



PULSE STRATEGY

To increase annual profitability and return on invested capital by acquiring and selling high-value spatial data to institutional and commercial users in Canada, the United States and select international markets.

Pulse adds to its extensive data libraries by purchasing existing data sets or capturing new data. Pulse grows its digital mapping services through the innovative use of technology. Pulse also provides customized software solutions and services to enable our customers to make more efficient use of information.

CORPORATE OVERVIEW

Better Information Faster

Pulse Data Inc. ("Pulse" or "the Company") is a Calgary-based, international company specializing in data ownership through acquisition, marketing and information management, with current focus on the energy sector. Through its three operating units, Pulse Seismic, Terrapoint and Trango Technologies Inc. ("Trango"), the Company has evolved into an industry leader in providing better information faster.

Pulse Seismic is at the forefront with regard to acquiring, marketing and licensing seismic data in Western Canada. Pulse Seismic's library currently consists of approximately 240,000 net kilometres of 2D data and more than 6,500 net square kilometres of 3D data. Revenue is generated through licensing of the data library and through licensing of participation surveys.

With offices in Calgary, Ottawa and Houston, Terrapoint is the largest and most experienced LiDAR (Light Detection And Ranging) data provider in the world. LiDAR data is used to produce survey-quality 3D digital elevation models. The use of digital elevation data significantly reduces the cost of project planning and design in a broad array of industries including urban planning, transportation and industrial and resource planning and development. Since its inception in 1998, Terrapoint has worked in many countries around the world providing cost-effective solutions to its clients' needs.

Trango has developed an exceptional reputation for providing GIS data management products and services to the North American oil and gas industry. Trango provides the technology that allows clients to better exploit their seismic, well, geological and related data.

Pulse operates prudently using a disciplined approach that capitalizes on its strong financial base, which in turn has provided a solid foundation for growth. By incorporating synergistic products and services into its mix, the Company has positioned itself for continued expansion and diversification in market areas that require better information faster.

Pulse trades on the Toronto Stock Exchange under the symbol PSD.

NOTICE OF ANNUAL AND SPECIAL MEETING

The annual and special meeting of the shareholders of Pulse Data Inc. will be held Wednesday, May 18, 2005 at 3:00 pm in the Viking Room, Calgary Petroleum Club, 319 – 5th Avenue S.W., Calgary, Alberta. Shareholders unable to attend are encouraged to sign and return the form of proxy mailed with this Annual Report.

Financial Highlights

for the years ended December 31,

(thousands of dollars, except where indicated)	2004	2003	Change
Revenue	51,268	35,538	44%
Amortization of data libraries	22,862	17,377	32%
Earnings before income taxes	13,180	9,842	34%
Net earnings	7,719	5,999	29%
per share – basic and diluted	0.18	0.15	20%
Funds from operations ⁽¹⁾	36,776	27,440	34%
per share – basic and diluted	0.84	0.68	24%
Free cash flow ⁽¹⁾	11,988	5,434	121%
Working capital (deficiency):			
including current maturities	3,845	(3,714)	204%
excluding current maturities	9,507	458	1976%
Total assets	108,426	108,336	0%
Capital expenditures:			
additions to data libraries	26,083	22,006	19%
change to work in progress	(8,436)	8,326	(201)%
additions to property and equipment	574	149	285%
Total capital expenditures	18,221	30,481	(40)%
Long-term debt (net)	11,203	16,269	(31)%
Current portion of long-term debt	5,662	4,172	36%
Shareholders' equity	77,507	63,125	23%
Weighted average shares outstanding:			
basic	43,646,866	40,419,367	8%
diluted	43,990,061	40,682,745	8%
Shares outstanding at period end	45,774,816	40,534,068	13%

(1) Free cash flow, funds from operations and funds from operations per share are defined in the Management's Discussion and Analysis on page 9.

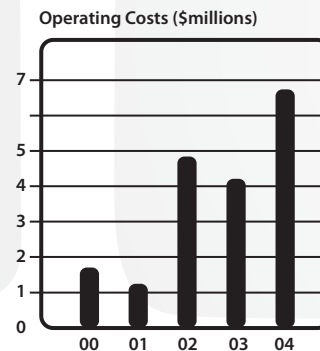
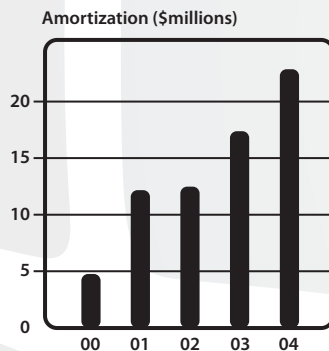
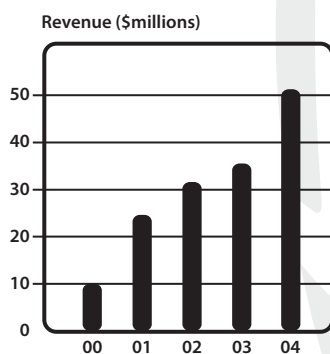
Operational Highlights

for the years ended December 31,

	2004	2003	Change
Seismic Library:			
2D (net kilometres)	239,288	239,013	–
3D (net square kilometres)	6,522	5,296	23%

Corporate highlights in 2004

- Acquired all of the issued and outstanding shares of Terrapoint (Mosaic Mapping Corporation at the time of acquisition) in exchange for 4.5 million common shares of Pulse valued at \$7.6 million and \$2.1 million in cash, including transaction costs of \$388,000
- Completed seven 3D participation surveys in northern Alberta, which added 1,100 net square kilometres of 3D data to Pulse's seismic data library
- Increased revenue 44% to \$51.3 million
- Increased free cash flow 121% to \$12.0 million
- Repaid long-term debt of \$4.6 million
- Continued to pay quarterly dividends in 2004 and implemented a Dividend Reinvestment and Optional Share Purchase Plan under which eligible shareholders may automatically reinvest their dividends in common shares of Pulse at 95% of the current market price
- Appointed two new independent directors to the Company, Peter Fuss of Boca Grande, Florida, and Daphne Corbett of Vancouver, British Columbia

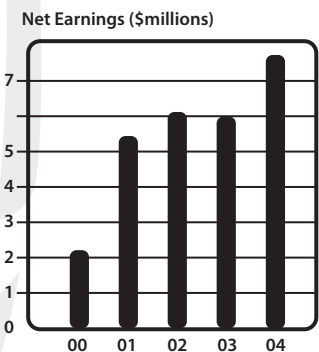
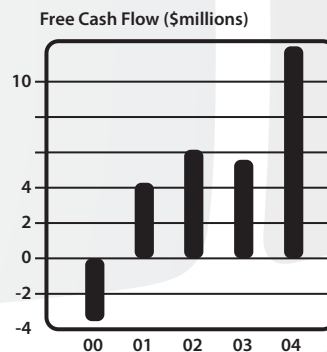
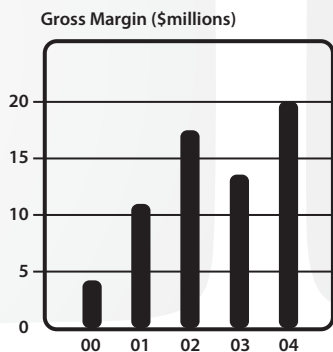


Compounded Annual Growth
in Revenue has averaged
51% since 2000

Free Cash Flow⁽¹⁾

For the years ended December 31,					
(000's)	2000	2001	2002	2003	2004
Funds from operations	\$ 7,400	\$ 20,059	\$ 19,830	\$ 27,440	\$ 36,776
Less:					
Participation survey additions	10,946	15,775	11,362	21,256	24,788
Monetary data exchanges	–	–	2,316	750	–
Free cash flow	\$ (3,546)	\$ 4,284	\$ 6,152	\$ 5,434	\$ 11,988

(1) Free cash flow is defined in the Management's Discussion and Analysis on Page 9.

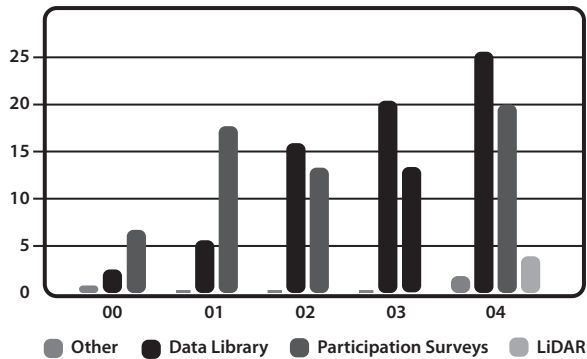


Compounded Annual Growth
in Net Earnings has averaged
37% since 2000

Revenue Sources

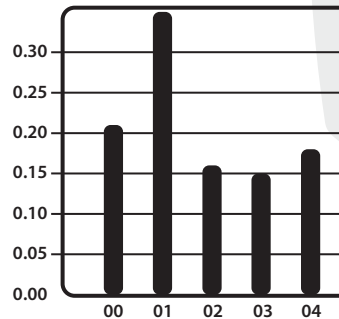
(\$millions)	Q1	Q2	Q3	Q4	Total	
					2004	%
Data library licence sales	4.0	8.4	4.7	8.5	25.6	49.9
Participation surveys	12.2	-	-	7.8	20.0	39.0
LiDAR revenue	-	0.5	1.2	2.2	3.9	7.6
Trango and other revenue	0.5	0.2	0.3	0.8	1.8	3.5
Total	16.7	9.1	6.2	19.3	51.3	100

Revenue Sources (\$millions)

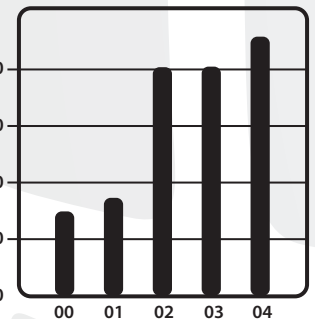


LiDAR revenues represent the period from May 26, 2004 to December 31, 2004

Earnings per Share (\$)



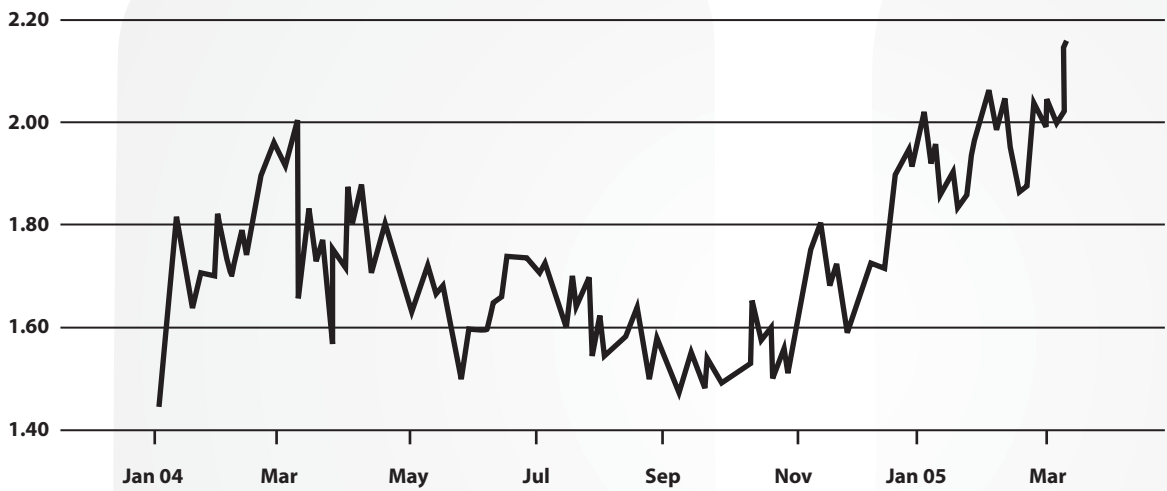
Outstanding Shares at Year End (millions)



Data Library Revenue
has increased more than
500% since 2000

Pulse Data Inc. TSX Trading 2004

(As of March 31, 2005)



	Q1	Q2	Q3	Q4	2004
High	\$ 1.99	\$ 1.89	\$ 1.75	\$ 1.85	\$ 1.99
Low	\$ 1.46	\$ 1.47	\$ 1.41	\$ 1.46	\$ 1.41
Volume	5,828,750	15,088,220	4,675,175	8,900,859	34,493,004

PRESIDENT'S LETTER TO THE SHAREHOLDERS

Introduction

I am very pleased to report the operating results for Pulse Data Inc. ("Pulse" or "the Company") for the year ended December 31, 2004. This last year has been a year of growth for Pulse. In financial terms, we enjoyed significant increases in revenue, net earnings and free cash flow. Corporately, our 3D seismic data base grew by 23% with the addition of 1,200 net square kilometres, and our seismic data sales increased by 25%. Trango has increased its revenue by 27% and established itself as a key supplier of seismic, well and geological data management software in North America. The acquisition of Terrapoint (formerly Mosaic Mapping Corporation) has opened new global markets and growth opportunities.

Regarding our seismic business, this has been a year dedicated to strengthening our position in the marketplace. We expect the demand for seismic to be strong in 2005 despite demand in the first quarter being slower due to warm weather curtailing winter drilling programs.

During the year, Trango refined and expanded its product offering, successfully penetrated the United States market and focused its development team on the needs of both existing and potential clients. I would also like to congratulate Trango for the successful installation of its largest enterprise solution to date, and look forward to implementing similar, substantial integrated solutions.

Terrapoint has made excellent headway with the implementation of the business processes required to run an organization with its diversity of markets and solutions. There have been some challenges during the integration process, but overall I am pleased with the progress made over the seven months since the acquisition.

Financial Overview

The year ended December 31, 2004 was Pulse's fifth full year of operations as a publicly-traded company. During the year, we continued to grow our seismic data library by acquiring data through participation surveys as well as purchasing the proprietary rights to certain seismic datasets. Additionally, in 2004, the Company entered new markets in the LiDAR industry through its purchase of Terrapoint.

Net earnings for the year ended December 31, 2004 were \$7.7 million (\$0.18 per share diluted), a 28.7% increase compared to \$6.0 million (\$0.15 per share diluted) for 2003. Funds from operations for 2004 were \$36.8 million (\$0.84 per share diluted), a 34.0% increase over the \$27.4 million (\$0.68 per share diluted) generated in 2003. These per share figures are based on the weighted average diluted shares outstanding of 43,990,061 for 2004 compared to 40,682,745 for 2003.

Free cash flow for 2004 was \$12.0 million, an increase of 120.6% over 2003.

For the year ended December 31, 2004, Pulse recorded revenues of \$51.3 million, a 44.3% increase compared to \$35.5 million in 2003, as detailed in the following table. In the fourth quarter of 2004, we generated \$19.4 million or 37.8% of our total annual revenue. The overall increase in revenue for 2004 comprises a 41.6% increase in participation survey revenue and a 25.4% increase in data library sales. Additionally, we generated LiDAR revenue of \$3.9 million, representing 7.6% of the total revenue for 2004, and had an increase in other revenue of 80%. Trango and other revenue is a combination of revenue from Trango, foreign exchange gains of \$209,000, and other miscellaneous items.

Revenue Sources

For the years ended December 31,	2004		2003	
	Revenue (millions)	% of Total Revenue	Revenue (millions)	% of Total Revenue
Data library licence sales	\$ 25.6	49.9	\$ 20.4	57.5
Participation surveys	20.0	39.0	14.1	39.7
LiDAR revenue	3.9	7.6	-	-
Trango and other revenue	1.8	3.5	1.0	2.8
Total	\$ 51.3	100	\$ 35.5	100

The 41.6% increase in participation survey revenue is attributable in part to 2003 revenue being lower than anticipated because of a delay in delivering a large participation program at the end of 2003 due to unfavourable weather conditions. Therefore, revenue related to 2003 winter work ended up being recognized on completion and delivery of the program to the participants in early 2004. With 40% of participation survey revenue and 33% of 2004 data library sales occurring in the fourth quarter of 2004, record levels were achieved for Pulse for both the highest quarterly and annual revenues levels. Trango showed strong improvement during the fourth quarter of 2004 as it recorded revenue of \$783,000, its largest quarterly revenue since its inception.

The data library acquired in the ReQuest Income Trust ("ReQuest") acquisition in January 2002 included significant pre-paid data delivery obligations ("library cards"). An outstanding obligation to deliver approximately \$40.0 million of seismic data from the ReQuest library, as of the acquisition date of January 31, 2002, has been reduced by 85% to approximately \$6.0 million by the end of 2004. Approximately half of the remaining balance is expected to be drawn down during 2005. Going forward, the outstanding library card balance is expected to have minimal impact on revenue being generated by data library sales.

Terrapoint Acquisition

On May 25, 2004 Pulse acquired all of the issued and outstanding shares of Mosaic Mapping Corporation in exchange for 4,497,956 common shares of Pulse valued at \$7,646,525 and \$2,141,920 in cash including transaction costs of \$388,278. On January 1, 2005 we changed the name of Mosaic Mapping Corporation to Terrapoint Canada Inc. as part of our re-branding strategy. Pulse now has two wholly owned subsidiaries in the LiDAR business: Terrapoint Canada Inc. and Terrapoint USA Inc. (together, "Terrapoint"). Terrapoint, with offices in Calgary, Ottawa and Houston, provides airborne and ground-based LiDAR technology solutions for GIS applications that include oil and gas exploration, transportation, urban planning, infrastructure, construction and land development in North American and international markets. With seven proprietary LiDAR systems available, Terrapoint is the largest capacity LiDAR service provider in the world.

Growth Strategy

- **Establish a foundation for growth**

Pulse's foundation is its extensive seismic data library, assembled by conducting participation surveys and purchasing existing data. Seismic constitutes a solid foundation because:

- there is a strong demand for seismic data because it is critical to the success of oil and gas exploration and development, and
- seismic is a long-life asset which retains its value year over year and can be relicensed many times to many clients.

- **Establish synergistic products and services**

Licensing seismic data is only part of the equation. Managing it is another. Successful oil and gas companies require significant quantities of seismic and other types of data. Managing all of this information can be costly and time-consuming. Pulse saw in Trango's software products an opportunity to help its clients better manage and exploit their seismic, geological, well and related data.

Trango software is the efficiency behind Pulse's data management, quality inspection, ordering and delivery process, and this same software has become the software of choice for seismic data management in North America. Trango's solutions are transferable to other types of GIS data, as demonstrated by our new well and geological data management products that are quickly gaining market share.

- **Grow**

The fastest way to grow the customer base is to grow the resource base. Pulse owns one of the largest, most strategically positioned, non-exclusive seismic data libraries in the Western Canadian Sedimentary Basin. This database comprises approximately 240,000 net kilometres of 2D data and, in 2004, we increased the size of the 3D data set by 23% with the addition of approximately 1,200 net square kilometres of 3D data to a total of more than 6,500 net square kilometres.

- **Diversify**

Having developed substantial expertise in both acquiring and managing seismic data, Pulse decided to pursue opportunities in related businesses. In 2004, we acquired Terrapoint, the largest and most experienced LiDAR data provider in the world. LiDAR (Light Detection And Ranging) data is used to produce survey-quality 3D digital elevation models which have many applications in urban planning, transportation and infrastructure construction and resource development. Like seismic, LiDAR is a valuable asset because:

- there is an increasing demand for LiDAR – LiDAR data is of value to many sectors within a range of industries, and
- LiDAR is a long-life asset – it is easy to store, updateable, and can be delivered over the Internet and, because LiDAR is more versatile and cost-effective than historical data collection methods, it lends itself to an enhanced non-exclusive data licensing model.

Future Plans and Opportunities

The rising global demand for petroleum in conjunction with related increasing commodity prices have enhanced the attractiveness of oil and gas exploration by Canadian energy companies leading to a strong demand for seismic data. The Company continues to pursue the acquisition of other seismic data sets.

As Trango expands into new markets and a new customer base, it is continually presented with new data management situations that require a simple but efficient solution. The Company will continue to evaluate these opportunities for new, synergistic product offerings and teaming arrangements.

When Pulse purchased Terrapoint, it gained not only physical assets but also the experienced people and the intellectual property necessary to develop innovative techniques and processes to address the continually evolving LiDAR marketplace. Our efforts over the last eight months have focused on three areas. Firstly, we have designed the internal controls and standard operating procedures required to ensure that the products delivered to our clients are of the highest standard in the industry. These procedures are now being implemented. Secondly, we have increased our sales staff and concentrated our direct sales effort on four key market areas in North America: oil and gas exploration, wide area mapping, transportation and land development. Thirdly, we have put in place a budgeting and forecasting system to comprehensively track and monitor our financial progress. With this foundation in place, management is optimistic about the growth potential for this latest addition to the Company.

With commodity prices expected to maintain above-average levels, the encouraging demand for the Company's seismic data and seismic services are projected to continue. In addition, with the Company's other two operating units, Trango and Terrapoint, being well-positioned to execute their 2005 strategic plans, Pulse expects another strong year in fiscal 2005.

Acknowledgements

I would like to thank our Board of Directors for its guidance, our employees for their dedication, hard work and innovative ideas, and our shareholders for their continued support.



Mr. Ken G. MacDonald
President and Chief Executive Officer

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

Twelve Months Ended December 31, 2004

The following Management's Discussion and Analysis ("MD&A") for Pulse Data Inc. ("Pulse" or "the Company") has been prepared taking into consideration information available to March 21, 2005, and is supplemental to the consolidated financial statements and related notes contained in this annual report for the year ended December 31, 2004. The consolidated financial statements for the year ended December 31, 2004 were prepared in accordance with Canadian generally accepted accounting principles ("GAAP").

This MD&A focuses on key statistics from the consolidated financial statements, and pertains to known risks and uncertainties relating to the seismic data library component of the seismic and LiDAR industries. This discussion should not be considered all-inclusive, as it excludes changes that may occur in general economic, political and environmental conditions, as well as oil and natural gas prices, industry activity levels, and the ability of oil and gas companies to raise capital. Additionally, other circumstances may or may not occur which could impact the licensing of seismic data supplied by the Company.

The Company's continuous disclosure documents provide discussion and analysis of "free cash flow", "funds from operations" and "funds from operations per share". These financial measures do not have standard definitions prescribed by GAAP in Canada and therefore they may not be comparable to similar measures disclosed by other companies. The Company has included these non-GAAP financial measures because they are used by management, investors, analysts and others as measures of the Company's financial performance. The Company's definition of free cash flow is cash available for debt servicing, discretionary capital expenditures and the payment of dividends, and is calculated as funds from operations less participation survey additions to the data library and any monetary data exchanges. The Company's definition of funds from operations is defined as cash flow from operations as prescribed by Canadian GAPP, but excluding the impact of changes in non-cash working capital. Funds from operations per share is defined as funds from operations divided by the weighted average number of shares outstanding for the period.

Certain information contained herein may constitute forward-looking statements under applicable securities laws. Such statements are subject to known or unknown risks and uncertainties that may cause actual results to differ materially from those anticipated or implied in the forward-looking statements. A discussion of risks that could affect the Company's operations and financial results is included at the end of this MD&A. Forward looking statements are based upon management's assumptions, expectations and estimates at the time that such statements are made. Pulse does not update forward-looking statements should circumstances change or management's assumptions, expectations or estimates change.

Overview

Pulse is a Calgary-based, international company specializing in data ownership through acquisition, marketing and information management, with current focus on the energy sector. Through its three operating units, Pulse Seismic, Terrapoint and Trango Technologies Inc. ("Trango"), the Company has evolved into an industry leader providing better information faster.

The year ended December 31, 2004 was Pulse's fifth full year of operations as a publicly-traded company. During the year, the Company continued to grow its seismic data library by acquiring data through participation surveys as well as purchasing the proprietary rights to certain seismic datasets. Additionally, in 2004, the Company entered new markets in the LiDAR industry through its purchase of Terrapoint (Mosaic Mapping Corporation ("Mosaic") at the time of acquisition) on May 25, 2004. Corporate restructuring in late 2004 resulted in the dissolution of Mosaic and a name change for the former Mosaic operating subsidiaries. Pulse now has two wholly-owned subsidiaries in the LiDAR business: Terrapoint Canada Inc. and Terrapoint USA Inc. (together, "Terrapoint").

Net earnings for the year ended December 31, 2004 were \$7.7 million (\$0.18 per share diluted), a 28.7% increase compared to \$6.0 million (\$0.15 per share diluted) for 2003. Funds from operations for 2004 was \$36.8 million (\$0.84 per share diluted), a 34.0% increase over the \$27.4 million (\$0.67 per share diluted) generated in 2003. These per share figures are based on the weighted average diluted shares outstanding of 43,990,061 for 2004 compared to 40,682,745 for 2003.

Revenue

For the year ended December 31, 2004, Pulse recorded revenues of \$51.3 million, a 44.3% increase compared to \$35.5 million in 2003, as detailed in the table below. In the fourth quarter of 2004, the Company generated \$19.4 million or 37.8% of the total annual revenue. The overall 44.3% increase in revenue for 2004 over 2003 comprises a 41.6% increase in participation survey revenue and a 25.4% increase in data library sales. Additionally, the Company generated LiDAR revenue of \$3.9 million, representing 7.6% of the total revenue for 2004, and had an increase in other revenue of 80%. Trango and other revenue is a combination of revenue from Pulse's wholly-owned subsidiary Trango, foreign exchange gains of \$209,000, and other miscellaneous items.

Revenue Sources

For the year ended December 31

	2004		2003	
	Revenue (millions)	% of Total Revenue	Revenue (millions)	% of Total Revenue
Data library licence sales	\$ 25.6	49.9	\$ 20.4	57.5
Participation surveys	20.0	39.0	14.1	39.7
LiDAR revenue	3.9	7.6	–	–
Trango and other revenue	1.8	3.5	1.0	2.8
Total	\$ 51.3	100	\$ 35.5	100

The 41.6% increase in participation survey revenue is attributable in part to 2003 revenue being lower than anticipated because of a delay in delivering a large program at the end of 2003, due to unfavourable weather conditions. Therefore, revenue related to 2003 winter work was recognized on completion and delivery of the program in early 2004, as per Pulse's revenue recognition policy. With 40% of participation survey revenue and 33% of 2004 data library sales occurring in the fourth quarter of 2004, Pulse achieved record levels for both the highest quarterly and annual revenue levels. Trango showed strong improvement during the fourth quarter of 2004 as it recorded its largest quarterly revenue amount of \$783,000 since its inception.

The data library acquired in the ReQuest Income Trust ("ReQuest") acquisition in January 2002 included significant pre-paid data delivery obligations ("library cards"). An outstanding obligation to deliver approximately \$40.0 million of seismic data from the ReQuest library, as of the acquisition date of January 31, 2002, has been reduced by 85% to approximately \$6.0 million by the end of 2004. Approximately half of the remaining balance is expected to be drawn down during 2005. Going forward, Pulse expects the outstanding library card balance to have minimal impact on revenue being generated by data library sales.

Amortization and Depreciation

Pulse's most significant expense is the charge for seismic data library amortization. Amortization expense was \$22.9 million (44.6% of total revenue, and 50.2% of seismic revenue) for the year ended December 31, 2004, compared to \$17.4 million (49.0% of total revenue, and 50.4% of seismic revenue) in 2003. Commencing in the third quarter of 2003, a change in estimate in the calculation of amortization expense was adopted. The Company now amortizes data library costs using a fixed rate based on the estimated timing of the economic returns of the data library. While the new method of amortization provides a fixed, predictable charge to earnings, the Company is continuing its policy of reviewing the carrying value of the data library on an ongoing basis. Amortization expense recorded for the year ended December 31, 2004 would have been approximately \$1.0 million less if the previous method used

in calculating the amortization expense was still in effect. The Terrapoint LiDAR data library generated amortization expense of \$102,000 from the date of acquisition, May 26, 2004 to December 31, 2004. The amortization of the LiDAR data library is calculated on a straight-line basis over five years. The LiDAR data library being amortized was acquired by Terrapoint in late 2003, and has a four-year amortization period remaining.

Generally, Pulse has not historically incurred a significant depreciation expense related to property and equipment, as most of its capital property is office and computer equipment. However, a significant portion of the Terrapoint purchase price related to capital property including the LiDAR systems and proprietary processes and software. All of the property and equipment purchased is depreciated on a straight-line basis over a seven-year period.

Operating Expenses

Operating expenses increased to \$6.7 million in 2004 from \$4.2 million in 2003, primarily as a result of including operating costs from the LiDAR business in 2004. In the seismic business, operating expenses include items directly related to licensing data, and a significant portion of these costs are fixed. Therefore, as revenue increases, the associated incremental costs do not increase proportionately. Pulse has achieved high sales levels while operating a very streamlined data sales department. The LiDAR business however, has a much higher cost of sales associated with the revenue earned, as operating costs include aircraft rental and expenses associated with field personnel and in-house data processing staff. Operating expenses as a percentage of revenue were 13.2% for the year ended December 31, 2004, compared to 11.8% in 2003.

Gross Margin

The gross margin was \$20.0 million for the year ended December 31, 2004, an increase of 47.7% from \$13.6 million in 2003, and was attributed to the rise in seismic revenue in the fourth quarter of 2004. The higher operating costs associated with the Terrapoint and Trango business units did not offset the substantial increase in seismic revenue, which contributes a higher relative percentage to the consolidated gross margin.

General and Administrative Expenses

General and administrative expenses ("G&A") were \$4.3 million for 2004, compared to \$2.5 million for 2003, representing a 72.0% increase. The most significant factor contributing to this increase was the addition of three new corporate offices in connection with the acquisition of Terrapoint. With offices in Calgary, Ottawa and Houston, Texas, G&A expenses such as rent, office equipment leasing and maintenance, salaries and benefits, insurance, software and hardware maintenance all increased substantially. In addition, in 2004 the Company wrote down the value of an investment by approximately \$93,000 and incurred a bad debt expense of approximately \$75,000. Neither of these types of expense occurred in 2003. G&A, as a percentage of revenue was 8.4% for the year ended December 31, 2004, compared to 7.0% in 2003.

Research and Development Expenses

All of the research and development expenses in 2004 were incurred by Terrapoint. The Terrapoint engineering department activity is divided between technical support, maintenance, repair and upgrade of the equipment deployed in day-to-day operations, and research and development directed towards improving performance, reliability, ease of use and technical advancement.

Terrapoint has both low-range and high-range systems. The low-range systems are used in helicopters and on-ground vehicles while the high-range systems are installed in fixed-wing aircraft.

In 2004, the high-range system design was changed to allow for improved performance, increased shot rate and more returns per shot. The on-board software was redesigned to accommodate higher data rates and provide redundant data storage. A new operator interface, which includes planning and navigation capability, was implemented.

Interest

Interest on long-term debt was \$1.0 million in 2004 representing a 23.9% reduction from \$1.4 million in 2003. This reduction in interest expense relates directly to the continued reduction in the outstanding balance of the RoyNat Inc. debt facility. As well, the average interest rate on the RoyNat Inc. debt decreased from 6.3% in 2003 to 5.5% in 2004. The additional long-term debt acquired with the Terrapoint acquisition contributed a minimal increase to the interest paid in the seven-month period from date of acquisition to December 31, 2004.

The most significant component of the other interest expense in 2004 was a one-time charge of \$303,000 resulting from an income tax reassessment dating back to 1999 for ReQuest Seismic Surveys Ltd. The other interest expense in both 2003 and 2004 was offset with interest income earned on cash deposits.

Income taxes

The income tax provision for the year ended December 31, 2004 was \$5.5 million, representing an effective tax rate of 41.7%. The income tax provision for 2003 was \$3.8 million, representing an effective tax rate of 39.0%. The effective rate for 2004 is higher than the combined federal and provincial current income tax rates for Alberta due to a number of factors. First, the current tax includes amounts paid resulting from the reassessment of tax returns for ReQuest Seismic Surveys Ltd. relating to taxation years prior to the acquisition by Pulse. Additionally, the Company will be responsible for paying large corporation tax of approximately \$173,000. Pulse has also incurred non-deductible expenses for significant items such as stock option expense.

Data Library

Pulse invested \$26.1 million to acquire new seismic data in 2004. A total of \$17.7 million was incurred to acquire new or existing data and an additional \$8.4 million was recorded at December 31, 2003 as work in progress ("WIP"), relating to participation surveys. When the delivery of this data occurred in February and March 2004, the WIP balance was converted to data library. The majority of the \$17.7 million capital expenditure in 2004 related to seven 3D participation surveys that were conducted in northern Alberta. A total of 1,101 net square kilometres of 3D data were acquired, all of which is 100% owned by Pulse. In the fourth quarter of 2004, Pulse purchased the proprietary rights of two existing seismic datasets, adding an additional 125 net square kilometres of 3D data and 275 net kilometres of 2D data to its library. By comparison, Pulse spent \$22.0 million on additions to its data library in 2003. The 2003 data library additions acquired through participation surveys included a 435 kilometre 2D survey, and 539 net square kilometres of 3D data. As well, Pulse acquired approximately 421 square kilometres of 3D data and seven kilometres of 2D data through various data purchase arrangements in 2003.

The data library acquired in the ReQuest acquisition included significant pre-paid data delivery obligations ("library cards"). An outstanding obligation to deliver approximately \$40.0 million of seismic data from the ReQuest library, as of the acquisition date of January 31, 2002, was reduced by 85% by the end of 2004, to approximately \$6.0 million.

The LiDAR data library acquired with Terrapoint includes approximately \$805,000 of data acquired in late 2003, of which \$703,000 remained unamortized at December 31, 2004.

Future Taxes

The net future tax liability of \$6.0 million at December 31, 2004 consists principally of deferred partnership income, and the future tax liability associated with various property and equipment of the Company having a lower tax value than its corresponding accounting value. A significant portion of this balance is related to the property and equipment acquired with Terrapoint. These liabilities are offset by future tax assets of the Company, including non-capital loss carryforwards, Foreign Exploration and Development Expenditures, and Canadian Exploration Expenses. At December 31, 2003 the Company had a \$2.1 million net future tax asset consisting primarily of Foreign Exploration and Development Expenditures and non-capital losses offset by a much lower deferred partnership income.

Liquidity, Capital Resources and Capital Requirements

Pulse's working capital position, including the current portion of long-term debt of \$5.7 million, at December 31, 2004, was \$3.8 million compared to a working capital deficiency at December 31, 2003 of \$3.7 million. The working capital position increased year over year by 203.5%. At December 31, 2004 there were no significant participation survey programs in progress, so there was no current deferred revenue to impair the working capital position. At December 31, 2003, \$7.8 million of the \$9.9 million in deferred revenue related to surveys in progress, causing a temporary working capital deficiency until surveys were completed and delivered in the first quarter of 2004. For Pulse, a working capital deficiency results when costs relating to the work in progress are included in current liabilities, while the asset being created is a long-term asset. The current liability relating to this activity is effectively reversed during the following quarters when the seismic data is delivered to the survey participants, and the related deposits from participants are removed from deferred revenue in current liabilities and recorded as revenue. All working capital covenants with Pulse's lenders have been met throughout each of these periods.

Accounts receivable at December 31, 2004 were \$12.8 million, a decrease of 18.8% compared to the December 31, 2003 balance of \$15.7 million. The December 31, 2003 balance included \$5.7 million of receivables due from participants on surveys in progress at that time, whereas only \$1.0 million relating to participation survey programs was included in the December 31, 2004 balance. Accounts payable at December 31, 2004 were \$4.5 million a 69.9% decrease compared to the December 31, 2003 balance of \$14.9 million. The high volume of participation survey work ongoing at December 31, 2003 contributed to the high accounts payable balance, whereas at December 31, 2004 the participation survey work was complete and the payables settled.

With the continuation of a strong trend in existing seismic data sales, Terrapoint gaining momentum after its integration and corporate restructuring, and Trango working on some of its largest contracts to date, Pulse management expects that its funds from operations will be sufficient to finance operations, debt servicing, dividends and budgeted capital expenditures in 2005.

The seismic data library is continually growing principally through the acquisition of new 3D data. The continual growth in the area coverage is designed to satisfy customers' seismic data needs. Historical data sales analysis shows that most seismic data retains its value for many years, and with the recent technological advancements in data reprocessing techniques, the Company's clients are able to enhance the quality of the older data in the library. Trango has expanded its client base and continues to add to its product offering. With the addition of airborne and ground-based LiDAR services in 2004, Pulse has begun to access customers in new industries and markets. Management is optimistic about the future of Terrapoint and expects it to enhance Pulse's financial results in 2005.

Although quarterly results can show significant swings in working capital, Pulse continues to maintain a liquid financial position. The capital intensive nature of the seismic business is such that working capital deficiency balances can accumulate during the busy season, only to be reversed upon delivery of the data to survey participants. In order to limit risk in participation surveys, the Company does not proceed without obtaining minimum pre-funding commitments from clients. Because Pulse's largest expense in any given period is the non-cash amortization expense, funds from operations is usually much higher than net earnings.

Pulse's contractual obligations include a long-term debt facility with RoyNat Inc., the long-term debt acquired with the Terrapoint acquisition, a two-year capital lease for computer equipment that was financed through Scotia Leasing in December of 2003, three capital leases for computer equipment owned by Terrapoint that will be paid out during 2005 and other operating leases for certain office equipment and office space.

	Total	Payments Due By Period		
		Less than 1 Year	1 – 3 Years	4 - 5 Years
Contractual Obligations				
Long-term Debt	\$ 16,727,000	\$ 5,586,000	\$ 11,141,000	\$ –
Capital Leases	138,000	76,000	62,000	–
Operating Leases	2,220,000	867,000	1,158,000	195,000
Total Contractual Obligations	\$ 19,085,000	\$ 6,529,000	\$ 12,361,000	\$ 195,000

Pulse also has an additional \$3.0 million available through its long-term debt facility carried with RoyNat Inc. This capital availability is part of the refinancing package which Pulse obtained in late 2002.

Pulse also has a \$10.0 million operating line credit facility with Scotiabank. Any drawdowns on this facility are repayable on demand and bear interest at the bank's prime lending rate plus 0.25%. This facility has not been used since 2001.

Free Cash Flow

Free cash flow for the year ended December 31, 2004 was \$12.0 million, an increase of 120.6% over 2003. The following table shows free cash flow for each full year of operations since Pulse became a public company.

For the years ended December 31 (000's)					
	2004	2003	2002	2001	2000
Funds from operations	\$ 36,776	\$ 27,440	\$ 19,830	\$ 20,059	\$ 7,400
Less:					
Participation survey additions	24,788	21,256	11,362	15,775	10,946
Monetary data exchanges	–	750	2,316	–	–
Free cash flow	\$ 11,988	\$ 5,434	\$ 6,152	\$ 4,284	\$ (3,546)

Related Party Transactions

The Company holds an approximate 50% undivided interest in certain seismic data totalling 1,765 net kilometres (0.7% of the Corporation's 2D data library) in which two officers of the Corporation (the President and the Vice-President, Operations) also hold undivided interests. The related parties acquired this data jointly with others prior to Pulse becoming a public company, and they have retained their ownership interests. The contract between the parties is for management and licensing of the seismic data to third parties for a success-based fee and only permits payment of revenues to the related parties upon receipt of licensing fees from the third parties. The amount due under these arrangements was \$45,216 at December 31, 2004 (\$110,968 at December 31, 2003).

Critical Accounting Estimates

The capital cost of the seismic data library is amortized on a fixed basis, determined by reference to the estimated timing of the economic return of the library. Additions to the library arise in two distinct ways: participation surveys and the purchase of existing data. The costs associated with participation surveys are amortized at 35% immediately upon completion of the program and delivery of the data to the participants, with the remaining costs being amortized on a straight-line basis over a seven-year period commencing at the end of the period of exclusivity, generally six months after delivery. The costs of purchased data are amortized on a straight-line basis over seven years.

The foregoing reflects a change in estimate from the method employed by Pulse for 2002 and the first six months of 2003. See note 1(e) to the December 31, 2003 Consolidated Financial Statements for further information relating to the previous methodology in estimating amortization expense.

The capital cost of the LiDAR data library is amortized on a straight-line basis over five years.

The capital cost of the LiDAR systems and technical equipment, and proprietary software and processes acquired with the Terrapoint acquisition are amortized on a straight-line basis over a seven year period.

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 provides details of the Company's share capital for the years ended December 31, 2004 and December 31, 2003.

	December 31, 2004	December 31, 2003
Weighted average common shares outstanding:		
basic	43,646,866	40,419,367
diluted	43,990,061	40,682,745
Shares outstanding at period end	45,774,816	40,534,068
Shares outstanding at March 21, 2005	45,774,816	

At December 31, 2004 there were 4,195,000 common shares authorized for grants of stock options. There were 3,445,699 stock options outstanding at exercise prices ranging from \$0.96 to \$1.94.

At March 21, 2005 there were 4,195,000 common shares authorized for grants of stock options. There were 3,392,094 stock options outstanding at exercise prices ranging from \$0.96 to \$1.94.

At March 21, 2005 there were no preferred shares outstanding.

On October 28, 2004, Pulse announced the implementation of a Dividend Reinvestment and Optional Share Purchase Plan. Under the Plan, eligible shareholders may automatically reinvest their dividends in common shares of Pulse at 95% of the current market price. Participants may also purchase additional common shares of Pulse at the current market price, with a minimum of \$2,000 per purchase, and a maximum of \$50,000 per calendar year. In order to participate in the Plan, eligible shareholders must complete and return the required Forms to the Plan Agent, Computershare Trust Company of Canada, by two business days before the dividend record date.

Diluted earnings per share reconciliation

	Income	Shares and options at Dec. 31, 2004	Per share amount
Income available to common shareholders	\$ 7,719,017		
Basic earnings per share			
Income available to common shareholders	\$ 7,719,017	43,646,866	\$ 0.18
Effect of dilutive securities			
Stock Options	-	343,195	
Dilutive earnings per share			
Income available to common shareholders	\$ 7,719,017	43,990,061	\$ 0.18

Financial Summary of Eight Quarters

(\$000s except per share data)

	2004				2003			
	Q4	Q3	Q2	Q1	Q4	Q3	Q2	Q1
Data library licence sales	8,499	4,679	8,400	4,033	6,861	5,445	4,576	3,548
Participation survey revenue	7,853	–	–	12,126	0	1,962	7,645	3,424
LiDAR revenue	2,208	1,172	506	–	–	–	–	–
Trango and other revenue	826	288	172	506	250	358	1,158	311
Total revenue	19,386	6,139	9,078	16,665	7,111	7,765	13,379	7,283
Net earnings (loss)	5,305	(1,590)	1,053	2,951	1,242	866	2,101	1,790
per share-basic	0.12	(0.04)	0.03	0.07	0.04	0.02	0.05	0.04
per share-diluted	0.12	(0.04)	0.03	0.07	0.04	0.02	0.05	0.04
Free cash flow	7,048	2,393	5,361	(2,814)	1,019	1,680	494	2,241

Total revenue on a quarterly basis for Pulse over the past eight quarters has fluctuated significantly. The trend has generally been one of increasing revenues quarter-over-quarter with larger increases in the fourth quarter of each year.

There is seasonality reflected in the total revenue numbers, particularly relating to participation survey revenue. The historic trend has been to deliver seismic data from the majority of the participation survey programs in the first two quarters of each year. In 2004 however, delivery of two significant programs occurred in the fourth quarter. Shooting seismic in many areas of Western Canada requires frozen ground conditions. Pulse conducts additional acquisition programs throughout the remainder of the year, but usually on a smaller scale than the winter work. Terrapoint also operates at a higher level in the spring and fall compared to the winter and summer, due to the improvement in conditions during “leaf off” periods and when there is a lack of snow cover.

During the past eight fiscal quarters, the fluctuations in earnings have largely been a function of revenue. The quarters with large participation survey revenues are easily identified. Throughout 2003 and the first half of 2004 there was minimal change in the weighted average number of common shares outstanding, as common shares were issued for only the exercise of stock options in the latter part of 2003 and early 2004. By the end of 2004, the weighted average number of shares had increased due to the issuance of the 4,497,956 common shares on the acquisition of Terrapoint.

Selected Annual Financial Information

(\$000s except per share data)	2004	2003	2002
Revenue	\$ 51,268	\$ 35,538	\$ 31,613
Earnings before income taxes	\$ 13,180	\$ 9,842	\$ 9,124
Net earnings	\$ 7,719	\$ 5,999	\$ 6,118
Earnings per share:			
basic	\$ 0.18	\$ 0.15	\$ 0.16
diluted	\$ 0.18	\$ 0.15	\$ 0.16
Total assets	\$ 108,426	\$ 108,336	\$ 98,939
Long-term debt	\$ 11,203	\$ 16,269	\$ 20,492
Current portion of long-term debt	\$ 5,662	\$ 4,172	\$ 3,000
Cash dividends per common share	\$ 0.050	\$ 0.025 ⁽¹⁾	–

(1) represents two quarterly dividends of \$0.0125 per common share paid in September, 2003 and December, 2003

Risk factors

The principal risk factors that may materially affect Pulse include the following:

Demand for Seismic Data and Services

The demand for seismic data and services depends primarily upon the level of exploration and development activity by oil and natural gas companies in Western Canada. These activity levels are directly affected by fluctuations in world energy prices, supply and demand for oil and natural gas, and to a lesser extent government regulation including regulation of environmental matters, all of which are beyond the control of Pulse. In addition, the oil and gas industry in Western Canada has recently been more focused on development drilling, for which there is less demand for seismic data than there is for exploration drilling.

Participation Surveys

Although Pulse Seismic does what it considers to be a thorough analysis of factors affecting the probability of future sales of its participation seismic surveys, and obtains pre-sale commitments for a majority of the estimated costs of the participation seismic surveys, there can be no certainty of future demand for these surveys by the oil and gas industry.

Competition in the Seismic Industry

The geophysical service industry in which Pulse Seismic operates is highly competitive. Pulse Seismic competes with other more established companies which have greater financial, marketing and other resources, and certain of which are large international geophysical services companies that offer a wider array of geophysical services to their clients than Pulse Seismic does. Pulse Seismic also competes with other companies that acquire, market and license seismic data, that maintain their own seismic data libraries, and that compete against Pulse Seismic in licensing seismic data to its customers.

Availability of Capital for our Seismic Customers

Pulse Seismic's customers include private oil and gas companies that rely on private equity to fund their exploration and development activities, and junior public companies that rely on public equity to fund their exploration and development activities. Significant changes in the availability of capital to such customers could have a material adverse effect on their ability to purchase seismic data and services.

Effect of Seasons and Weather on Seismic Survey Programs

Seismic surveys are usually completed in the winter season when frozen ground conditions permit the movement and operation of heavy equipment in the northern areas of Alberta and British Columbia. If an unseasonably late or warm winter delays or prevents sufficient freezing to occur, or if an early spring results in an early thaw, Pulse Seismic may not be able to complete its winter seismic survey programs on time and within budget.

Dependence upon Seismic Contractors

Pulse Seismic depends upon qualified seismic acquisition contractors to complete its seismic surveys on time and within budget. Pulse Seismic endeavours to enter into Master Service Agreements and to establish relationships with its key contractors.

Key Personnel

Pulse Seismic depends upon certain key management, operations and marketing personnel for the success of its seismic acquisition, marketing and licensing business. Pulse Seismic endeavours to obtain written employment agreements with such personnel containing confidentiality and non-competition provisions where appropriate.

Effect of Laws

Pulse Seismic's survey operations are subject to a variety of Canadian federal and provincial laws and regulations, including laws and regulations relating to safety and the protection of the environment. Pulse Seismic and its contractors are required to invest financial and managerial resources to comply with such laws and related permit requirements in their operations. Although such expenditures historically have not been material to Pulse Seismic, such laws and regulations are subject to change and accordingly, it is impossible for Pulse Seismic to predict the cost or impact of such laws and regulations on its future operations. The adoption or modification of laws and regulations, which could have the effect of curtailing exploration and development by oil and gas companies, could also adversely affect Pulse Seismic's operations by reducing the demand for seismic surveys.

Demand for LiDAR Data and Services

Terrapoint's principal customers are oil and gas exploration and development companies, municipalities and engineering companies in North America. The demand for LiDAR data and services from these customers depends upon their levels of activity and capital budgets.

Competition in the LiDAR Service Industry

The LiDAR service industry in which Terrapoint operates is highly competitive. Terrapoint competes with other more established companies, which have greater financial, marketing and other resources. Terrapoint also competes against other smaller companies, which may be more aggressive in their pricing.

Bidding Process in the LiDAR Service Industry

The LiDAR service industry generally operates on a competitive bidding process. The ability of Terrapoint to generate revenues and earnings depends upon its ability to successfully submit tenders for contracts, and to successfully complete awarded contracts within time and on budget.

Effect of Seasons and Weather on LiDAR Surveys

LiDAR surveys in some sectors of the market are acquired during the spring and fall seasons, when there is little foliage or snow. In addition, airborne LiDAR surveys may be hampered or curtailed during cloudy, snowy or other adverse weather conditions. Delays or inability of Terrapoint to complete LiDAR surveys during the spring or fall seasons or during adverse weather conditions could affect the ability of Terrapoint to complete such surveys on time and within budget.

Dependence upon Contractors

Terrapoint depends upon aviation and other contractors to complete LiDAR surveys on time and within budget.

Key Personnel

Terrapoint depends upon certain key management, operations, data processing and marketing personnel for the success of its LiDAR service business. Terrapoint endeavours to obtain written employment agreements with such personnel containing confidentiality and non-competition provisions where appropriate.

Protection of Intellectual Property Rights

Terrapoint depends upon the ownership and protection of its proprietary equipment and technology. The loss or unenforceability of any intellectual property rights could have a material adverse effect on Terrapoint's business and operations.

Effect of Laws

Terrapoint's LiDAR survey operations are subject to a variety of Canadian federal and provincial and United States federal and state laws and regulations, including laws and regulations relating to safety and the protection of the environment. Terrapoint and its contractors are required to invest financial and managerial resources to comply with such laws. Although such expenditures historically have not been material to Terrapoint, such laws and regulations are subject to change and accordingly, it is impossible for us to predict the cost or impact of such laws and regulations on Terrapoint's future operations.

Demand for Trango Products and Services

Trango's principal customers are oil and gas exploration and development customers in North America. The demand for Trango's products and services depends primarily upon the level of exploration and development activity by oil and natural gas companies in North America. These activity levels are directly affected by fluctuations in world energy prices, supply and demand for oil and natural gas, and to a lesser extent government regulation, including regulation of environmental matters, all of which are beyond Trango's control.

Competition in the Software and Services Industry

The software and service industry in which Trango operates is highly competitive. Trango competes with other more established companies, which have greater financial, marketing and other resources. The ability of Trango to compete depends upon its ability to develop and sell products and services that are more advanced and are cost competitive.

Key Personnel

Trango depends upon certain key management, software development and marketing personnel for the success of its software and service business. Trango endeavours to obtain written employment agreements with such personnel containing confidentiality and non-competition provisions where appropriate.

Protection of Intellectual Property Rights

Trango depends upon the ownership and protection of its proprietary technology. The loss or unenforceability of any intellectual property rights could have a material adverse effect on Trango's business and operations.

Outlook

The rising global demand for petroleum and related increasing commodity prices have enhanced the attractiveness of oil and gas exploration by Canadian energy companies leading to a strong demand for seismic data. The Company continues to pursue the acquisition of other seismic data sets.

As Trango expands into new markets and a new customer base, it is continually presented with new data management situations that require simple but efficient solutions. The Company will continue to evaluate these opportunities for new, synergistic product offerings and teaming arrangements.

When Pulse purchased Terrapoint, it gained not only physical assets but also the experienced people and the intellectual property necessary to develop innovative techniques and processes to address the continually evolving LiDAR marketplace. Our efforts over the last eight months have focused on the following three areas. Firstly, we have designed the internal controls and standard operating procedures required to ensure that the products delivered to our clients are of the highest standard in the industry. These procedures are now being implemented. Secondly, we have increased our sales staff and concentrated our direct sales effort on four key market areas in North America: oil and gas exploration, wide area mapping, transportation and land development. Thirdly, we have put in place a

budgeting and forecasting system to comprehensively track and monitor our financial progress. With this foundation in place, management is optimistic about the growth potential for this latest addition to the Company.

With commodity prices expected to maintain above-average levels, the encouraging demand for the Company's seismic data and seismic services are projected to continue. In addition, with the Company's other two operating units, Trango and Terrapoint, being well-positioned to execute their 2005 strategic plans, Pulse expects another strong year in fiscal 2005.

March 21, 2005

A handwritten signature in black ink, consisting of a stylized 'K' followed by a horizontal line extending to the right.

Ken MacDonald
President & C.E.O.

A handwritten signature in black ink, appearing to read 'D. A. Cutts' in a cursive style.

Douglas A. Cutts
Vice President, Finance & C.F.O.

MANAGEMENT'S RESPONSIBILITY FOR THE FINANCIAL STATEMENTS

The accompanying consolidated financial statements and all information in the Annual Report are the responsibility of management. The consolidated financial statements have been prepared by management in accordance with the accounting policies in the notes to the financial statements. When necessary, management has made informed judgments and estimates in accounting for transactions which were not complete at the balance sheet date. In the opinion of management, the financial statements have been prepared within acceptable limits of materiality, and are in accordance with Canadian generally accepted accounting principles ("GAAP") appropriate in the circumstances. The financial information elsewhere in the Annual Report has been reviewed to ensure consistency with that in the consolidated financial statements.

Management has prepared Management's Discussion and Analysis ("MD&A"). The MD&A is based upon the Corporation's financial results prepared in accordance with Canadian GAAP. The MD&A compares the audited financial results for the years ended December 31, 2004 and December 31, 2003.

Management maintains appropriate systems of internal control. Policies and procedures are designed to give reasonable assurance that transactions are properly authorized, assets are safeguarded, and financial records properly maintained to provide reliable information for the preparation of the financial statements.

KPMG LLP, an independent firm of Chartered Accountants, was engaged, as approved by a vote of shareholders at the Corporation's most recent annual general and special meeting, to audit the consolidated financial statements in accordance with generally accepted auditing standards in Canada and provide an independent professional opinion.

The Audit Committee of the Board of Directors, comprises three directors who are not employees of the Corporation, and has discussed the consolidated financial statements, including the notes thereto, with management and external auditors. The consolidated financial statements have been approved by the Board of Directors on the recommendation of the Audit Committee.



Ken MacDonald
President and
Chief Executive Officer



Douglas A. Cutts
Vice President Finance and
Chief Financial Officer

March 21, 2005

AUDITORS' REPORT TO THE SHAREHOLDERS

We have audited the consolidated balance sheets of Pulse Data Inc. as at December 31, 2004 and 2003 and the consolidated statements of earnings, retained earnings and cash flows for the years then ended. These financial statements are the responsibility of the Corporation's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with Canadian generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these consolidated financial statements present fairly, in all material respects, the financial position of the Corporation as at December 31, 2004 and 2003 and the results of its operations and its cash flows for the years then ended in accordance with Canadian generally accepted accounting principles.

The image shows a handwritten signature in black ink that reads "KPMG LLP". The letters are stylized and slanted to the right.

Chartered Accountants
Calgary, Canada
March 21, 2005

CONSOLIDATED BALANCE SHEETS

December 31, 2004 and 2003

(In thousands of dollars)

	2004	2003
Assets		
Current assets:		
Cash and cash equivalents	\$ 3,827	\$ 9,018
Accounts receivable	12,832	15,652
Work in progress	693	–
Prepaid expenses	234	234
	17,586	24,904
Data libraries (note 3)	75,008	70,981
Participation surveys in progress	2	8,438
Property and equipment (note 4)	15,042	968
Investments	667	883
Deferred financing costs	121	103
Future income tax asset (note 5)	–	2,059
	\$ 108,426	\$ 108,336
Liabilities and Shareholders' Equity		
Current liabilities:		
Accounts payable and accrued liabilities	\$ 4,466	\$ 14,895
Deferred revenue	3,613	9,551
Current portion of long-term debt (note 4)	5,662	4,172
	13,741	28,618
Long-term debt (note 6)	11,203	16,269
Deferred revenue	–	324
Future income tax liability (note 5)	5,975	–
Shareholders' equity:		
Share capital (note 7)	50,531	42,064
Contributed surplus (note 7)	449	34
Retained earnings	26,527	21,027
	77,507	63,125
Commitments (note 10)		
	\$ 108,426	\$ 108,336

See accompanying notes to consolidated financial statements.

On behalf of the Board:



Ken MacDonald
Director



Graham Weir
Director

CONSOLIDATED STATEMENTS OF EARNINGS AND RETAINED EARNINGS

Years ended December 31, 2004 and 2003

(In thousands of dollars, except per share data)

	2004	2003
Revenue (note 11)	\$ 51,268	\$ 35,538
Operating expenses:		
Amortization of data libraries	22,862	17,377
Operating	6,743	4,207
Depreciation and amortization	1,615	385
	31,220	21,969
Gross margin	20,048	13,569
General and administrative expenses	4,331	2,518
Research and development expenses	1,256	-
Interest:		
Long-term debt	1,039	1,366
Other	242	(157)
	1,281	1,209
Earnings before income taxes	13,180	9,842
Income taxes: (note 5)		
Current	950	222
Future	4,511	3,621
	5,461	3,843
Net earnings	\$ 7,719	\$ 5,999
Retained Earnings, beginning of year	\$ 21,027	\$ 16,039
Dividends paid	(2,219)	(1,011)
Retained Earnings, end of year	\$ 26,527	\$ 21,027
Earnings per share, basic and diluted	\$ 0.18	\$ 0.15

See accompanying notes to consolidated financial statements.

CONSOLIDATED STATEMENTS OF CASH FLOWS

Years ended December 31, 2004 and 2003

(In thousands of dollars)

	2004	2003
Cash provided by (used in):		
Operations:		
Net earnings	\$ 7,719	\$ 5,999
Items not involving cash:		
Amortization of data libraries	22,862	17,377
Depreciation and amortization	1,615	385
Unrealized gain on foreign exchange	(276)	-
Future income taxes	4,511	3,621
Stock-based compensation	425	34
Other	(80)	24
Funds from operations	36,776	27,440
Net change in non-cash working capital items related to operations	(6,033)	2,069
Decrease in non-current deferred revenue	(324)	(499)
	30,419	29,010
Financing:		
Repayment of long-term debt	(4,624)	(3,192)
Issue of share capital	810	135
	(3,814)	(3,057)
Investing:		
Additions to data libraries through participation surveys	(24,788)	(17,669)
Additions to data libraries through data purchases	(1,295)	(4,337)
(Increase) decrease in participation surveys in progress	8,436	(8,326)
Dividends paid	(2,219)	(1,011)
Decrease in investments	216	493
Additions to property and equipment	(574)	(149)
Business acquisition (note 2)	(2,142)	-
Net change in non-cash working capital items related to investing	(9,430)	7,941
	(31,796)	(23,058)
Increase (decrease) in cash position	(5,191)	2,895
Cash and cash equivalents, beginning of year	9,018	6,123
Cash and cash equivalents, end of year	\$ 3,827	\$ 9,018

During the year the Corporation paid interest of \$1,350,000 (2003 - \$1,359,000) and received interest of \$61,000 (2003-\$157,000). During the year the Corporation paid income taxes of \$1,137,000 (2003 - \$1,494,000).

See accompanying notes to consolidated financial statements.

Notes to Consolidated Financial Statements

Years ended December 31, 2004 and 2003

(Tabular amounts in \$000s except per share data)

Pulse Data Inc. (the "Corporation") is incorporated under the Canada Business Corporations Act and is a publicly-traded company on the Toronto Stock Exchange under the symbol PSD.

1. Significant accounting policies:

These consolidated financial statements have been prepared in accordance with accounting principles generally accepted in Canada which require management to make estimates and assumptions that affect the reported amounts of assets and liabilities and the disclosure of contingent assets and liabilities at the date of the consolidated financial statements and the reported amounts of revenue and expenses during the reporting period. Actual results could differ from such estimates.

(a) Basis of presentation:

These consolidated financial statements include the accounts of the Corporation's wholly-owned subsidiary companies, a general partnership, as well as those of a wholly-owned trust and its subsidiary companies and limited partnerships.

(b) Participation in joint ventures:

Certain of the Corporation's seismic data acquisition activities are conducted jointly with others. These consolidated financial statements reflect only the Corporation's proportionate interest in such activities.

(c) Revenue recognition:

Revenue is recorded as and when seismic data is delivered. In the case of participation surveys, revenue recognition occurs when the seismic work, including data processing, is complete and delivery to the customer has occurred. In the case of library cards (requiring the subsequent delivery of seismic data), revenue is recognized when the client has chosen specific data and taken delivery thereof; until then the sales value is recorded as deferred revenue.

In the case of LiDAR mapping surveys and services, revenue is recognized on a percentage of completion basis over the term of the agreement as milestones are achieved and delivered. Amounts received in advance of qualifying for recognition are recorded as deferred revenue.

(d) Cash and cash equivalents:

Short-term investments with an original maturity of three months or less are considered to be cash equivalents.

(e) Data libraries:

The seismic data library is amortized on a fixed basis, determined by reference to the estimated timing of the economic return. Additions to the data library arise in two distinct ways: (i) participation surveys and (ii) the purchase of existing data. The costs associated with participation surveys are amortized at 35% immediately on the delivery of the data to the participants with the balance being amortized on a straight-line basis over the seven-year period commencing at the end of the period of exclusivity, generally six months after such delivery. Similarly, the costs of purchased data are amortized on a straight-line basis over seven years.

The LiDAR library, purchased as part of the acquisition of Mosaic Mapping Corporation, is amortized on a straight-line basis over five years.

The Corporation reviews, at least annually, the carrying value of the data libraries to assess whether there has been an impairment in value. Additional amortization is recorded if it is determined that estimated future sales will not be sufficient to cover the carrying value of the asset.

(f) Property and equipment:

Property and equipment are recorded at cost less accumulated depreciation. Depreciation is provided using the following methods:

	Declining Balance	Straight Line
Computer hardware and software	30%	
Office equipment	20%	
LiDAR sensor and survey equipment		Seven years
Leasehold improvements		Balance of lease

(g) Investments:

Investments are recorded at cost. Should the estimated fair value of an investment decline below its cost and this decline is considered to be other than temporary, the investment would be written down accordingly.

(h) Deferred financing costs:

Deferred financing costs are amortized over the term of the related loans.

(i) Income taxes:

Income taxes are accounted for using the asset and liability method whereby future income tax assets and liabilities are recognized for the future income tax consequences attributable to temporary differences between the financial statement carrying amounts of assets and liabilities and their respective income tax bases. Future income tax assets and liabilities are measured using tax rates expected to apply when the asset is realized or the liability settled.

(j) Earnings per share:

Basic per share amounts are calculated using the weighted average number of shares outstanding during the period. Diluted per share amounts are calculated based on the treasury-stock method, which assumes that any proceeds obtained on the exercise of options would be used to purchase common shares at the average market price during the period. The weighted average number of shares outstanding is then adjusted by the net change.

(k) Stock-based compensation:

Stock-based compensation attributable to stock options granted is measured at fair value at the grant date and expensed over the vesting period, with a corresponding increase in contributed surplus. The Corporation does not incorporate an estimated forfeiture rate for stock options that will not vest; rather actual forfeitures are accounted for as they occur.

Pursuant to the transition rules, the expense recognized only applies to stock options granted on or after January 1, 2003. The impact of the adoption of this amended standard is disclosed in note 7(c).

(l) Research and development:

Research and development costs are charged to income as incurred. Costs associated with the development of new equipment and systems are expensed during the period unless the recovery of these costs can be reasonably assured given the existing and anticipated future industry conditions.

(m) Foreign Currency Translation:

Accounts of foreign operations that are considered financially and operationally integrated are translated to Canadian dollars using average exchange rates for the reporting period for revenue and expenses. Monetary assets and liabilities are translated at period end current exchange rate and non-monetary assets and liabilities are translated using historical rates of exchange. Gains or losses resulting from these translation adjustments are included in net earnings.

Transactions in foreign currencies are translated at rates in effect at the time of the transaction. Monetary assets and liabilities are translated at current rates. Gains or losses are included in net earnings.

(n) Comparative figures:

Certain figures with respect to fiscal 2003 have been reclassified to conform to the current year's presentation.

2. Business acquisition:

On May 25, 2004 the Corporation issued 4,497,956 common shares for all of the issued and outstanding shares of Mosaic Mapping Corporation, a company with offices in Calgary, Ottawa and Houston and which provides technology solutions in the fields of airborne and ground-based LiDAR for geographic information system ("GIS") applications that include oil and gas exploration, infrastructure and land development in North American and international markets. On January 1, 2005 the Company changed the name of Mosaic Mapping Systems Inc. to Terrapoint Canada Inc. as part of its re-branding strategy. The acquisition was accounted for using the purchase method of accounting with the results of operations included from the date of acquisition. The cost of the net assets acquired, at their estimated fair values, and the consideration paid were as follows:

Net assets acquired:		
Current assets	\$	1,261
LiDAR data library		805
Property and equipment		15,089
Current liabilities		(2,796)
Long-term debt		(1,048)
Future income tax liability		(3,522)
	\$	9,789
Consideration:		
Common shares	\$	7,647
Cash (including transaction costs of \$388,000)		2,142
	\$	9,789

3. Data libraries:

	Cost	Accumulated amortization	Net book value
2004			
Seismic Data	\$ 143,846	\$ 69,541	\$ 74,305
LiDAR Data	805	102	703
	\$ 144,651	\$ 69,643	\$ 75,008

	Cost	Accumulated amortization	Net book value
2003			
Seismic Data	\$ 117,763	\$ 46,782	\$ 70,981

During 2003 the Corporation completed a data exchange transaction with a value of \$260,000 of which \$142,000 was recognized as revenue and the balance was deferred. In 2004, \$80,000 of this deferred balance was recognized as revenue. This exchange involved (i) the purchase of the proprietary rights to certain seismic data, the fair market value of which was recorded as an addition to the seismic data library, and (ii) the sale of software and services, for which revenue was recorded for the fair value thereof.

4. Property and equipment:

	Cost	Accumulated depreciation	Net book value
2004			
LiDAR sensor and surveying equipment	\$ 14,549	\$ 1,215	\$ 13,334
Computer hardware and software	3,718	2,308	1,410
Office equipment	559	323	236
Leasehold improvements	325	263	62
	\$ 19,151	\$ 4,109	\$ 15,042

	Cost	Accumulated depreciation	Net book value
2003			
Computer hardware and software	\$ 2,703	\$ 2,013	\$ 690
Office equipment	481	280	201
Leasehold improvements	304	227	77
	\$ 3,488	\$ 2,520	\$ 968

Included in the foregoing at December 31, 2004 are assets under capital lease with a net book value of \$69,000 (2003-\$141,000).

5. Income taxes:

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:

	2004	2003
Earnings before income taxes	\$ 13,180	\$ 9,842
Combined Federal and Provincial income tax rate	33.87%	36.75%
Computed income tax provision	4,464	3,617
Effects of differences:		
Capital taxes	173	299
Current income tax recovery at different tax rates	(32)	(80)
Non-deductible expenses	114	28
Adjustments for enacted changes in income tax rates	-	(16)
Prior year tax reassessment	727	-
Other	15	(5)
Actual income tax expense	\$ 5,461	\$ 3,843

The components of the net future income tax asset (liability) are as follows:

	2004	2003
Future income tax asset:		
Resource expenditures	\$ 3,393	\$ 2,533
Non-capital losses	2,303	541
Scientific Research and Development expenditures	165	-
Share issue costs	109	249
Property and equipment	-	528
Other	-	23
Gross future income tax asset	5,970	3,874
Less valuation allowance	1,061	1,100
	4,909	2,774
Future income tax liability:		
Deferred partnership income	5,713	715
Property and equipment	5,171	-
	10,884	715
Net future income tax asset (liability)	\$ (5,975)	\$ 2,059

At December 31, 2004 the Corporation had non-capital loss carry-forwards in Canada of \$6,000,000 expiring in various amounts between 2008 and 2014. The Corporation also had net operating loss carry-forwards of \$700,000 in the United States which expire between 2023 and 2024.

6. Long-term debt:

	2004	2003
Bank term loan, repayable in monthly installments which vary over the term of the loan, plus interest at the lender's base rate plus 2.75%	\$ 16,175	\$ 20,300
Promissory note payable in US funds (\$416,000 US), non-interest bearing, due semi-monthly based on 5% of cash receipts for sale or license of assets purchased from the holder, secured by the purchased assets.	500	–
Promissory note payable in US funds (\$43,000 US), bearing interest at 7%, due in monthly installments of \$21,632 US, secured by assets purchased from the holder.	52	–
Capital lease obligations	138	141
	16,865	20,441
Less current portion	5,662	4,172
	\$ 11,203	\$ 16,269

Future repayments due within each of the next three years are estimated as follows:

2005	\$ 5,662
2006	6,878
2007	4,325
	\$ 16,865

Capital lease obligations in the amount of \$81,000 were acquired with the acquisition of Mosaic Mapping Corporation (note 2).

7. Share capital:

(a) Authorized:

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

(b) Common shares issued:

	Number of Shares	Amount
Balance, December 31, 2002	40,407,434	\$ 41,929
Issued for cash on exercise of stock options	126,634	135
Balance, December 31, 2003	40,534,068	42,064
Issued on business acquisition (note 2)	4,497,956	7,647
Issued for cash on exercise of stock options	727,574	787
Dividend reinvestment plan	15,218	23
Transferred from contributed surplus on exercise of stock options	–	10
Balance, December 31, 2004	45,774,816	\$ 50,531

(c) Contributed surplus:

Balance, December 31, 2003	\$	34
Stock-based compensation		425
Transferred to share capital on exercise of stock options		(10)
Balance, December 31, 2004	\$	449

(d) Stock options:

The Corporation has a stock option plan under which directors, officers, employees and certain consultants are eligible to receive options to purchase common shares of the Corporation. The options granted vest one-third on each of the first, second and third anniversaries of the date of grant and expire on the fifth anniversary. The options granted prior to 2002 are fully vested. At December 31, 2004, options to purchase 3,445,699 shares were outstanding at exercise prices ranging from \$0.96 to \$1.94 and having a weighted average remaining life of 4 years.

	2004		2003	
	Options	Weighted average price	Options	Weighted average price
Outstanding, beginning of year	1,946,700	\$ 1.11	2,455,000	\$ 1.11
Granted	2,617,500	1.67	510,000	1.11
Cancelled	(390,927)	1.46	(891,666)	1.11
Exercised	(727,574)	1.08	(126,634)	1.07
Outstanding, end of year	3,445,699	1.50	1,946,700	\$ 1.11
Exercisable, end of year	519,757	\$ 1.13	727,810	\$ 1.13

The per share weighted-average fair value of stock options granted during the year was \$0.81 (2003 - \$0.52) using the Black-Scholes model with the following assumptions: risk-free interest rate of 4.25% (2003 - 5.5%), expected life of five years and a weighted-average expected volatility of 54% (2003 - 43%) and assumed dividend rate of \$0.05 per year.

The Corporation continues to disclose the pro-forma earnings impact of stock options granted in 2002. If the fair value method had been used for options granted in 2002, net earnings for the year ended December 31, 2004, would have been reduced by \$147,000 (2003-\$317,000) and earnings per share would have remained unchanged.

(e) Earnings per share:

Basic earnings per share is computed using the weighted-average number of common shares outstanding during the year, being 43,646,866 for 2004 and 40,419,367 for 2003.

Diluted earnings per share is computed using the "treasury stock" method whereby outstanding stock options are only dilutive if, and to the extent, that they are "in the money". In computing diluted earnings per share, 343,195 shares (2003 - 263,378) were added to the weighted average number of common shares outstanding for the dilution from the stock options.

(f) During 2004, 15,218 common shares in the amount of \$23,000 were issued under the dividend reinvestment plan ("DRIP").

8. Related party transactions:

The Corporation holds an approximate 50% undivided interest in certain seismic data totalling 1,765 net kilometres (0.7% of the Corporation's 2D data library) in which certain officers of the Corporation also hold undivided interests. The contract between the parties is for the management and licensing of the seismic data to third parties for a success-based fee and only permits payment of revenues to the related parties upon receipt of the licensing fees from the third parties. The amount due under these arrangements at December 31, 2004 was \$45,216 (2003 - \$110,968).

9. Financial instruments:

The carrying values of all of the Corporation's monetary assets and liabilities approximate their fair values.

Seismic industry practice includes participation in joint ventures and the use of brokers for the sale of seismic data licenses. In these circumstances the existence of intermediaries can limit the Corporation's control over customer selection and the collection of sales proceeds.

The Corporation is exposed to foreign currency fluctuations in relation to its international operations. The Corporation does not use derivative instruments to reduce its exposure to foreign currency risk.

The Corporation is exposed to interest rate fluctuations in respect of its long-term debt and drawings under its other bank credit facilities.

10. Commitments:

The Company is committed to annual operating lease payments as follows:

2005	\$	867
2006		756
2007		402
2008		131
2009		64

11. Revenue:

The Corporation specializes in acquiring, marketing and licensing non-exclusive seismic data. The inventory of seismic data is acquired either by shooting participation surveys or by purchasing existing seismic data libraries. While the Corporation maintains a proprietary interest in the seismic data from all such surveys, the initial participants may be granted exclusive rights for an initial period during which the Corporation cannot license the data to others. Participation survey revenue includes all revenues for licenses sold prior to the delivery of the seismic data or the expiry of the exclusive periods, whichever occurs later. Thereafter the data forms part of the Corporation's seismic data library, with subsequent sales categorized as Data Library Revenue. Additionally, the Corporation conducts exclusive seismic programs for clients, for which it earns a project management fee. Pulse does not hold an ownership position in the data shot for these programs. The revenue earned is included in participation survey revenue. The Corporation also generates LiDAR revenue through its wholly owned subsidiary Terrapoint. LiDAR revenue is generated by conducting custom development projects for clients using the process of airborne laser mapping, a method of obtaining three-dimensional data required for the creation of digital terrain models, as well as selling licensed copies of LiDAR data from the proprietary LiDAR data library. Additional revenues are categorized as Trango and other, and includes software development carried out for the oil and gas industry by Trango Technologies Inc. and foreign exchange gains of \$209,000.

	Year ended December 31, 2004	Year ended December 31, 2003
Data library revenue	\$ 25,611	\$ 20,430
Participation survey revenue	19,979	14,111
LiDAR revenue	3,886	-
Trango and other revenue	1,792	997
	\$ 51,268	\$ 35,538

CORPORATE INFORMATION

BOARD OF DIRECTORS

Clark Zentner ^{(1) (3)}

Chairman of the Board
Independent Businessperson
Calgary, Alberta

Daphne Corbett ^{(1) (3)}

Independent Businessperson
Vancouver, British Columbia

Arthur Dumont ^{(2) (3) (4)}

Chairman and Chief Executive Officer
Technicoil Corporation
Calgary, Alberta

Peter Fuss ^{(2) (3)}

Management Consultant
Boca Grande, Florida

Ken MacDonald ⁽⁴⁾

President and Chief Executive Officer
Pulse Data Inc.
Calgary, Alberta

Graham Weir ^{(1) (3)}

Independent Businessperson
Calgary, Alberta

Don West ^{(2) (3) (4)}

Independent Businessperson
Calgary, Alberta

Notes

(1) Member of Audit Committee

(2) Member of the Compensation Committee

(3) Member of the Corporate Governance Committee

(4) Member of the Environmental,
Health & Safety Committee

OFFICERS

Ken MacDonald

President and Chief Executive Officer
Pulse Data Inc.

Douglas Cutts

Vice President, Finance and
Chief Financial Officer, Pulse Data Inc.

Brent Gale

Vice President, Operations and
Chief Operating Officer, Pulse Data Inc.

Deryl Williams

President, Trango Technologies Inc.

Bruce Nelson

President, Terrapoint USA Inc.

James Ferguson

President, Terrapoint Canada Inc.

Paul Mrstik

Vice President, Engineering
Terrapoint Canada Inc.

Norman Hall

Corporate Secretary
Pulse Data Inc.

EXTERNAL SERVICES

Auditors

KPMG LLP
Calgary, Alberta

Bankers

Bank of Nova Scotia
Calgary, Alberta

RoyNat Capital Inc.

Calgary, Alberta

Solicitors

Gowling Lafleur Henderson LLP
Calgary, Alberta

Registrar and Transfer Agent

Computershare Trust Company of Canada
Calgary, Alberta

Stock Exchange Listing

The Toronto Stock Exchange
Trading Symbol: PSD



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