

## CORPORATE PROFILE

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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 segments, Pulse Seismic, Terrapoint and Trango Technologies Inc. ("Trango"), the Company has evolved into an industry leader providing better information faster.

Pulse Seismic is at the forefront of seismic data acquisition, marketing and licensing in Western Canada. Pulse Seismic's library currently consists of approximately 240,000 net kilometres of 2D data and more than 6,700 net 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 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.

Pulse has paid a quarterly dividend of \$0.0125 per common share since Q3 2003.

## Financial Highlights

(\$000s except per share data)	3 months ended March 31,		Year ended
	2005 (unaudited)	2004 (unaudited)	Dec. 31, 2004 (audited)
Revenue:			
Data library sales	\$ 5,793	\$ 4,033	\$ 25,611
Participation surveys	\$ 4,963	\$ 12,375	\$ 19,979
Other	\$ 1,778	\$ 257	\$ 5,678
Total revenue	\$ 12,534	\$ 16,665	\$ 51,268
Amortization of data libraries	\$ 6,134	\$ 9,228	\$ 22,862
Net earnings	\$ 724	\$ 2,951	\$ 7,719
Net earnings per share:			
basic and diluted	\$ 0.02	\$ 0.07	\$ 0.18
Funds from operations (1)	\$ 6,350	\$ 14,078	\$ 36,776
Funds from operations per share (1):			
basic	\$ 0.14	\$ 0.35	\$ 0.84
diluted	\$ 0.14	\$ 0.34	\$ 0.84
Free cash flow (1)	\$ 253	\$ (2,814)	\$ 11,988
Working capital (deficiency)	\$ 1,672	\$ (66)	\$ 3,845
Total assets	\$ 108,476	\$ 94,303	\$ 108,426
Capital expenditures:			
Seismic library additions	\$ 6,097	\$ 16,892	\$ 26,083
Changes to work in progress	\$ (2)	\$ (8,372)	\$ (8,436)
Property & equipment additions	\$ 431	\$ 29	\$ 574
Total capital expenditures	\$ 6,526	\$ 8,549	\$ 18,221
Total long-term debt	\$ 15,425	\$ 19,401	\$ 16,865
Shareholders' equity	\$ 77,816	\$ 65,785	\$ 77,507
Weighted average shares outstanding:			
basic	45,774,816	40,537,635	43,646,866
diluted	46,560,735	41,168,557	43,990,061
Shares outstanding at period end	45,774,816	40,715,767	45,774,816

(1) These non-GAAP financial measures are defined in the MD&A below

## Seismic Data Library

	March 31,		
	2005	2004	Dec. 31, 2004
2D in net kilometres	239,288	239,013	239,288
3D in net square kilometres	6,763	6,080	6,522

## TO THE SHAREHOLDERS

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We are pleased to present the financial and operating results of Pulse for the first quarter of 2005.

During the quarter, Pulse Seismic commenced and completed two 3D participation surveys in northern Alberta resulting in the addition of 241 square kilometres of 100%-owned 3D seismic data to the data library. Pulse Seismic also undertook and completed two project management contracts during the first quarter of 2005. Project management agreements involve Pulse Seismic conducting exclusive seismic programs for clients who wish to retain proprietary ownership of the acquired data.

Also during the quarter, Terrapoint undertook LiDAR projects in the United States and in Canada. Weather delays in the northwest United States combined with limited LiDAR survey demand in Western Canada kept the LiDAR segment under budget in the first quarter; however, the current, significant, confirmed backlog position of Terrapoint is expected to return this segment to near-budgeted levels by the end of the second quarter of 2005.

Pulse's software development subsidiary, Trango, remained on budget as increasing demand for Trango's products and services, particularly from oil and gas companies based in the United States, continues to show encouraging trends.

On January 17, 2005 Mr. James Ferguson was appointed President of Terrapoint Canada Inc. Mr. Ferguson was a founding member of Terrapoint and has held the position of Vice President of Operations since 2000. Mr. Ferguson holds a B.Sc. in Survey Science and Statistics from the University of Toronto and is a registered professional Ontario Land Surveyor.

On May 4, 2005 Pulse announced that it had entered into a letter of agreement to purchase a significant seismic database. The database will add high-quality seismic data that is complementary to Pulse's existing data library, and will increase Pulse's 3D data library by 40%. The letter agreement is subject to a number of conditions, including a due diligence review and execution of a formal Purchase and Sale Agreement, and is expected to close on June 8, 2005.

Also on May 4, Pulse announced the declaration of its eighth consecutive quarterly dividend of \$0.0125 per common share. The dividend will be paid on June 20, 2005 to shareholders of record at the close of business on June 6, 2005. Pulse's Dividend Reinvestment Plan will be available for eligible shareholders for this dividend.

Under Pulse's Dividend Reinvestment and Optional Share Purchase Plan, eligible shareholders may automatically reinvest their dividends in common shares of Pulse at 95% of the current market price. Eligible 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.

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

Three months ended March 31, 2005

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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 May 3, 2005 and is supplemental to the consolidated financial statements and related notes contained in this interim report for the quarter ended March 31, 2005 and in the Company's 2004 Annual Report. This MD&A for the three months ended March 31, 2005 updates and supplements the MD&A for the year ended December 31, 2004. The interim consolidated financial statements for the three months ended March 31, 2005 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 industry, the LiDAR industry and the software and related services industry. 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 and sales of the other services 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 cash flow from operations as prescribed by Canadian GAAP, 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. Investors are encouraged to review the "Risk Factors" section of the MD&A in the Company's Annual Report for 2004 and Interim Reports for 2005 for a discussion of risks that could affect the Company's operations and financial results. 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

Data library sales increased by 44% to \$5.8 million for the three months ended March 31, 2005 compared to \$4.0 million for the first quarter of 2004.

Free cash flow for the first quarter of 2005 was \$253,000, compared to negative free cash flow of \$2.8 million reported in the first quarter of 2004. This significant increase in free cash flow in Q1 2005 compared to Q1 2004 is attributed to higher data library sales in Q1 2005 and higher cash requirements for the participation surveys in Q1 2004.

Pulse had a working capital position of \$1.7 million at March 31, 2005 compared to a slight deficiency at March 31, 2004.

In addition, Pulse repaid \$4.0 million of long-term debt over the twelve-month period ended March 31, 2005.

Total revenue, net earnings and funds from operations for the first quarter of 2005 were lower than the comparable period in 2004 as a result of the unusually large volume of participation survey data delivered in the first quarter of 2004. A total of five participation surveys were delivered in Q1 2004, compared to two delivered in Q1 of 2005.

Net earnings for the three months ended March 31, 2005 were \$0.7 million (\$0.02 per share diluted), compared to \$3.0 million (\$0.07 per share diluted) for the same period in 2004. Funds from operations for the first quarter of 2005 was \$6.4 million (\$0.14 per share diluted), compared to \$14.1 million (\$0.34 per share diluted) generated for the same period in 2004. These per share figures are based on the weighted average diluted shares outstanding of 46,560,735 for Q1 2005, compared to 41,168,557 for Q1 2004.

## Revenue

For the three-month period ended March 31, 2005, Pulse recorded revenue of \$12.5 million compared to \$16.7 million for the same period in 2004, as detailed in the following table. Although the revenue level for the three months ended March 31, 2005 reflects a 25% decrease from the comparable three-month period in 2004, it includes a 44% increase in data library sales quarter-over-quarter. The primary reason for the decrease in total revenues was that Pulse recorded \$5.0 million of participation survey revenue in the first quarter of 2005, compared to \$12.4 million of participation survey revenue recorded in the first quarter of 2004. The 2004 period had a higher than normal delivery of participation survey data. For the first quarter of 2005, the Company recorded revenue of \$1.5 million for the LiDAR business segment, whereas the first quarter of 2004 was nil, as Pulse did not acquire Terrapoint until May 2004. Additionally, the revenue from Trango for the first quarter increased 153% to \$399,000 in 2005 from \$158,000 in 2004. This major improvement relates to Trango's signing of several large contracts with oil and gas companies in the United States. The revenue classified as corporate and other in the table below relates to miscellaneous revenue, foreign exchange gains and/or losses, and eliminated intercompany sales. There was a decrease in corporate and other revenue quarter-over-quarter of 202%.

For the three months ended March 31 (000s)

Revenue Sources	2005	2005	2004	2004
	Revenue (\$000s)	% of Total Revenue	Revenue (\$000s)	% of Total Revenue
Seismic revenue				
Data library sales	\$ 5,793	46	\$ 4,033	24
Participation surveys	4,963	40	12,375	74
LiDAR revenue	1,480	12	-	-
Trango revenue	399	3	158	1
Corporate and other	(101)	(1)	99	1
Total	\$ 12,534	100	\$ 16,665	100

### **Amortization and Depreciation**

The most significant expense to Pulse is the charge for data library amortization. Seismic amortization expense was \$6.1 million (56.6% of seismic segment revenue) for the three-month period ended March 31, 2005 compared to \$9.2 million (56.2% of seismic segment revenue) for the same period in 2004. Included in total amortization expense in the first quarter of 2005 is amortization of the LiDAR data library acquired with the acquisition of Terrapoint of \$44,000. Amortization of LiDAR data is calculated on a straight-line basis over five-years. The amortization expense in the first quarter of 2004 represented amortization of the seismic data library only. Amortization of seismic data is discussed under "Critical Accounting Estimates."

Pulse's depreciation expense has not historically been a large expense item, but with the addition of Terrapoint's capital equipment for use in the LiDAR industry, this expense has increased significantly. The depreciation expense for the first quarter of 2005 has increased to \$598,000 from \$77,000 for the comparable period in 2004.

### **Operating Expenses**

Operating expenses were \$2.5 million for the three months ended March 31, 2005, an increase of 243% compared to \$730,000 incurred during the same period in 2004. Operating expenses for Pulse Seismic include items directly related to licensing data, and significant portions of these costs are fixed. Therefore, as revenue increases or decreases, an equal corresponding change in operating costs is not expected. Included in Terrapoint operating costs are all the costs associated with generating their LiDAR project revenues. This causes the largest portion of the year-over-year increase in operating expenses as LiDAR contracts are fulfilled. As well, Trango incurred increased operating costs, with the main increases being for labour and travel costs of the software developers serving the clients in the United States.

### **Gross Margin**

Gross margin decreased by 50% for the three months ended March 31, 2005 compared to the same period in 2004. The significant reduction in gross margin in 2005 compared to the same period in 2004 is attributable to two identifiable factors. First, the addition of Terrapoint's operations for the 2005 period include the costs of sales associated with their project revenue, and second, depreciation of property and equipment has increased as a result of the Terrapoint acquisition. The fair market value of the Terrapoint equipment acquired was significantly higher than the book value, and is being amortized on a straight-line basis over seven years.

### **General and Administrative Expenses**

General and administrative expenses ("G&A") were \$1.6 million in the first quarter of 2005, an increase of 49% compared to \$837,000 in the same period in 2004. This increase in G&A expense incorporates the G&A for the Terrapoint offices in Calgary, Ottawa and Houston for the 2005 period. Also, year to date in Pulse, there has been an increase in salaries, travel, rent, IT costs, investor relations, consulting, accounting and legal expenses compared to last year. As a percentage of revenue, G&A increased from 5% in the first quarter of 2004 to 13% in the first quarter of 2005.

### **Research and Development Expenses**

Terrapoint incurred all of the Company's research and development expenses in the first quarter of 2005. 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.

### **Interest**

Interest on the RoyNat long-term debt facility decreased by 22% in the first quarter of 2005 compared to the first quarter of 2004. This reduction in interest expense relates directly to the continued reduction in the outstanding balance of this facility.

The other interest expense in both 2005 and 2004 is offset with interest income earned on cash deposits.

### **Income Taxes**

The total income tax provision for the first three months of 2005 is \$501,000, reflecting an effective tax rate of 40.8% compared to a total provision of \$2.6 million and an effective tax rate of 47.0% for the same period in 2004. Pulse's effective tax rates in the first three months of 2005 and 2004 were significantly higher than the federal and provincial tax rates of approximately 34% for both years, due to the addition of the Large Corporation Tax in both years, non-deductible expenses such as stock option expense, and in 2004 the payment of income taxes resulting from the reassessment of tax returns for Request Seismic Surveys Ltd. relating to taxation years prior to its acquisition by Pulse.

### **Data Library**

Pulse invested \$6.1 million to acquire new data in the first three months of 2005, compared to \$8.5 million in the first quarter of 2004. An additional \$8.4 million that was recorded at December 31, 2003 as work in progress, relating to the participation survey programs completed in the first quarter of 2004, was converted to data library additions in 2004 with the delivery of the data in February and March 2004. The total capital expenditures for the participation programs in 2005 related to two 3D participation surveys that were conducted in northern Alberta. The Company acquired a total of 241 square kilometres of 3D data, all of which is 100% owned by Pulse. The Company expects that capital expenditures directed to participation surveys in 2005 will be comparable to the 2004 level.

### **Future Tax Liability**

The net future income tax liability has decreased from \$6.0 million at December 31, 2004 to \$5.0 million at March 31, 2005 principally due to the utilization of loss carry forwards and resource deductions applied to the first quarter taxable income. The net future income tax liability of \$5.0 million at March 31, 2005 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 in the software development and LiDAR segments and Foreign Exploration and Development Expenditures. The main difference in the net future tax liability at December 31, 2004 compared to March 31, 2005, was that the December 31, 2004 balance included more non-capital loss carryforwards as well as Canadian Exploration Expenditures, which have been applied against taxable income earned in the first quarter of 2005.

### **Liquidity, Capital Resources and Capital Requirements**

The working capital position of Pulse, including the current portion of long-term debt of \$5.9 million, at March 31, 2005 was \$1.7 million, compared to \$3.8 million at December 31, 2004 and a deficiency of \$66,000 at March 31, 2004. The working capital position declined by 55% compared to the December 31, 2004 position and improved by 248% compared to the March 31, 2004 position. Contributing to the reduction in working capital since December 31, 2004 was the accrual of \$1.6 million in current income taxes payable and further funding of Terrapoint's operations. All working capital covenants with Pulse's lenders have been met throughout each of these periods.

Accounts receivable at March 31, 2005 were \$11.8 million, down 8% compared to the December 31, 2004 balance of \$12.8 million and an increase of 24% over the March 31, 2004 balance of \$9.6 million. The decrease from December 31, 2004 is attributable to the collection of a large portion of the receivables associated with the high fourth quarter 2004 data library sales and participation survey revenue. Lower revenues in both categories in the first quarter of 2005 compared to the fourth quarter of 2004 has led to a lower accounts receivable balance. Accounts payable and accrued liabilities at March 31, 2005 were \$6.3 million, a 29% increase compared to the December 31, 2004 balance of \$4.5 million and a 13% decrease in the balance at March 31, 2004. The field component of the participation surveys was completed in November 2004, with associated payables largely paid before year end. During the first quarter of 2005, the Company carried out two project management programs in addition to two participation survey programs, that were not completed until March, thereby leaving a significant balance of payables either accrued or not yet due for payment. The same situation occurred in March 2004, when the completion of five participation surveys close to quarter end resulted in a significant balance of survey payables.

With the continuation of the very strong trend in existing data sales levels, and Terrapoint entering its busy season with a significant confirmed backlog, Pulse management expects that its funds from operations will be sufficient to finance operations, debt servicing, dividends and budgeted capital expenditures for the remainder of 2005. The seismic data library is continually growing through the acquisition of new, principally 3D data. The ongoing growth in the Company's seismic data library continues to position Pulse to be able to provide valuable seismic data to industry participants into the future. Historical data sales analysis shows that most seismic data retains its value for many years, and with the technological advancements in reprocessing that have been made in recent years, the Company's clients are able to enhance the quality of older data in the library. With the acquisition of Terrapoint, Pulse has added airborne and ground-based LiDAR services to its product offerings, and has begun accessing customers in new industries and markets.

Although quarterly results can show significant swings in working capital, Pulse remains liquid. 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 with a participation survey 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 also has a \$10 million operating line of 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 was not utilized throughout 2002, 2003, 2004 and to date in 2005.

### Free Cash Flow

Free cash flow for the three months ended March 31, 2005 was \$253,000, compared to negative free cash flow of \$2.8 million for the three months ended March 31, 2004.

For the three months ended March 31 (000s)

Free Cash Flow	2005	2004
Funds from operations	\$ 6,350	\$ 14,078
Less:		
Participation survey additions	6,097	16,892
Monetary data exchanges	-	-
Free cash flow	\$ 253	\$ (2,814)

This significant increase in free cash flow in Q1 2005 compared to Q1 2004 is attributed to higher data library sales in Q1 2005 and higher cash requirements for the participation surveys in Q1 2004.

### Related Party Transactions

The Company holds an approximate 50% undivided interest in certain 2D seismic data totalling 1,765 net kilometres (0.7% of the Company's 2D data library) in which two officers of the Company (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 \$50,547 at March 31, 2005 (\$13,237 at March 31, 2004).

### 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: (i) participation surveys, and (ii) the purchase of other data. The costs associated with participation surveys are amortized at 35% immediately upon completion of the program, 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 such delivery. The costs of purchased data are amortized on a straight-line basis over seven years.

The capital cost of the LiDAR data library is amortized on a straight-line basis over five years. The capital cost of the camera systems and technical equipment, and proprietary software and processes acquired in Terrapoint 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 periods ended March 31, 2005, March 31, 2004 and December 31, 2004.

	03/31/05	03/31/04	12/31/04
Weighted average shares outstanding:			
basic	45,774,816	40,537,635	43,646,866
diluted	46,560,743	41,168,557	43,990,061
Shares outstanding at period end	45,774,816	40,715,767	45,774,816
Shares outstanding at April 30, 2005	46,121,323		

At March 31, 2005 there were 3,613,199 stock options outstanding at exercise prices ranging from \$0.96 to \$2.02.

At April 30, 2005 there were 3,168,301 stock options outstanding at exercise prices ranging from \$0.96 to \$2.02.

## Financial Summary of Quarterly Results

(\$000s except per share data)

	2005		2004		2003			Q2
	Q1	Q4	Q3	Q2	Q1	Q4	Q3	
Data library revenue	<b>5,793</b>	8,499	4,679	8,400	4,033	6,861	5,445	4,576
Participation survey revenue	<b>4,963</b>	7,604	–	–	12,375	–	1,962	7,645
LiDAR revenue	<b>1,480</b>	2,208	1,172	506	–	–	–	–
Trango revenue	<b>399</b>	820	266	193	158	201	299	291
Corporate & other revenue	<b>(101)</b>	255	22	(21)	99	49	59	867
Total revenue	<b>12,534</b>	19,386	6,139	9,078	16,665	7,111	7,765	13,379
Net earnings (loss)	<b>724</b>	5,305	(1,590)	1,053	2,951	1,242	866	2,101
per share-basic	<b>0.02</b>	0.12	(0.04)	0.03	0.07	0.04	0.02	0.05
per share-diluted	<b>0.02</b>	0.12	(0.04)	0.03	0.07	0.04	0.02	0.05

Total revenue on a quarterly basis in Pulse over the past eight quarters has fluctuated significantly. The trend has 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 revenues. 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 2005, two programs were completed and delivered during Q1 2005 and is anticipated that the balance of the participation survey expenditures will take place in Q3 and Q4 of 2005. 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. There was not a large increase in the weighted average number of shares outstanding over this eight-quarter period, until the current quarter when the full effect of the 4,497,956 shares issued upon the acquisition of Terrapoint on May 25, 2004 was incorporated. A relatively small number of shares were issued upon exercise of stock options in the latter part of 2003 and 2004. Going forward, the weighted average number of shares outstanding will cause a dilutive impact on earnings per share, however the earnings potential of both Terrapoint and Trango is expected to more than offset this effect. Historically, the dilutive impact of stock options has not been material, as the majority of the outstanding stock options have only been in-the-money since 2004.

### Risk Factors

Please refer to the Company's 2004 Annual Report for a summary of the business risks relating to Pulse's business and operations.

### Additional Information

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

## Outlook

The continuing robust global demand for petroleum products and strong commodity price levels have enhanced the attractiveness of oil and gas exploration by Canadian energy companies leading to a strong demand for seismic data. Pulse continues to pursue the acquisition of other quality seismic data sets, as the Company expects the addition of the seismic data referred to earlier in this Interim Report will have a significant impact on Pulse's data sales going forward.

Trango was substantially on budget for the first quarter and is well-positioned to execute its 2005 strategic plan.

Despite Terrapoint's slow start to the year both management and employees have been involved in an ongoing process to improve all aspects of the business. We have seen some very positive operational results so far in the second quarter and with the implementation of these improvements and a significant, solid backlog position, we expect this new segment to meet its financial targets for 2005.

Overall, Pulse expects another strong year in fiscal 2005.

May 3, 2005



Ken G. MacDonald  
President & C.E.O.



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

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## INTERIM CONSOLIDATED BALANCE SHEETS

(In thousands of dollars)

	March 31, 2005	December 31, 2004
	(unaudited)	(audited)
<b>Assets</b>		
Current assets:		
Cash and cash equivalents	\$ 5,008	\$ 3,827
Accounts receivable	11,824	12,832
Prepaid expenses	217	234
Work in progress	1,027	693
	<b>18,076</b>	17,586
Data libraries	74,972	75,008
Participation surveys in progress	-	2
Property and equipment	14,875	15,042
Investments	432	667
Deferred charges	121	121
	<b>\$ 108,476</b>	\$ 108,426
<b>Liabilities and Shareholders' Equity</b>		
Current liabilities:		
Accounts payable and accrued liabilities	\$ 6,264	\$ 4,466
Deferred revenue	2,680	3,613
Current portion of long-term debt (note 3)	5,867	5,662
Income taxes payable	1,593	-
	<b>16,404</b>	13,741
Long-term debt (note 3)	9,558	11,203
Future income taxes	4,698	5,975
Shareholders' equity:		
Share capital (note 4)	50,531	50,531
Contributed surplus (note 4)	607	449
Retained earnings	26,678	26,527
	<b>77,816</b>	77,507
	<b>\$ 108,476</b>	\$ 108,426

See accompanying notes to interim consolidated financial statements.

## INTERIM CONSOLIDATED STATEMENTS OF EARNINGS AND RETAINED EARNINGS

Three months ended March 31,

(In thousands of dollars, except per share data) (Unaudited)

	2005	2004
Revenue	\$ 12,534	\$ 16,665
Operating expenses:		
Amortization of data libraries	6,134	9,228
Operating	2,503	730
Depreciation and amortization	598	77
	9,235	10,035
Gross margin	3,299	6,630
General and administrative expenses	1,647	837
Research and development expenses	239	-
Interest:		
Long-term debt	227	292
Other	(39)	(26)
	188	266
Earnings before income taxes	1,225	5,527
Income taxes:		
Current	1,778	784
Future	(1,277)	1,792
	501	2,576
Net earnings	\$ 724	\$ 2,951
Retained earnings, beginning of period	\$ 26,527	\$ 21,027
Dividends declared	(573)	(509)
Retained Earnings, end of period	\$ 26,678	\$ 23,469
Earnings per share, basic and diluted	\$ 0.02	\$ 0.07

See accompanying notes to interim consolidated financial statements.

## INTERIM CONSOLIDATED STATEMENTS OF CASH FLOWS

Three months ended March 31,

(In thousands of dollars) (Unaudited)

	2005	2004
Cash provided by (used in):		
Operations:		
Net earnings	\$ 724	\$ 2,951
Items not involving cash:		
Amortization of data libraries	6,134	9,228
Depreciation and amortization	598	77
Unrealized loss on foreign exchange	13	-
Future income taxes	(1,277)	1,792
Stock-based compensation	158	22
Other	-	8
Funds from operations	6,350	14,078
Net change in non-cash working capital items related to operations	4,701	(2,659)
Decrease in non-current deferred revenue	-	(41)
	11,051	11,378
Financing:		
Repayment of long-term debt	(1,440)	(1,040)
Issue of share capital	-	195
	(1,440)	(845)
Investing:		
Additions to data libraries through participation surveys	(6,097)	(16,892)
Increase in participation surveys in progress	2	8,372
Dividends paid	-	(509)
Increase (decrease) in investments	235	(213)
Additions to property and equipment	(431)	(29)
Net change in non-cash working capital items related to investing	(2,139)	(7,836)
	(8,430)	(17,107)
Increase (decrease) in cash	1,181	(6,574)
Cash and cash equivalents, beginning of period	3,827	9,018
Cash and cash equivalents, end of period	\$ 5,008	\$ 2,444

During the period, the Corporation paid interest of \$232,000 (2004 - \$208,000) and received interest of \$26,000 (2004 - \$25,000).

During the period, the Corporation paid income taxes of \$51,000 (2004 - \$1,782,000).

See accompanying notes to interim consolidated financial statements.

## Notes to Interim Consolidated Financial Statements

Information as at March 31, 2005 and for the three months ended March 31, 2005 and 2004 is unaudited  
(Tabular Amounts in Thousands of Dollars, 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 should be read in conjunction with the Corporation's most recent annual financial statements and notes included in the annual report for the year ended December 31, 2004. These interim financial statements follow the same accounting policies and methods as the most recent annual financial statements. The figures for the three months ended March 31, 2005 reflect certain reclassifications to conform with the presentation adopted in 2005.

The results of operations for the three months ended March 31, 2005 are not necessarily indicative of the results to be expected for the entire year ending December 31, 2005. The Corporation records participation survey revenue related to its seismic programs, which are carried out primarily during the winter months. Revenue is recognized upon completion of a program after the related data has been delivered. Therefore, a significant portion of the Corporation's participation revenue is recognized in the winter and spring seasons.

The Corporation's policy with respect to revenue recognition on seismic data sales is to record revenue as and when the seismic data has been delivered. In the case of participation surveys, this occurs when the seismic work, including data processing, is complete and delivery to the customer has occurred. In the case of commitment cards (requiring the subsequent delivery of seismic data), revenue is only recognized when the client has chosen and taken delivery of the data; 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.

### 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, now known as Terrapoint, a company with offices in Calgary, Ottawa and Houston. Terrapoint 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. 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		(3,328)
Long-term debt		(516)
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. Long-term debt:

	March 31, 2005	December 31, 2004
Bank term loan, repayable in set monthly installments which vary over the term of the loan, plus interest at the lender's base rate plus 2.75%	\$ 14,862	\$ 16,175
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.	448	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	115	138
	<b>15,425</b>	16,865
Less current portion	<b>5,867</b>	5,662
	<b>\$ 9,558</b>	\$ 11,203

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

2005 (April 1 to December 31, 2005)	\$ 4,155
2006	6,883
2007	4,387
	<b>\$ 15,425</b>

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

### 4. Share capital:

#### (a) Contributed surplus:

Balance, December 31, 2004	\$ 449
Stock-based compensation	158
Balance, March 31, 2005	\$ 607

#### (b) Stock options:

During the three months ended March 31, 2005 167,500 options were granted with an exercise price of \$2.02. The per share weighted-average fair value of stock options granted during the year was \$1.04 (2004 - \$0.95) using the Black-Scholes model with the following assumptions: risk-free interest rate of 4.25% (2004 - 5.5%), expected life of five years and a weighted-average expected volatility of 54% (2004 - 51%) and assumed dividend rate of \$0.05 per year. Compensation expense of \$158,000 has been recorded for the three months ended March 31, 2005 with the corresponding increase in contributed surplus relating to both the options issued in the current period and those issued in prior years which vested during this period. At March 31, 2005 options to purchase 3,613,199 shares were outstanding at exercise prices ranging from \$0.96 to \$2.02 and having a weighted average remaining life of 3.8 years.

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 period would have been reduced by \$34,000 (2004-\$38,500) and earnings per share would have remained unchanged.

**(c) Earnings per share:**

Basic earnings per share is computed using the weighted-average number of common shares outstanding during the period, being 45,774,816 for 2005 and 40,537,635 for 2004.

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, 785,927 shares (2004 – 630,922) were added to the weighted average number of common shares outstanding for the dilution from the stock options.

**5. Segmented information:**

The Corporation reports in four segments: seismic data, LiDAR, Trango and corporate and other. Under the first segment, 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 participation 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 licences 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 and the revenue earned is included in participation survey revenue. All of the foregoing types of revenue are included in the seismic data segment. The second segment the Corporation reports is LiDAR, generating revenue through its wholly owned subsidiaries Terrapoint Canada Inc. and Terrapoint USA Inc. 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. The third segment includes the operations categorized as Trango which includes software development carried out for the oil and gas industry by Trango Technologies Inc. The corporate and other segment includes foreign exchange losses of \$13,000 in the first quarter of 2005.

2005	Seismic Data	LiDAR	Trango	Corporate and Other	Total
Revenue	\$ 10,756	\$ 1,480	\$ 399	\$ (101)	\$ 12,534
Amortization	6,089	45	–	–	6,134
Segment profit, before undernoted	4,667	1,435	399	(101)	6,400
Operating expenses	704	1,352	498	(51)	2,503
General and administrative	–	448	–	1,199	1,647
Depreciation	–	544	19	35	598
Research and development	–	239	–	–	239
Interest expense	–	–	–	188	188
Earnings before income taxes	\$ 3,963	\$ (1,148)	\$ (118)	\$ (1,472)	\$ 1,225
Total assets	\$ 89,899	\$ 16,033	\$ 1,303	\$ 1,241	\$ 108,476
Capital expenditures	\$ 6,097	\$ 290	\$ 6	\$ (135)	\$ 6,528

2004	Seismic Data	LiDAR	Trango	Corporate and Other	Total
Revenue	\$ 16,408	\$ –	\$ 158	\$ 99	\$ 16,665
Amortization	9,228	–	–	–	9,228
Segment profit, before undernoted	7,180	–	158	99	7,437
Operating expenses	449	–	335	(54)	730
General and administrative	–	–	–	837	837
Depreciation	–	–	25	52	77
Research and development	–	–	–	–	–
Interest expense	–	–	–	266	266
Earnings before income taxes	\$ 6,731	\$ –	\$ (202)	\$ (1,002)	\$ 5,527
Total assets	\$ 90,433	\$ –	\$ 1,002	\$ 2,868	\$ 94,303
Capital expenditures	\$ 16,916	\$ –	\$ 5	\$ –	\$ 16,921

#### 6. Subsequent event:

On May 4, 2005, Pulse announced that it had entered into a letter agreement to purchase a significant seismic database. The database will add high quality seismic data that is complementary to Pulse's existing data library, and will increase Pulse's 3D data library by 40%. The letter agreement is subject to a number of conditions, including a due diligence review and execution of a formal Purchase and Sale Agreement, and is expected to close on June 8, 2005.

## CORPORATE PROFILE

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### BOARD OF DIRECTORS

**Clark Zentner** <sup>(1) (3)</sup>  
Chairman of the Board  
Independent Businessperson  
Calgary, Alberta

**Daphne Corbett** <sup>(1) (3)</sup>  
Independent Businessperson  
Vancouver, British Columbia

**Arthur Dumont** <sup>(2) (3) (4)</sup>  
Chairman and Chief Executive  
Officer  
Technicoil Corporation  
Calgary, Alberta

**Peter Fuss** <sup>(2)(3)</sup>  
Management Consultant  
Boca Grande, Florida

**Ken MacDonald** <sup>(4)</sup>  
President and Chief Executive  
Officer  
Pulse Data Inc.  
Calgary, Alberta

**Graham Weir** <sup>(1) (3)</sup>  
Independent Businessperson  
Calgary, Alberta

**Don West** <sup>(2) (3) (4)</sup>  
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.

### HEAD OFFICE

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Internet: [www.pulsedatainc.com](http://www.pulsedatainc.com)

### 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