forfeited during the period also include the RSUs and PSUs related to employees no longer with the Company on September 30, 2016.

10 | Earnings per share

(a) *Basic earnings per share*

The calculation of basic earnings per share for the three and nine months ended September 30, 2016 was based on the net loss attributable to common shareholders of \$6.2 million (nine months ended September 30, 2015 - net loss of \$6.0 million) and a weighted average number of common shares outstanding of 56,126,720 (nine months ended September 30, 2015 - 56,826,409), calculated as follows:

	Three months ended September 30,		Nine months ended September 30,	
	2016	2015	2016	2015
Common shares outstanding at beginning of period	56,161,432	56,796,689	55,592,689	57,247,843
Effect of common shares issued during period	-	-	606,100	-
Effect of common shares purchased and cancelled during period	-	(178,437)	(72,069)	(421,434)
Weighted average number of common shares (basic)	56,161,432	56,618,252	56,126,720	56,826,409

(b) *Diluted earnings per share*

The Company does not have any dilutive securities.

11 | Net change in non-cash operating working capital

For the nine months ended September 30,	2016	2015
Trade and other receivables	1,489	5,004
Prepaid expenses	22	83
Accounts payable and accrued liabilities	(296)	(1,269)
Deferred revenue	-	(527)
Other long-term payable	(2)	(91)
Others	(300)	(55)
Net change in non-cash operating working capital	913	3,145

12 | Financial instruments

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.

13 | Major customers

Data library sales to four customers represented approximately \$6.9 million or 67 percent of the Company's total data library sales for the nine months ended September 30, 2016 (nine months ended September 30, 2015 - sales to three customers represented approximately \$9.2 million or 74 percent).