

**Q1** For the three-month period ended March 31, 2007

## QUARTERLY REPORT

### Financial Highlights

(\$000s except per share data)	3 months ended		Year ended
	2007	2006	December 31, 2006
	(unaudited)		(audited)
Revenue from continuing operations:			
Data library sales	\$ 10,623	\$ 10,098	\$ 34,214
Participation surveys	\$ —	\$ —	\$ 3,058
Corporate and other	\$ —	\$ —	\$ (130)
Total revenue from continuing operations	\$ 10,623	\$ 10,098	\$ 37,142
Amortization of seismic data library	\$ 6,228	\$ 4,679	\$ 22,574
Net earnings from continuing operations	\$ 837	\$ 1,452	\$ 3,474
Net earnings from continuing operations per share:			
Basic and diluted	\$ 0.02	\$ 0.03	\$ 0.07
Net earning (loss)	\$ (470)	\$ 39	\$ (3,290)
Net earnings (loss) per share:			
Basic and diluted	\$ (0.01) <sup>(a)</sup>	\$ 0.00	\$ (0.07) <sup>(a)</sup>
Funds from operations <sup>(b)</sup>	\$ 7,850	\$ 6,834	\$ 25,851
Funds from operations per share <sup>(b)</sup> :			
Basic	\$ 0.16	\$ 0.15	\$ 0.55
Diluted	\$ 0.16	\$ 0.14	\$ 0.54
Free cash flow <sup>(b)</sup>	\$ 7,850	\$ 6,928	\$ 19,155
Working capital	\$ 5,619	\$ 20,075	\$ 5,681
Total assets	\$ 126,682	\$ 125,877	\$ 131,910
Capital expenditures:			
Seismic data purchases	\$ —	\$ —	\$ 36,850
Participation surveys	\$ —	\$ (94)	\$ 6,696
Change to work in progress	\$ —	\$ 932	\$ (192)
Property and equipment additions	\$ 74	\$ 52	\$ 128
Total capital expenditures	\$ 74	\$ 890	\$ 43,482
Long-term debt (net of current maturities and debt financing costs)	\$ 29,447	\$ 19,322	\$ 31,996
Shareholders' equity	\$ 73,640	\$ 81,214	\$ 75,357
Weighted average shares outstanding:			
Basic	47,929,831	46,612,473	47,145,373
Diluted	48,372,833	47,687,104	48,007,006
Shares outstanding at period end	47,935,342	46,676,444	47,919,342

<sup>(a)</sup> Basic weighted average shares outstanding are used to calculate loss per share.

<sup>(b)</sup> These non-GAAP financial measures are defined below.

### Operational Highlights

Seismic library:			
2D in net kilometres	257,216	239,822	257,216
3D in net square kilometres	9,823	9,442	9,823

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## CORPORATE PROFILE

Pulse Data Inc. (“Pulse” or “the Company”) is a Calgary-based company with two operating units: Pulse Seismic, specializing in acquiring, marketing and licensing seismic data to the western Canadian energy sector, and Terrapoint, focusing on acquisitions and processing of digital elevation and image data (also referred to as LiDAR) to diverse markets. Through these two operating units, Pulse Seismic and Terrapoint, the Company has evolved into an industry leader providing Better Information Faster™.

The Pulse Seismic unit is at the forefront of seismic data acquisition, marketing and licensing of seismic data in Western Canada. At March 31, 2007 Pulse Seismic’s library consisted of approximately 257,000 net kilometres of 2D data and 9,800 net square kilometres of 3D data. Revenue is generated through licensing of the data library and through the licensing of non-exclusive participation surveys.

With offices in Calgary, Ottawa and Houston, the Terrapoint business unit, is one of the largest and most experienced LiDAR (Light Detection And Ranging) data providers 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 development. Since its inception in 1998, Terrapoint has worked in many countries around the world providing cost-effective solutions to its clients’ needs.

Pulse has declared its sixteenth consecutive quarterly dividend of \$0.0375 per common share payable on June 20, 2007 to shareholders of record at the close of business on June 6, 2007.

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

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

THREE MONTHS ENDED MARCH 31, 2007

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 9, 2007 and is supplemental to the consolidated financial statements and related notes for the three months ended March 31, 2007 and the audited consolidated financial statements for the year ended December 31, 2006. The financial statements 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 and the LiDAR 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 natural gas companies to raise capital. Additionally, other circumstances may occur which could impact the licensing of seismic data and sales of LiDAR services.

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, may not be comparable to similar measures disclosed by other companies. The Company has included these non-GAAP financial measures because management, investors, analysts and others use them 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. 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 this MD&A 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, except as required by securities laws.

### OVERVIEW

Pulse is a Calgary-based company with two operating units: Pulse Seismic, specializing in acquiring, marketing and licensing data to the western Canadian energy sector; and Terrapoint, focusing on acquisition and processing of digital elevation and image data (also referred to as LiDAR data) to diverse markets.

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On March 5, 2007 the Company announced that it was initiating a process to review strategic alternatives for its LiDAR business unit. Since then, the Company has developed a formal plan to dispose of the LiDAR business segment. Two wholly-owned subsidiaries of Pulse, Terrapoint Canada Inc. and Terrapoint USA Inc., are therefore categorized as assets held for sale in the March 31, 2007 financial statements, as required by Canadian GAAP. This MD&A focuses on the continuing operations of Pulse, being the seismic business which is supported by the corporate services department. The seismic business represents the core business of Pulse, and through its seismic operations the Company has evolved into an industry leader providing Better Information Faster™.

In the first quarter of 2007 Pulse attained a new first quarter data library sales record, with revenue surpassing the first quarter of 2006 results by approximately \$500,000. Revenue from continuing operations increased by 5.2 percent to \$10.6 million for the quarter ended March 31, 2007 from \$10.1 million for the comparative period in 2006. Because there were no participation surveys completed in either the first quarter of 2007 or 2006, there was no participation survey revenue reported.

Earnings from continuing operations before income taxes decreased by 47.1 percent to \$1.3 million for the period ended March 31, 2007 from \$2.5 million for the period ended March 31, 2006. The reduction in earnings from continuing operations before income taxes was due primarily to a combination of two factors. First, the seismic data library amortization provision was \$6.3 million for the three months ended March 31, 2007 compared to \$4.7 million for the three months ended March 31, 2006, for reasons which are more fully explained in the Review of Continuing Operations below. Second, there is a higher interest expense due to the increased long-term debt balance and the higher interest rate on long-term debt in the first quarter of 2007 compared to the first quarter of 2006.

The loss from discontinued operations includes LiDAR revenues for the first quarter of 2007 of \$801,000, a 44.9 percent decrease from the \$1.5 million recorded for the three months ended March 31, 2006 due largely to poor weather conditions, which prevented Terrapoint from collecting LiDAR data. The total loss from discontinued operations net of income taxes was \$1.3 million for the first quarter of 2007, compared to a net loss after taxes of \$1.4 million in the first quarter of 2006. The 2006 losses from discontinued operations also include an after-tax loss of \$33,000 from the Company's previous wholly-owned subsidiary Trango Technologies Inc. ("Trango").

Free cash flow for the first quarter of 2007 also represented a record first quarter free cash flow level at \$7.9 million, compared to free cash flow of \$6.9 million for the first quarter of 2006. This 13.3 percent period-over-period increase in free cash flow is attributable to higher data library revenue, along with lower G&A expenses, operating costs and current taxes in 2007 than in 2006.

Pulse had a working capital position of \$5.6 million including cash of \$9.2 million at March 31, 2007 compared to working capital of \$20.1 million (cash of \$18.1 million) at March 31, 2006 and \$5.7 million (cash of \$2.2 million) at December 31, 2006.

The net earnings from continuing operations for the three months ended March 31, 2007 was \$837,000 (\$0.02 per share basic and diluted), compared to net earnings from continuing operations of \$1.5 million (\$0.03 per share basic and diluted) for the same period in 2006.

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The net loss for the quarter ended March 31, 2007 was \$470,000 (\$0.01 per share basic and diluted) compared to net earnings of \$39,000 (\$0.00 per share basic and diluted) for the first quarter of 2006. When calculating the loss per share for the quarter ended March 31, 2007, the basic number of shares outstanding for this period has been utilized, as using diluted shares would have the effect of inappropriately decreasing the net loss per share.

Funds from operations for the quarter ended March 31, 2007 totalled \$7.9 million (\$0.16 per share basic and diluted), compared to \$6.8 million (\$0.15 per share basic and \$0.14 per share diluted) generated for the three-months ended March 31, 2006. The funds from operations per share for 2007 and 2006 are based on the weighted average shares outstanding of 47,929,831 (diluted – 48,372,833) for 2007, compared to 46,612,473 (diluted – 47,687,104) for 2006.

## REVIEW OF CONTINUING OPERATIONS

### PULSE SEISMIC

**Revenue** The Pulse Seismic business unit includes data library sales and participation survey revenues, however there were no participation surveys completed in the first quarter of 2007 or 2006. Pulse achieved record first quarter data library sales for the three months ended March 31, 2007, with seismic data library sales reaching \$10.6 million, compared to \$10.1 million for the same period in 2006, an increase of 5.2 percent. This increase was due in part to a higher demand for seismic data for exploration from exploration and development companies, along with the addition of revenue generated from the newly acquired Foothills 2D dataset which Pulse purchased in November 2006, and a general price increase for data library licences effective January 1, 2007.

**Amortization** Pulse's most significant expense is the charge for data library amortization. Seismic amortization expense was \$ 6.3 million (59.2 percent of seismic data segment revenue) for 2007, compared to \$4.7 million (46.3 percent of seismic data segment revenue) for 2006. Due to Pulse's significant investment to acquire new seismic data in 2006, the monthly amortization expense has increased. Pulse spent \$6.7 million on participation survey costs for a 237-square-kilometre 3D participation survey which was completed in the second quarter of 2006, \$4.3 million to acquire a dataset consisting of 224 net square kilometres of 3D data and 3,445 net kilometres of 2D data in the third quarter of 2006, followed by \$32.5 million to acquire 13,949 net kilometres of 2D data located primarily in the Foothills region of Alberta and northeast British Columbia in the fourth quarter of 2006. Amortization of seismic data is described further under "Critical Accounting Estimates".

**Operating Expenses** Operating expenses for the seismic data segment include items directly related to licensing data. These items include sales commissions, salaries for operations and sales personnel, data base management software, mapping, general office and data storage costs. For the first quarter of 2007, operating expenses were 7.5 percent of data library sales compared to 9.6 percent of data library sales in the same period in 2006. This decrease was principally a result of lower commission expense being paid, due to a higher proportion of the sales being made by the internal marketing department of Pulse compared to outside brokers, in the first quarter of 2007.

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**Depreciation Expense** Depreciation expense for the three months ended March 31, 2007 decreased by 23.7 percent to \$71,000 from \$93,000 in the same period in 2006. The decrease is due primarily to an increase in fully depreciated software and hardware for the quarter.

**General and Administrative Expenses (G&A)** For the three months ended March 31, 2007, G&A expenses were \$1.4 million, a 6.7 percent decrease from \$1.6 million for the same period in 2006. The decrease in G&A expenses in 2007 is related to lower stock-based compensation expense, entertainment, public reporting costs and foreign exchange losses.

**Interest Expense** Total interest expense for the three months ended March 31, 2007 increased to \$664,000 from \$341,000 for the same period in 2006. The increase is primarily due to the additional debt undertaken at the end of 2006 to partially fund the \$32.5 million seismic data purchase on November 15, 2006. In addition, the lender's base rate increased by 1 percent on this debt refinancing.

**Earnings Before Income Taxes (EBT)** In summary, EBT for the Pulse Seismic business unit decreased by 47.1 percent to \$1.3 million for the period ended March 31, 2007 from \$2.5 million for the period ended March 31, 2006. The reduction in EBT was due primarily to a combination of two factors. First, the seismic data library amortization provision was higher at \$6.3 million for the three months ended March 31, 2007 (2006 – \$4.7 million), and second, there was higher interest expense as described above.

#### **Income Taxes**

The total income tax provision for the three months ended March 31, 2007 was \$467,000, reflecting an effective tax rate of 35.8 percent, compared to a total provision of \$1.0 million and an effective tax rate of 41.1 percent for the same period in 2006. The 2006 income tax expense includes the expected federal Large Corporations Tax, which was eliminated later in the year. There has also been a decrease in the current tax rate year-over-year.

#### **Data Library**

Pulse acquires seismic data to grow its data library through two primary methods. The Company conducts participation surveys each year and also purchases proprietary rights to complementary seismic data sets when the opportunity arises. During the first three months of 2007, Pulse did not acquire any additional seismic data, and did not complete any participation survey programs. During the first three months of 2006 the Company was at work on a 237-square-kilometre 3D participation survey in west-central Alberta, valued at \$6.7 million, which was subsequently completed in the second quarter of 2006.

#### **Future Tax Liability**

The net future income tax liability has increased from \$7.8 million at December 31, 2006 to \$8.3 million at March 31, 2007. The net future income tax liability of \$8.3 million at March 31, 2007 consists principally of deferred partnership income, and the future tax liability associated with various data libraries, and property and equipment of the Company having a lower tax value than their corresponding accounting value. These liabilities are partially offset by future tax assets of the Company, including non-capital losses, and resource deductions available in the seismic business unit. The increase in the future tax liability at March 31, 2007 is primarily due to the increase in deferred partnership income due to the record first quarter data library sales.

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

At March 31, 2007 the working capital position of Pulse, including the current portion of long-term debt of \$8.0 million, was \$5.6 million, compared to \$5.7 million at December 31, 2006. For the three months ended March 31, 2007 Pulse generated \$7.9 million in cash flow from operations, had a net change of \$4.2 million in non-cash working capital items and utilized working capital for long-term debt repayment (\$2.0 million) and to finance its LiDAR operations (\$3.0 million). This resulted in an increase of \$7.0 million to the cash balance of \$9.2 million at March 31, 2007.

With the continued trend of strong seismic data sales, Pulse management expects that its funds from operations will be sufficient to finance operations, service debt, and carry out the budgeted capital expenditures through 2007. The ongoing growth in the Company's seismic data library continues to position Pulse as a leading provider of valuable seismic data to industry participants well into the future. Historical data sales analysis shows that most seismic data retains its value for many years. Utilizing the recent technological advancements in data reprocessing, the Company's clients are able to enhance the quality of older data in the library.

Although quarterly results can show significant swings in working capital because of the impact of participation surveys, Pulse remains liquid. Because Pulse's largest expense in any given period is non-cash amortization expense, funds from operations are usually much higher than net earnings.

### **Contractual Obligations**

There have not been any significant changes in Pulse's contractual obligations since the 2006 Annual Report.

### **Free Cash Flow**

Pulse's free cash flow for the three months ended March 31, 2007 reached a record first quarter level at \$7.9 million, compared to free cash flow of \$6.9 million for the three months ended March 31, 2006. The increase period-over-period is attributable to higher data library sales, along with lower G&A expenses, operating costs and current taxes in 2007. Free cash flow and funds from operations are the same in the first quarter of 2007 as a result of there being no participation surveys conducted in the quarter.

### **Related-Party Transactions**

The Company holds an approximate 50 percent undivided interest in certain 2D seismic data totalling 1,765 net kilometres (0.7 percent 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 a portion of their ownership 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 licensing fees from the third parties. The amount due under these arrangements was \$87,312 at March 31, 2007 (March 31, 2006 – \$54,605).

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### 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 percent 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 three to 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, which is included in assets held for sale on the March 31, 2007 balance sheet, is amortized on a straight-line basis over five years. The capital costs of the LiDAR laser systems, technical equipment, proprietary software and processes included in assets held for sale at March 31, 2007 are amortized on a straight-line basis over a seven-year period.

Estimates are made concerning the expected useful lives, projected residual values and the potential for impairment of Terrapoint's LiDAR property and equipment. These estimates and any potential impairment are evaluated on a quarterly basis.

### 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 as at March 31, 2007 and March 31, 2006:

	March 31, 2007	March 31, 2006
Weighted average shares outstanding:		
Basic	47,929,831	46,612,473
Diluted	48,372,833	47,687,104
Shares outstanding at period-end	47,935,342	46,676,444
Shares outstanding at May 9, 2007	48,004,131	

At March 31, 2007 there were 2,966,920 stock options outstanding at exercise prices ranging from \$0.96 to \$3.05 per share.

At May 9, 2007 there were 2,974,587 options outstanding at exercise prices ranging from \$0.96 to \$3.05 per share.

### Diluted Earnings per Share Reconciliation

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", and if there are net earnings for the period. In computing diluted earnings per share for the three months ended March 31, 2007, no shares were added to the weighted average number of common shares outstanding for dilution from stock options because the Company incurred a net loss. The addition of shares relating to stock options to the diluted weighted average number of shares outstanding for this period would have had the effect of decreasing the net loss per share. However, the diluted number of shares outstanding was used to compute diluted earnings per share from continuing operations for the three months ended March 31, 2007, which was positive.

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### **Stock Appreciation Rights**

Stock Appreciation Rights (SARs) have been granted to employees and a director resident in the United States. They have an exercise price equal to the fair value of the Company's stock on the date of grant and an expiration date five years after the grant date. Vesting is over a three-year period with portions of a grant becoming exercisable at one, two and three years after the grant date.

At March 31, 2007, 82,000 SARs were outstanding at exercise prices ranging from \$2.64 to \$3.05, and having a weighted average remaining life of 4.01 years. The SARs program involves the payment of cash compensation, and does not involve the issuance of any common shares of the Company.

## **DISCONTINUED OPERATIONS**

Discontinued operations includes the Terrapoint business unit for the first quarter of 2007, with the comparative first quarter 2006 period including results of both the LiDAR business unit and Trango. The loss from discontinued operations for the three months ended March 31, 2007 is \$1.3 million compared to \$1.4 million (including \$33,000 related to Trango) for the same period in 2006.

### **Terrapoint**

**Revenue** LiDAR revenue for the first quarter of 2007 was \$801,000 compared to \$1.4 million for the first quarter of 2006, a decrease of 45 percent. The decrease is due largely to poor weather conditions, which prevented Terrapoint from collecting LiDAR data.

**Operating Expenses** Included in Terrapoint's operating expenses are the costs associated with generating its LiDAR project revenues. Operating expenses for the quarter ended March 31, 2007 were \$1.8 million, compared to \$1.3 million in the 2006 period. Operating costs as a percentage of revenue were higher for the first quarter of 2007 compared to the same period in 2006, primarily due to lower sales revenue in the first quarter of 2007, and the fact that a significant portion of the LiDAR operating expenses represent fixed costs.

**Amortization and Depreciation** The depreciation expense in the Terrapoint business unit for the quarter ended March 31, 2007 was \$279,000 compared to \$1.8 million for the same period in 2006. Included in the 2006 figure is a \$1.2 million write-down related to one older high-altitude LiDAR data collection system that was retired and written down to its residual value. The amortization of the LiDAR data library was \$44,000 for the period ended March 31, 2007, unchanged from the same period in 2006. Amortization of LiDAR data is calculated on a straight-line basis over five years. No additional LiDAR data library costs have been capitalized since the acquisition of Terrapoint as these costs have not been significant and have been expensed.

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**General and Administrative Expenses (G&A)** For the quarter ended March 31, 2007, Terrapoint G&A expenses were down slightly to \$337,000 from \$354,000 for the same period of 2006. Terrapoint's management is continuing to focus on reducing costs and improving efficiencies.

**Research and Development Expenses (R&D)** The Terrapoint engineering department's activity is divided among new product development; technical support; maintenance; repair and upgrade of the equipment deployed in day-to-day operations; and research and development aimed at improving performance, reliability, ease of use and technical advancement. R&D expenditures for the quarter ended March 31, 2007 increase by 10 percent to \$298,000 from \$271,000 for the same period in 2006. Terrapoint's R&D efforts are focused on developing innovative new software and hardware solutions that will provide added value to its expanding client base.

## FINANCIAL SUMMARY OF QUARTERLY RESULTS OF CONTINUING AND DISCONTINUED OPERATIONS

(\$000s except per share data)

	2007		2006			2005		
	Q1	Q4	Q3	Q2	Q1	Q4	Q3	Q2
Data library revenue	<b>10,623</b>	10,506	6,976	6,634	10,098	12,439	8,614	8,059
Participation survey revenue	—	—	—	3,058	—	4,368	607	68
Total revenue	<b>10,623</b>	10,506	6,976	9,692	10,098	16,807	9,221	8,127
Seismic data library amortization	<b>6,288</b>	5,587	5,024	7,284	4,679	6,735	4,583	3,953
Net earnings (loss) from continuing operations	<b>837</b>	2,276	(568)	314	1,451	4,233	2,023	986
Per share – basic (from continuing operations) (\$)	<b>0.02</b>	0.05	(0.01)	0.01	0.03	0.09	0.04	0.02
Per share – diluted (from continuing operations) (\$)	<b>0.02</b>	0.05	(0.01)	0.01	0.03	0.09	0.04	0.02
Net earnings (loss)	<b>(470)</b>	1,339	446	(5,114)	39	4,020	1,061	683
Per share – basic (\$)	<b>(0.01)</b>	0.03	0.01	(0.11)	0.00	0.09	0.02	0.01
Per share – diluted (\$)	<b>(0.01)</b>	0.03	0.01	(0.11)	0.00	0.09	0.02	0.01
Dividends declared per share (\$)	<b>0.0375</b>	0.0375	0.0375	0.0375	0.0375	0.025	0.025	0.0125

Pulse's total revenue on a quarterly basis has fluctuated significantly over the past eight quarters. The significant contributing revenue streams are data library sales and participation survey revenue. Generally, in quarters where participation surveys are completed, total revenue is much higher than in quarters without participation survey activity. This was evident in the fourth quarter of 2005. In 2006 the participation survey was completed in the second quarter.

Revenue from continuing operations in the first quarter of 2007 is comprised of seismic data library sales. The first quarter of 2007 represents record data library sales for Pulse and was 5.2 percent higher than the revenue in the same period in 2006.

In addition, revenues are subject to seasonality, particularly relating to participation survey revenues. The historical trend has been to deliver the majority of participation survey programs in the first two quarters of each year. In 2006, one survey was completed during the second quarter, while in 2007 Pulse did not conduct any surveys during the winter season.

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During the past eight fiscal quarters, the fluctuations in net earnings have largely been a function of revenue and amortization. The quarters with large participation survey revenues are easily identified. Also, data library sales are having a very positive impact on earnings. The exception in the first and second quarters of 2006 is due to the write-down of certain LiDAR segment capital assets of \$1.2 million and \$7.6 million, respectively, which offset the earnings generated in the quarters by the seismic data segment. In the first quarter of 2007 there was a net loss of \$470,000 which included a \$1.3 million loss from the LiDAR business. This loss in LiDAR business was incurred due to poor weather conditions which prevented the Company from generating the revenue required to offset their costs, of which a significant portion is represented by fixed costs.

The net earnings from continuing operations reflects the seismic business only. In the first quarter of 2007, the high level of amortization and interest expenses compared to the same period last year results in lower net earnings even though revenues are higher. The fact that the amortization provision is a non-cash expense results in the Company still having strong free cash flow, even though net earnings are lower.

## **CHANGE IN ACCOUNTING POLICIES**

On January 1, 2007, the Company adopted the new Canadian accounting standards for financial instruments-recognition and measurement, financial instruments-presentation and disclosures, hedging and comprehensive income. Upon adoption, the Company has elected to classify its investments as being held-for-trading. The investments were adjusted to fair value on adoption. As a result of the adoption, retained earnings was adjusted by \$322,000, and investments and future tax liability increased by \$384,000 and \$62,000 respectively. Prior to January 1, 2007, transaction costs were recorded as deferred charges and recognized in net earnings on a straight-line basis over the life of the financial instrument. On adoption, transaction costs are recognized using the effective interest rate method whereby the amount recognized varies over the life of the financial instrument based on principal outstanding. Prior periods have not been restated.

### **Financial instruments – recognition and measurement**

This new standard requires all financial instruments within its scope, including all derivatives, to be recognized on the balance sheet initially at fair value. Subsequent measurement of all financial assets and liabilities except those held-for-trading and available for sale are measured at amortized cost determined using the effective interest rate method. Held-for-trading financial assets are measured at fair value with changes in fair value recognized in earnings. Available-for-sale financial assets are measured at fair value with changes in fair value recognized in comprehensive income and reclassified to earnings when derecognized or impaired. Changes to the measurement of existing financial assets and liabilities at the date of adoption were adjusted to opening retained earnings as noted above.

Additional disclosure requirements for financial instruments have been approved by the CICA, and will be required disclosures for the Company beginning January 1, 2008.

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**Embedded derivatives**

On adoption, the Company elected to recognize, as separate assets and liabilities, only for those embedded derivatives in hybrid instruments issued, acquired or substantively modified after January 1, 2003. The Company did not identify any material embedded derivatives which required separate recognition and measurement.

**Other comprehensive income**

The new standards require a new statement of comprehensive income, which is comprised of net earnings and other comprehensive income which, for the Company, relates to changes in gains or losses on derivatives designated as cash flow hedges. The Company has combined this new statement with the statement of earnings. There are no reconciling items between net income and comprehensive income.

**INTERNAL CONTROLS OVER FINANCIAL REPORTING**

There were no changes in the Company's internal control over financial reporting that occurred during the most recent interim period that has materially affected, or is reasonably likely to materially affect, the Company's internal control over financial reporting.

**RISK FACTORS**

Please refer to the Company's 2006 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**

Pulse's record first quarter results for data library sales were in line with the Company's expectations. The second quarter commenced at a somewhat slower pace, but activity picked up in late April and early May with a number of important new sales putting us on track for budgeted second quarter 2007 data library sales. Our working capital position is solid, with an increase of \$7.0 million in cash on hand quarter-over-quarter.

The second quarter for Pulse is historically more volatile than the first; some years it is quite weak, while in others it's even stronger than the first quarter. This year, uncertainty within the oil and natural gas industry concerning commodity prices and the pace of field activity over the coming year appears to be translating into some decision-making hesitancy regarding exploration-related activities, including seismic purchases.

Industry forecasting signals are mixed. Commodity price forecasts for both crude oil and natural gas have firmed up somewhat over the past several months, with a typical 2007 oil price forecast lying at a robust US\$62 per bbl of WTI, and natural gas at a moderate \$7 per thousand cubic feet. Following the stronger than expected first quarter for oil and natural gas drilling, the number of well completions is still projected to fall to 19,200 throughout western Canada in 2007 (according to the Petroleum Services Association of Canada), with industry capital spending falling to \$16 billion from \$19 billion in 2006.

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These rates of drilling and investment remain robust by historical standards. Cutbacks in shallow gas drilling are expected to make up the majority of the forecast decline in well completions, suggesting that some categories of drilling may actually increase. The Canadian rig count stood at nearly 900 in April, an all-time record. Over the past year, the average depth of well drilled in western Canada has been on the increase for the first time in many years. These trends suggest an increased focus on exploration drilling, which is the heaviest and most consistent user of 2D and 3D seismic data. This bodes well for Pulse's business.

Pulse continues to benefit from the seismic sector's position within the overall service industry's price and activity dynamic. Because spending on seismic data represents a small proportion of producers' capital budgets, and because seismic interpretation remains key to producers' longer-term growth and success, spending on seismic data tends not to move in lockstep with commodity prices and drilling rates. This tends to insulate seismic providers at least partially from price-driven industry volatility.

Pulse continues to foresee reasonable levels of licensing activity, revenue, operating margin and free cash flow in the months ahead. We are cautious concerning activity in the latter half of the second quarter and the third quarter, and optimistic about a strong finish to 2007 in the fourth quarter. We will maintain our overall philosophy of acquiring seismic data in whichever way is most efficient and expedient, whether through acquisition of additional existing data sets or through further participation surveys. Pulse will continue to evaluate strategic alternatives for the LiDAR segment, as a financial advisor has been engaged to assist in the disposition of Terrapoint, a data room has been established, and to date, nine companies have executed Confidentiality Agreements.

May 9, 2007

(signed) "Ken G. MacDonald"

(signed) "Douglas A. Cutts"

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

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

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 "Risk Factors" in the 2006 MD&A 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, except as required by securities laws.

## Interim Consolidated Balance Sheets

(\$000s) (unaudited)	March 31, 2007	December 31, 2006
<b>Assets</b>		
Current assets:		
Cash and cash equivalents	\$ 9,213	\$ 2,181
Accounts receivable	8,710	16,191
Prepaid expenses	185	233
Assets held for sale (note 2)	2,822	3,809
	<b>20,930</b>	<b>22,414</b>
Seismic data library	94,400	100,688
Assets held for sale (note 2)	9,707	6,943
Property and equipment	907	904
Investments	687	351
Deferred charges	—	610
Other	51	—
	<b>\$ 126,682</b>	<b>\$ 131,910</b>
<b>Liabilities and Shareholders' Equity</b>		
Current liabilities:		
Accounts payable and accrued liabilities	\$ 3,799	\$ 4,002
Deferred revenue	2,476	3,781
Current portion of long-term debt (note 3)	8,004	8,004
Liabilities held for sale (note 2)	1,032	946
	<b>15,311</b>	<b>16,733</b>
Long-term debt (note 3)	29,447	31,996
Future income taxes	8,284	7,824
Shareholders' equity:		
Share capital (note 4)	54,912	54,887
Contributed surplus (note 4)	1,509	1,305
Retained earnings	17,219	19,165
	<b>73,640</b>	<b>75,357</b>
	<b>\$ 126,682</b>	<b>\$ 131,910</b>

See accompanying notes to interim consolidated financial statements.

## Interim Consolidated Statements of Earnings and Retained Earnings

(\$000s, except per share data) Three months ended March 31, (unaudited)	2007	2006
Revenue	\$ 10,623	\$ 10,098
Expenses:		
Amortization of seismic data library	6,288	4,679
Operating	802	969
Depreciation and amortization	71	93
Unrealized loss on assets held for trading	48	—
General and administrative expenses	1,446	1,550
Interest:		
Long-term debt	742	420
Other	(78)	(79)
	664	341
Earnings from continuing operations before income taxes	1,304	2,466
Income taxes:		
Current	69	765
Future	398	249
	467	1,014
Net earnings from continuing operations	\$ 837	\$ 1,452
Loss from discontinued operations, net of income taxes (note 2)	\$ (1,307)	\$ (1,413)
Net earnings (loss)	\$ (470)	\$ 39
Retained earnings, beginning of period	\$ 19,165	\$ 29,545
Change in accounting policy (note 1)	322	—
Dividends declared	(1,798)	(1,750)
Retained earnings, end of period	\$ 17,219	\$ 27,834
Earnings per share from continuing operations, basic and diluted	\$ 0.02	\$ 0.03
Earnings (loss) per share, basic and diluted	\$ (0.01)	\$ 0.00

See accompanying notes to consolidated financial statements.

## Interim Consolidated Statements of Cash Flows

(\$000s) Three months ended March 31, (unaudited)	2007	2006
Cash provided by (used in):		
Operations:		
Net earnings	\$ 837	\$ 1,452
Items not involving cash:		
Amortization of seismic data library	6,288	4,679
Depreciation and amortization	71	93
Unrealized loss on foreign exchange	(37)	38
Unrealized loss on assets held for trading	48	—
Future income taxes	398	249
Stock-based compensation	208	304
Other	37	19
	<b>7,850</b>	<b>6,834</b>
Net change in non-cash working capital items related to operations	<b>4,235</b>	<b>3,753</b>
	<b>12,085</b>	<b>10,587</b>
Discontinued Operations:		
Funds from discontinued operations	(1,687)	(519)
Additions to property and equipment	(2,385)	(96)
Net-change in non-cash working capital items related to discontinued operations	<b>1,073</b>	<b>346</b>
	<b>(2,999)</b>	<b>(269)</b>
Financing:		
Repayment of long-term debt	(2,001)	(1,576)
Issue of share capital	21	189
	<b>(1,980)</b>	<b>(1,387)</b>
Investing:		
Additions to seismic data library through participation surveys	—	94
(Increase) decrease in participation surveys in progress	—	(932)
Additions to property and equipment	(74)	(52)
Net change in non-cash working capital items related to investing	—	(491)
	<b>(74)</b>	<b>(1,381)</b>
Increase in cash position	<b>7,032</b>	<b>7,550</b>
Cash and cash equivalents, beginning of period	<b>2,181</b>	<b>10,540</b>
Cash and cash equivalents, end of period	<b>\$ 9,213</b>	<b>\$ 18,090</b>

During the first quarter of the year the Company paid interest of \$779,000 (2006 – \$350,000) and received interest of \$90,000 (2006 – \$82,000). During the first quarter of the year the Company paid income taxes of \$1,441,000 (2006 – \$225,000).

See accompanying notes to interim consolidated financial statements.

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## Notes to Interim Consolidated Financial Statements

Information as of March 31, 2007 and for the three months ended March 31, 2007 and 2006 is unaudited (Tabular amounts in thousands of dollars, except per share data, and numbers of shares)

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

### 1. Significant accounting policies and basis of presentation:

These interim consolidated financial statements should be read in conjunction with the Company's most recent annual financial statements and notes included in the annual report for the year ended December 31, 2006. 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, 2006 reflect certain reclassifications to conform with the presentation adopted in 2007.

The results of operations for the three months ended March 31, 2007 are not necessarily indicative of results to be expected for the entire year ending December 31, 2007. The Company records participation survey revenue related to its seismic programs. Revenue is recognized upon completion of a program at the time the related data is delivered. These surveys can be conducted at any time during the year.

#### Changes in accounting policies

On January 1, 2007, the Company adopted the new Canadian accounting standards for financial instruments-recognition and measurement, financial instruments-presentation and disclosures, hedging and comprehensive income. Upon adoption, the Company has elected to classify its investments as being held-for-trading. The investments were adjusted to fair value on adoption. As a result of the adoption, retained earnings was increased by \$322,000, and investments and future tax liability increased by \$384,000 and \$62,000 respectively. Prior to January 1, 2007, transaction costs were recorded as deferred charges and recognized in net earnings on a straight-line basis over the life of the financial instrument. On adoption, transaction costs are recognized using the effective interest rate method whereby the amount recognized varies over the life of the financial instrument based on principal outstanding. Prior periods have not been restated.

#### Financial instruments-recognition and measurement

This new standard requires all financial instruments within its scope, including all derivatives, to be recognized on the balance sheet initially at fair value. Subsequent measurement of all financial assets and liabilities except those held-for-trading and available for sale are measured at amortized cost determined using the effective interest rate method. Held-for-trading financial assets are measured at fair value with changes in fair value recognized in earnings. Available-for-sale financial assets are measured at fair value with changes in fair value recognized in comprehensive income and reclassified to earnings when derecognized or impaired. Changes to the measurement of existing financial assets and liabilities at the date of adoption were adjusted to opening retained earnings as noted above.

Additional disclosure requirements for financial instruments have been approved by the CICA, and will be required disclosures for the Company beginning January 1, 2008.

#### Embedded derivatives

On adoption, the Company elected to recognize, as separate assets and liabilities, only for those embedded derivatives in hybrid instruments issued, acquired or substantively modified after January 1, 2003. The Company did not identify any material embedded derivatives which required separate recognition and measurement.

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**Other comprehensive income**

The new standards require a new statement of comprehensive income, which is comprised of net earnings and other comprehensive income which, for the Company, relates to changes in gains or losses on derivatives designated as cash flow hedges. The Company has combined this new statement with the statement of earnings. There are no reconciling items between net income and comprehensive income.

**2. Assets and liabilities held for sale and discontinued operations:**

On March 5, 2007, the Company announced that it was initiating a process to review strategic alternatives for its Terrapoint business unit. Since then, the Company has developed a formal plan to dispose of the assets and business operations of its Terrapoint business unit, meeting the criteria to report the segment as assets held for sale. Accordingly, the operating results of LiDAR have been classified as a discontinued operation and comparative figures have been restated.

**a) Assets and liabilities held for sale**

Assets and liabilities held for sale as at March 31, 2007 and December 31, 2006 are as follows:

**Assets held for sale**

	March 31, 2007	December 31, 2006
Current assets:		
Cash and cash equivalents	\$ 524	\$ 367
Accounts receivable	1,757	2,215
Prepaid expenses	144	129
Work in progress	397	1,098
	<b>2,822</b>	<b>3,809</b>
LiDAR data library	307	351
Property and equipment	6,381	4,275
Future income taxes	3,019	2,317
	<b>9,707</b>	<b>6,943</b>
	<b>\$ 12,529</b>	<b>\$ 10,752</b>

**Liabilities held for sale**

	March 31, 2007	December 31, 2006
Current liabilities:		
Accounts payable	\$ 1,018	\$ 941
Deferred revenue	14	5
	<b>\$ 1,032</b>	<b>\$ 946</b>

**b) Discontinued operations:**

## (i) Terrapoint Business Unit ("Terrapoint")

Results of operations for this business unit have been classified as discontinued operations as defined by generally accepted accounting principles (GAAP).

The results of discontinued operations of Terrapoint for the three month periods ended March 31, 2007 and 2006 are as follows:

Three months ended March 31,	2007	2006
Revenue	801	1,453
Operating expenses:		
Operating	1,825	1,303
Depreciation and amortization	279	1,768
Amortization of LiDAR data library	44	44
	2,148	3,115
Gross margin	(1,347)	(1,662)
General and administrative expenses	337	354
Research and development expenses	298	271
Interest expense	26	9
	661	634
Loss from discontinued operations before income taxes	(2,008)	(2,296)
Current taxes	2	-
Future income taxes (reduction)	(703)	(916)
	(701)	(916)
Loss from discontinued operations, net of income taxes	\$ (1,307)	\$ (1,380)

## (ii) Trango Technologies Inc. ("Trango")

On July 31, 2006 the Company sold 100 percent of the shares of Trango, a wholly owned subsidiary of the Company. For comparative purposes the results of operations of Trango have been classified as discontinued operations for the first quarter of 2006.

The results of discontinued operations of Trango for the three month periods ended 2007 and 2006 are as follows:

Three months ended March 31,	2007	2006
Revenue	\$ —	\$ 287
Operating expenses:		
Operating	—	322
Depreciation and amortization	—	14
	—	336
Gross margin	—	(49)
General and administrative expenses	—	1
Loss from discontinued operation before income taxes	—	(50)
Future income taxes (recovery)	—	(17)
Loss from discontinued operations, net of income taxes	\$ —	\$ (33)
Loss from discontinued operations (Trango)	\$ —	\$ (33)
Loss from discontinued operations (Terrapoint)	(1,307)	(1,380)
Total loss from discontinued operations	\$ (1,307)	\$ (1,413)

**3. Long-term debt:**

	March 31, 2007	December 31, 2006
Bank term loan, repayable in set monthly installments of \$667,000 over five years, plus interest at the lender's base rate plus 3.5%, secured by assets of the Company	\$ 37,999	\$ 40,000
Less current portion of long term debt	8,004	8,004
	29,995	31,996
Less debt financing costs	548	—
	\$ 29,447	\$ 31,996

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

2007 (April to December)	\$ 6,003
2008	8,004
2009	8,004
2010	8,004
2011	7,984
	<b>\$ 37,999</b>

#### 4. Share capital:

##### (a) Common shares issued:

	Number of Shares	Amount
Balance, December 31, 2006	47,919,342	\$ 54,887
Issued for cash on exercise of stock options	16,000	21
Transferred from contributed surplus on exercise of stock options	—	4
<b>Balance, March 31, 2007</b>	<b>47,935,342</b>	<b>\$ 54,912</b>

##### (b) Contributed surplus:

Balance, December 31, 2006	\$ 1,305
Stock-based compensation	208
Transfer to share capital on exercise of stock options	(4)
<b>Balance, March 31, 2007</b>	<b>\$ 1,509</b>

##### (c) Stock-based plans:

The Company has a stock option plan under which directors, officers, employees and certain consultants are eligible to receive options to purchase common shares of the Company. 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. At March 31, 2007 options to purchase 2,966,920 shares were outstanding at exercise prices ranging from \$0.96 to \$3.05 and having a weighted average remaining life of 3.0 years.

During the three months ended March 31, 2007, no new options were granted.

Stock appreciation rights (“SARs”) have been granted to employees in the United States with an exercise price equal to the fair market value of the Company’s stock on the date of grant and expire five years after the grant date. Vesting is over a three-year period with portions of a grant becoming exercisable at one, two and three years after the grant date. At March 31, 2007, 82,000 SARs were outstanding at exercise prices ranging from \$2.64 to \$3.05, and having a weighted average remaining life of 4.01 years. These rights involve the payment of cash compensation, and do not involve the issuance of any common shares of the Company. During the three months ended March 31, 2007, no new SARs were granted.

Compensation expense related to stock options and SARs was 208,000 and \$(1,000) respectively.

**(d) Earnings per share:**

The following table summarizes the weighted average common shares used in calculating per share amounts:

	March 31, 2007	March 31, 2006
Weighted average shares outstanding:		
Basic	47,929,831	46,612,473
Diluted	48,372,833	47,687,104

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”, and if there are net earnings for the period. In computing diluted earnings per share for three months ended March 31, 2007, no shares were added to the weighted average number of common shares outstanding for dilution from stock options because the Company incurred a net loss. The addition of shares from stock options to the diluted weighted average number of shares outstanding for this period would have had the effect of decreasing the net loss per share. The diluted number of shares outstanding was used to compute diluted earnings per share from continuing operations.

## Corporate Information

### Board of Directors

**Clark Zentner** <sup>(1) (3)</sup>

Chairman of the Board  
Independent Businessperson

**Daphne Corbett** <sup>(1) (3)</sup>

Independent Businessperson

**Arthur Dumont** <sup>(2) (3) (4)</sup>

Chairman & CEO  
Technicoil Corporation

**Peter Fuss** <sup>(2) (3)</sup>

Management Consultant

**Ken MacDonald** <sup>(4)</sup>

President & CEO  
Pulse Data Inc.

**Graham Weir** <sup>(1) (3)</sup>

Independent Businessperson

**Donald West** <sup>(2) (3) (4)</sup>

Independent Businessperson

<sup>(1)</sup> Member of the Audit Committee

<sup>(2)</sup> Member of the Compensation Committee

<sup>(3)</sup> Member of the Corporate Governance Committee

<sup>(4)</sup> Member of the Environmental, Health and Safety Committee

### Officers

**Ken MacDonald**

President & CEO

**Douglas Cutts**

Vice President, Finance & CFO

**Brent Gale**

Vice President, Operations & COO

**Norman Hall**

Corporate Secretary

**James Ferguson**

President,  
Terrapoint Canada Inc.

**Paul Mrstik**

Vice President, Technology  
Terrapoint Canada Inc.

**Roger Shreehan**

Vice President, Operations  
Terrapoint Canada Inc.

**Jake Jenkins**

Vice President, Sales & Marketing  
Terrapoint Canada Inc.

**Bruce Nelson**

President,  
Terrapoint USA Inc.

**Craig Glennie**

Vice President, Engineering  
Terrapoint USA Inc.

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www.pulsedatainc.com

### Bankers

**Bank of Nova Scotia**

Calgary, Alberta

**RoyNat Capital Inc.**

Calgary, Alberta

**Registrar & Transfer Agent**

**Computershare Trust Company  
of Canada**

Calgary, Alberta

### Solicitors

**Gowling Lafleur Henderson LLP**

Calgary, Alberta

### Auditors

**KPMG LLP**

Calgary, Alberta

### Stock Exchange Listing

**The Toronto Stock Exchange**

Symbol: **PSD**



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