pulse seismic

TSX: PSD
OTCQX: PLSDF

Q1 For the three months ended March 31, 2021

SELECTED FINANCIAL AND OPERATING INFORMATION

(thousands of dollars except per share data, numbers of shares and kilometres of seismic data)	Three months ended March 31, (unaudited)		Year ended December 31,
	2021	2020	2020
Revenue			
Data library sales	**4,740**	2,190	11,011
Other revenue	**85**	90	338
Total revenue	**4,825**	2,280	11,349
Amortization of seismic data library	**2,498**	3,516	11,348
Net earnings (loss)	**33**	(2,827)	(6,786)
Per share basic and diluted	**0.00**	(0.05)	(0.13)
Cash provided by operating activities	**9,082**	2,322	3,814
Per share basic and diluted	**0.17**	0.04	0.07
Cash EBITDA[a]	**3,649**	1,081	7,553
Per share – basic and diluted[a]	**0.07**	0.02	0.14
Shareholder free cash flow[a]	**2,569**	752	5,346
Per share – basic and diluted[a]	**0.05**	0.01	0.10
Capital expenditures			
Seismic data digitization and related costs	**96**	96	383
Property and equipment	**–**	–	7
Total capital expenditures	**96**	96	390
Weighted average shares outstanding			
Basic and diluted	**53,793,317**	53,793,317	53,793,317
Shares outstanding at period-end	**53,793,317**	53,793,317	53,793,317
Seismic library			
2D in kilometres	**829,207**	829,207	829,207
3D in square kilometres	**65,310**	65,310	65,310

FINANCIAL POSITION AND RATIOS

(thousands of dollars except ratios)	**March 31, 2021**	March 31, 2020	December 31, 2020
Working capital	**(401)**	1,040	5,601
Working capital ratio	**0.8:1**	1.2:1	3.6:1
Cash and cash equivalents	**–**	1,036	–
Total assets	**48,077**	63,838	56,742
Long-term debt	**18,976**	29,169	27,715
Trailing twelve-month (TTM) cash EBITDA[b]	**10,121**	15,605	7,553
Shareholders' equity	**25,356**	29,134	25,266
Long-term debt to TTM cash EBITDA ratio	**1.87**	1.87	3.67
Long-term debt to equity ratio	**0.75**	1.00	1.10

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

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

CONDENSED CONSOLIDATED INTERIM STATEMENTS OF FINANCIAL POSITION

(thousands of Canadian dollars) (unaudited)

As at	Note	**March 31, 2021**	December 31, 2020
ASSETS			
Trade and other receivables		**1,669**	7,527
Prepaid expenses		**291**	248
Total current assets		**1,960**	7,775
Seismic data library	6	**44,486**	46,888
Property and equipment		**164**	206
Long-term receivables		**858**	1,140
Right-of-use assets	7	**609**	733
Total non-current assets		**46,117**	48,967
Total assets		**48,077**	56,742
LIABILITIES AND SHAREHOLDERS' EQUITY			
Accounts payable and accrued liabilities		**829**	994
Deferred revenue		**52**	150
Current portion of lease liabilities	7	**815**	815
Current income tax liabilities		**665**	215
Total current liabilities		**2,361**	2,174
Long-term debt	8	**18,976**	27,715
Deferred income tax liabilities		**859**	962
Lease liabilities	7	**360**	543
Other long-term payable		**165**	82
Total non-current liabilities		**20,360**	29,302
Total liabilities		**22,721**	31,476
SHAREHOLDERS' EQUITY			
Share capital		**74,581**	74,581
Contributed surplus		**2,557**	2,500
Deficit		**(51,782)**	(51,815)
Total shareholders' equity		**25,356**	25,266
Total liabilities and shareholders' equity		**48,077**	56,742

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)

Three months ended March 31,	*Note*	**2021**	2020
Revenue			
Data library sales	*5*	**4,740**	2,190
Other revenue		**85**	90
Total revenue		**4,825**	2,280
Operating expenses			
Amortization of seismic data library	*6*	**2,498**	3,516
Salaries, internal commissions and benefits		**808**	755
Other selling, general and administrative costs		**287**	525
Depreciation		**166**	168
Total operating expenses		**3,759**	4,964
Results from operating activities		**1,066**	(2,684)
Financing costs			
Financing expenses		**506**	546
Interest income		**(30)**	(54)
Net financing costs		**476**	492
Earnings (loss) before income taxes		**590**	(3,176)
Current income tax expense (recovery)		**668**	(131)
Deferred income tax recovery		**(111)**	(218)
Income tax (recovery)	*9*	**557**	(349)
Net earnings (loss) and comprehensive income (loss)		**33**	(2,827)
Net earnings (loss) per share, basic and diluted	*12*	**0.00**	(0.05)

See accompanying notes to condensed consolidated interim financial statements.

CONDENSED CONSOLIDATED INTERIM STATEMENTS OF CHANGES IN EQUITY

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

	Note	Number of shares issued	Share capital	Contributed surplus	Deficit	Total equity
Balance at January 1, 2020		53,793,317	74,581	2,421	(45,029)	31,973
Net loss for the period		–	–	–	(2,827)	(2,827)
Share-based compensation	*11*	–	–	70	–	70
Tax effect of equity-settled share-based compensation		–	–	(82)	–	(82)
Balance at March 31, 2020		53,793,317	74,581	2,409	(47,856)	29,134

	Note	**Number of shares issued**	**Share capital**	**Contributed surplus**	**Deficit**	**Total equity**
Balance at January 1, 2021		**53,793,317**	**74,581**	**2,500**	**(51,815)**	**25,266**
Net earnings for the period		**–**	**–**	**–**	**33**	**33**
Share-based compensation	*11*	**–**	**–**	**65**	**–**	**65**
Tax effect of equity-settled share-based compensation		**–**	**–**	**(8)**	**–**	**(8)**
Balance at March 31, 2021		**53,793,317**	**74,581**	**2,557**	**(51,782)**	**25,356**

See accompanying notes to condensed consolidated interim financial statements.

CONDENSED CONSOLIDATED INTERIM STATEMENTS OF CASH FLOWS

(thousands of Canadian dollars) (unaudited)

Three months ended March 31,	Note	2021	2020
Cash flows provided by (used in):			
Operating:			
Net earnings (loss) and comprehensive income (loss)		**33**	(2,827)
Adjustment for:			
Amortization of seismic data library	*6*	**2,498**	3,516
Depreciation		**166**	168
Income tax expense (recovery)	*9*	**557**	(349)
Share-based compensation	*11*	**65**	70
Net financing costs		**476**	492
Interest and standby fees paid		**(463)**	(500)
Interest paid - lease liabilities		**(21)**	(32)
Interest received		**–**	2
Income tax paid		**(218)**	(182)
		3,093	358
Net change in non-cash working capital	*13*	**5,989**	1,964
Cash provided by operating activities		**9,082**	2,322
Financing:			
Repayment of long-term debt		**(8,803)**	(2,375)
Lease payments for principal	7	**(183)**	(171)
Cash used in financing activities		**(8,986)**	(2,546)
Investing:			
Seismic data digitization and related costs	*6*	**(96)**	(96)
Cash used in investing activities		**(96)**	(96)
Decrease in cash and cash equivalents		**–**	(320)
Cash and cash equivalents, beginning of period		**–**	1,356
Cash and cash equivalents, end of period		**–**	1,036

See accompanying notes to condensed consolidated interim financial statements.

NOTES TO CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

INFORMATION AS AT MARCH 31, 2021 AND DECEMBER 31, 2020 AND FOR THE PERIODS ENDED MARCH 31, 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. (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 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 April 21, 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

In March 2020 the COVID-19 outbreak was recognized as a pandemic. In addition, global commodity prices declined significantly due to disputes between major oil-producing countries, combined with the pandemic's impact on global oil demand. Governments worldwide, including those in Canada, enacted emergency measures to combat the spread of the virus. These measures included travel bans, quarantine periods, shutdowns of numerous businesses and economic sectors, and social distancing, causing material disruption to businesses globally, resulting in a severe economic slowdown. Governments and central banks reacted with significant monetary and fiscal interventions designed to stabilize economic conditions. Global commodity prices improved in the latter half of 2020 as economies reopened to varying degrees and production cuts were reached by OPEC, which somewhat revived spending in the oil and natural gas industry. More recently, the Government of Canada approved a total of four COVID-19 vaccines , with a reported total of 5.7 million doses having been administered across the country by March 31, 2021. Varying restrictions remain on the economy across Canada to limit the spread of COVID-19, and it remains uncertain when the global economy will return to conditions prevailing prior to COVID-19. This uncertainty continues to influence global commodity pricing, which in turn has significantly influenced the current challenging business climate for the Company.

If these conditions persist for an extended period, 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.

The situation surrounding COVID-19 remains dynamic and the duration and magnitude of the economic impact and financial effects on the Company cannot be determined. Estimates and judgements made by management in the preparation of the financial statements are difficult and subject to a higher degree of measurement uncertainty during this volatile period.

4. SIGNIFICANT ACCOUNTING POLICIES

The accounting policies applied in these condensed consolidated interim financial statements are the same as those applied by the Company in the audited consolidated financial statements for the year ended December 31, 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 March 31,	**2021**	2020
Traditional sales	**553**	2,079
Transaction-based sales	**4,187**	111
Total data library sales	**4,740**	2,190

(B) DATA TYPE

Three months ended March 31,	2021	2020
2D data sales	**548**	560
3D data sales	**4,192**	1,630
Total data library sales	**4,740**	2,190

(C) GEOGRAPHICAL BREAKDOWN

Three months ended March 31,	2021	2020
Alberta sales	**4,203**	1,171
British Columbia sales	**388**	590
Other area sales	**149**	429
Total data library sales	**4,740**	2,190

6. SEISMIC DATA LIBRARY

	March 31, 2021	December 31, 2020
Cost		
Opening balance, January 1	**506,448**	506,065
Acquisitions through digitization and related cost	**96**	383
Closing balance	**506,554**	506,448
Accumulated amortization		
Opening balance, January 1	**459,560**	448,212
Amortization for the period	**2,498**	11,348
Closing balance	**462,058**	459,650
Carrying amount	**44,486**	46,888

At March 31, 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 and that, accordingly, no impairment test was required.

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

- Estimated future revenues for the next five years net of variable and fixed costs, based on past performance as well as management's assessment of economic conditions, expected market trends and anticipated activity levels of the Western Canadian oil and natural gas sector;

- The terminal value of the Seitel CGU, estimated to be 40 percent of the 2024 cash flows with a decline rate of 2 percent;
- An after-tax discount rate of 11 percent to calculate the net present value of future cash flows, which is based on the Company's weighted average cost of capital calculated at March 31, 2020; and
- A combined federal-provincial income tax rate of 25 percent.

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

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

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

ROU ASSETS

As at	**March 31, 2021**	December 31, 2020
Office and warehouse leases	**733**	1,230
Less		
Depreciation in the period	**(124)**	(497)
ROU assets	**609**	733

LEASE LIABILITIES

As at	**March 31, 2021**	December 31, 2020
Opening balance	**1,358**	2,061
Repayments on principal and interest	**(204)**	(815)
Interest expense	**21**	112
Total lease liabilities	**1,175**	1,358
Less		
Current portion	**(815)**	(815)
Long-term portion	**360**	543

8. LONG-TERM DEBT

As at	**March 31, 2021**	December 31, 2020
Senior revolving credit facility	**9,175**	17,978
Subordinated debt	**10,000**	10,000
Deferred financing cost	**(199)**	(263)
Total long-term debt	**18,976**	27,715

On December 18, 2020, the Company amended and restated its credit agreement. The facility now consists of a $25.0 million revolving credit facility.

Significant terms of the credit facility are:

- Interest on the revolving credit facility is calculated based on the lender's prime rate, bankers' acceptance rate or LIBOR, plus an applicable margin based on the covenant ratio of total debt to adjusted EBITDA following a ten-tier structure. At March 31, 2021, the applicable interest rate on the long-term debt was 3.7 percent, based on level 3 of the 10 rates specified under the facility;
- Standby fees are based on the daily undrawn balance of the revolving portion of the credit facility and the Company's total debt to adjusted EBITDA ratio following the amended ten-tier margin structure. At March 31, 2021 the applicable standby fee was set at level 3 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 credit facility also includes the following financial covenants:

1) MAXIMUM SENIOR DEBT TO ADJUSTED EBITDA RATIO

The senior debt to adjusted EBITDA ratio shall not be greater than 5.0:1 on March 31, 2021, not greater than 4.25:1 on June 30, 2021 and not greater than 3.0:1 for the fiscal quarters ending September 30, 2021 and thereafter.

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

Adjusted EBITDA is to be calculated on a trailing 12-month basis and is defined as earnings or loss before interest, income taxes, depreciation and amortization, plus extraordinary losses, non-cash losses and expense charges, and any other unusual or non-recurring cash charges, expenses or losses consented to by the lenders, less participation survey revenue, lease payments treated as capital lease, warehouse storage fees, extraordinary gains and non-cash gains and income. Adjusted EBITDA is to be adjusted for acquisitions or dispositions to reflect such acquisition or disposition as if it occurred on the first day of such calculation period.

2) MINIMUM INTEREST COVERAGE RATIO

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

The minimum interest coverage ratio shall not be less than 1.5:1 at March 31, 2021 and June 30, 2021, 2.25:1 at September 30, 2021 and December 31, 2021, 2.50:1 at March 31, 2022 and June 30, 2022, and 3.0:1 in fiscal quarters ending September 30, 2022 and thereafter.

At March 31, 2021 the senior debt to adjusted EBITDA ratio was 0.91:1 and the interest coverage ratio was 4.87:1. The Company was in compliance with all covenants at March 31, 2021.

To complete the financing of the acquisition of Seitel Canada Ltd. in January 2019, Pulse also entered into a five-year subordinated debt agreement for $10.0 million which matures on December 31, 2023. The agreement has no requirement to repay the principal prior to the end of term. Under its terms, the loan will accrue interest at a rate of 10 percent per annum, payable quarterly at the end of each quarter.

9. INCOME TAX

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

Three months ended March 31,	**2021**	2020
Earnings (loss) before income tax	**590**	(3,176)
Combined federal and provincial income tax rate	**23%**	25%
Expected income tax expense	**136**	(794)
Effects of difference:		
Non-deductible expenses	**–**	2
Change in valuation allowance	**(5)**	(5)
Permanent difference related to the seismic data library acquired in January 2019	**455**	490
Permanent difference related to IFRS 16, Leases	**(18)**	(17)
Others	**(11)**	(25)
Actual income tax expense (recovery)	**557**	(349)

10. EQUITY

SHARE CAPITAL

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

11. SHARE-BASED PAYMENTS

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

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

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

On March 31, 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 $146,000 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 will be paid in the second quarter to settle the accrued cash-settled portion of the share-based payment liabilities.

At March 31, 2021, the Company recognized $197,000 (March 31, 2020 – reduction of $35,000) in compensation expense related to the LTIP in salaries, internal commissions and benefits on the statement of comprehensive earnings. The equity-settled portion was $65,000 (March 31, 2020 – $70,000).

At March 31, 2021, the obligation related to the cash-settled portion of the LTIP was $275,000 (March 31, 2020 – $154,000) with $165,000 (March 31, 2020 – $79,000) included in accounts payable and accrued liabilities and $110,000 (March 31, 2020– $75,000) included in other long-term payable.

The following summarizes activity in the Company's LTIP during the three-month periods ended March 31, 2021 and 2020:

Three months ended March 31,	**2021**		2020	
	RSUs	**PSUs**	RSUs	PSUs
Outstanding, beginning of period	**692,140**	**876,973**	553,575	704,962
Granted	**300,613**	**385,938**	339,295	423,195
Cancelled or forfeited	**–**	**(206,981)**	–	(237,113)
Outstanding, end of period	**992,753**	**1,055,930**	892,870	891,044

The 161,805 RSUs that vested on March 31, 2021 will be 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 $33,000 for the three months ended March 31, 2021 (three months ended March 31, 2020 – net loss of $2.8 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

Three months ended March 31,	**2021**	2020
Trade and other receivables	**5,858**	52
Prepaid expenses	**(43)**	(66)
Long-term receivable	**282**	2,389
Accounts payable and accrued liabilities	**(165)**	(384)
Deferred revenue	**(98)**	(52)
Other long-term payable	**83**	(45)
Others	**72**	70
Net change in non-cash operating working capital	**5,989**	1,964

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

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

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

EXPOSURE TO CREDIT RISK

The carrying amount of financial assets represents the maximum credit exposure. The maximum exposure to credit risk at the reporting date was the value of accounts receivable of $2.6 million. The Company has a significant concentration of customers in the oil and natural gas industry, with the majority located in Alberta. At March 31, 2021, 80 percent of total accounts receivable were due from one customer. For the three months ended March 31, 2021, approximately 88 percent of the Company's data library sales were attributable to one customer.

The aging of trade receivables at the reporting date was:

	March 31, 2021		December 31, 2020	
	Gross	**Impairment**	Gross	Impairment
Current	**2,490**	**–**	8,758	–
Past due 31-60 days	**74**	**–**	–	–
Past due 61-90 days	**16**	**–**	–	–
More than 90 days	**8**	**–**	–	–
Total accounts receivable	**2,588**	**–**	8,758	–
Less: discounted accounts receivable	**(61)**	**–**	(91)	–
Accounts receivable	**2,527**	**–**	8,667	–

The current and long-term accounts receivable of $2.5 million in the table above include $2.0 million from one client benefiting from extended payment terms, of which $1.2 million is due in 2022.

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 a working capital deficit of $401,000 at March 31, 2021, with $15.8 million available for future draws on its revolving credit facility.

The following are the contractual maturities of financial liabilities at March 31, 2021:

	Carrying amounts	**1 year**	**2 years**	**3 years**	**4 years and thereafter**
Long-term debt	19,175	–	9,175	10,000	–
Long-term debt interest	3,357	1,339	1,268	750	–
Accounts payable	829	829	–	–	–
Long-term payable	165	–	165	–	–
Total	**23,526**	**2,168**	**10,608**	**10,750**	**–**

(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 note 8. Changes in market interest rates will cause fluctuations in future interest payments.

The Company earns minimal interest income on its cash balances.

(E) FAIR VALUES

The fair values of cash and cash equivalents, 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 March 31, 2021, EdgePoint Investment Group Inc. (EdgePoint), an institutional shareholder in the Company, had a position of 24.6 percent of the Company's total outstanding shares as of March 31, 2021.

EdgePoint is also the holder of the $10.0 million subordinated debt that Pulse utilized to acquire Seitel Canada Ltd. in January 2019. The balance of the subordinated debt at March 31, 2021 was $10.0 million. As explained in Note 8 above, the agreement has no requirement to repay the principal prior to the end of term in 2023.

Under the term, the subordinated debt accrues interest at a rate of 10 percent per annum, payable quarterly at the end of each quarter. For the three months ended March 31, 2021, the interest expense related to the subordinated debt was $247,000 (three months ended March 31, 2020 – $249,000).