

# Interim Report

**Q2, 2006**

For the Three and Six Months Ended June 30, 2006

Financial Highlights Continuing Operations (\$000s except per share data) (unaudited)	Three Months Ended June 30		Six Months Ended June 30		Year Ended Dec. 31
	2006	2005	2006	2005	2005
Revenue from continuing operations:					
Data library sales	\$ 6,634	\$ 8,059	\$ 16,732	\$ 13,852	\$ 34,905
Participation surveys	\$ 3,058	\$ 68	\$ 3,058	\$ 5,031	\$ 10,006
LiDAR	\$ 1,813	\$ 2,556	\$ 3,266	\$ 4,036	\$ 8,452
Corporate & other	\$ (34)	\$ (26)	\$ (83)	\$ (127)	\$ (226)
Total revenue from continuing operations	\$ 11,471	\$ 10,657	\$ 22,973	\$ 22,792	\$ 53,137
Amortization of data libraries	\$ 7,328	\$ 3,996	\$ 12,051	\$ 10,130	\$ 21,536
Net earnings (loss) from continuing operations	\$ (5,150)	\$ 731	\$ (5,078)	\$ 1,534	\$ 6,700
Net earnings (loss) from continuing operations per share:					
Basic and diluted	\$ (0.11) <sup>(a)</sup>	\$ 0.01	\$ (0.11) <sup>(a)</sup>	\$ 0.03	\$ 0.14
Funds from continuing operations <sup>(b)</sup>	\$ 5,605	\$ 5,215	\$ 11,954	\$ 11,664	\$ 35,265
Funds from continuing operations per share <sup>(b)</sup> :					
Basic	\$ 0.12	\$ 0.11	\$ 0.26	\$ 0.25	\$ 0.76
Diluted	\$ 0.12	\$ 0.11	\$ 0.25	\$ 0.25	\$ 0.75
Free cash flow <sup>(b)</sup>	\$ (1,557)	\$ 5,210	\$ 4,886	\$ 5,562	\$ 23,706
Working capital	\$ 16,398	\$ 5,348	\$ 16,398	\$ 5,348	\$ 17,503
Total assets	\$ 112,928	\$ 121,635	\$ 112,928	\$ 121,635	\$ 129,882
Capital expenditures:					
Seismic data purchases	\$ —	\$ 15,225	\$ —	\$ 15,225	\$ 15,225
Participation surveys	\$ 7,162	\$ 5	\$ 7,068	\$ 6,102	\$ 11,559
Changes to work in progress	\$ (1,113)	\$ 4	\$ (181)	\$ 2	\$ 190
Property & equipment additions	\$ 1,568	\$ 682	\$ 1,717	\$ 1,113	\$ 1,504
Total capital expenditures	\$ 7,617	\$ 15,916	\$ 8,604	\$ 22,442	\$ 28,478
Long-term debt	\$ 17,872	\$ 23,881	\$ 17,872	\$ 23,881	\$ 20,772
Shareholders' equity	\$ 75,573	\$ 78,679	\$ 75,573	\$ 78,679	\$ 82,432
Weighted average shares outstanding:					
Basic	46,792,140	46,078,884	46,336,770	45,927,686	46,161,608
Diluted	48,078,834	46,750,196	47,531,182	46,559,971	46,842,744
Shares outstanding at period end	47,254,519	46,219,768	47,254,519	46,219,768	46,559,778

<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 in the Financial Summary below.

## Operations Highlights

2D in net kilometres	239,822	239,820	239,822	239,820	239,822
3D in net square kilometres	9,679	9,256	9,679	9,256	9,442

## **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 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 Seismic Data segment is at the forefront of seismic data acquisition, marketing and licensing of seismic data in Western Canada. At June 30, 2006 Pulse Seismic's library consisted of approximately 240,000 net kilometres of 2D data and more than 9,600 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 LiDAR segment, operated through Terrapoint, is one of the largest and most experienced LiDAR (Light Detection And Ranging) data provider in the world. LiDAR data is used to produce survey-quality 3D digital elevation models. The use of digital elevation data significantly reduces the cost of project planning and design in a broad array of industries including urban planning, transportation and industrial and resource planning and development. Since its inception in 1998, Terrapoint has worked in many countries around the world providing cost-effective solutions to its clients' needs.

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 the company mix, Pulse has positioned itself for continued expansion and diversification in market areas that require Better Information Faster.

Pulse has declared its 13th consecutive quarterly dividend of \$0.0375 per common share payable on September 20, 2006 to shareholders of record at the close of business on September 6, 2006.

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

## **Management's Discussion and Analysis of Financial Condition and Results of Operations – Six Months Ended June 30, 2006**

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 August 11, 2006 and is supplemental to the consolidated financial statements and related notes for the six months ended June 30, 2006 and the audited consolidated financial statements for the year ended December 31, 2005. 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 or may not 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 they 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 total 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 the MD&A in the Annual Report for 2005 and Interim Reports for 2006 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 law.

### **OVERVIEW**

Pulse 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 to diverse markets. Through these two operating units, Pulse Seismic and Terrapoint, the Company has evolved into an industry leader providing Better Information Faster.

Data library sales increased by 20.8 percent to \$16.7 million for the six months ended June 30, 2006 from \$13.9 million for the first half of 2005. Participation survey revenues decreased by 39.2 percent to \$3.1 million for the six months ended June 30, 2006 from \$5.0 million for the first half of 2005, primarily due to lower funding of the participation survey completed in Q2 2006. Total seismic segment revenues increased by 4.8 percent to \$19.8 million for the six

months ended June 30, 2006 from \$18.9 million for the first half of 2005. Earnings before income taxes for the seismic segment decreased by 20.8 percent to \$5.7 million for the six months ended June 30, 2006 from \$7.2 million for the first half of 2005. The reduction in earnings before income taxes is primarily due to a higher amortization charge of \$12.0 million for the 2006 period (2005 – \$10.0 million), which is more fully discussed in the seismic segment review section of this MD&A.

LiDAR segment revenues for the first half of 2006 were \$3.3 million, a 19 percent decrease from the \$4.0 million recorded in the first half of 2005, due to lower sales during this period. The LiDAR business segment loss before income taxes increased significantly to \$10.8 million for the first half of 2006 compared to \$1.7 million for the same period in 2005. This was primarily due to the loss of productivity from the older high-altitude LiDAR data collection systems and the related writedown of Terrapoint's capital assets of \$8.8 million, which has been shown as additional depreciation expense. One of the older high range systems was retired in the first quarter of 2006; two older high range systems were retired in the second quarter; and the remaining older high range system is expected to be phased out by year-end. The \$8.8 million writedown for the six months ended June 30, 2006 includes the first quarter 2006 writedown of \$1.2 million related to the retirement of the older high-range system during the first quarter.

Without this additional depreciation provision of the Terrapoint assets, the loss before income taxes for the LiDAR segment for the six months ended June 30, 2006 was 15 percent higher than the comparative period in 2005, due to lower sales during this period. Terrapoint has now strengthened its marketing efforts considerably with the appointment of Mr. Jake Jenkins as Vice President Sales and Marketing of Terrapoint Canada Inc. Mr. Jenkins has 22 years of extensive worldwide experience in the fields of remote sensing, LiDAR technology and related sales and marketing. Terrapoint has also added several experienced sales people.

Free cash flow for the first half of 2006 was \$4.9 million, compared to free cash flow of \$5.6 million reported in the first half of 2005. The period-over-period decrease is attributable to higher capital expenditures on participation surveys in the first half of 2006.

Pulse had a working capital position of \$16.4 million at June 30, 2006 compared to \$5.3 million at June 30, 2005 and \$17.5 million at December 31, 2005.

Pulse has declared its thirteenth consecutive quarterly dividend of \$0.0375 per common share, to be paid on September 20, 2006 to shareholders of record at the close of business on September 6, 2006.

The loss from continuing operations for the six months ended June 30, 2006 was \$5.1 million (\$0.11 per share basic and diluted), compared to earnings of \$1.5 million (\$0.03 per share diluted) for the first half of 2005. Without the writedown of Terrapoint's assets, net earnings from continuing operations for the six months ended June 30, 2006 would have been \$545,000 compared to \$1.5 million for the 2005 period.

Funds from continuing operations for the first six months of 2006 was \$12.0 million (\$0.25 per share diluted) compared to \$11.7 million (\$0.25 per share diluted) for the first six months of 2005. The earnings per share for 2005 and funds from continuing operations figures for 2006 and 2005 are based on the weighted average diluted shares outstanding of 47,531,182 for the first half of 2006, compared to 46,559,971 for the first half of 2005. In 2006, the six month per-share loss figure is based on the basic weighted average number of shares outstanding of 46,336,770.

The loss from continuing operations for the three months ended June 30, 2006 was \$5.2 million (\$0.11 per share basic and diluted), compared to net earnings of \$731,000 (\$0.01 per share diluted) for the second quarter of 2005. Funds from continuing operations for the second quarter of 2006 was \$5.6 million (\$0.12 per share diluted) compared to a similar \$5.2 million (\$0.11 per share diluted) for the second quarter of 2005. The earnings per share in 2005 and funds

from continuing operations figures for 2006 and 2005 are based on the weighted average diluted shares outstanding of 48,078,834 for the second quarter of 2006, compared to 46,750,196 for the second quarter of 2005. In 2006, the three month per-share loss figure is based on the basic weighted average number of shares outstanding of 46,792,140.

The disposition of Pulse's wholly-owned subsidiary Trango Technologies Inc. ("Trango") was completed on July 31, 2006 and was effective June 30, 2006. The selling price was \$1.8 million cash plus a working capital adjustment of approximately \$400,000.

## SEGMENT REVIEW

The segment review relates to continuing operations only; and excludes results of Trango.

### Revenue

For the six months ended June 30 (stated in thousands of dollars)

Business Segment	2006		2005		
	Revenue	% of Total Revenue	Revenue	% of Total Revenue	% Change
Seismic Data:					
Data library sales	\$ 16,732	72.8	\$ 13,852	60.8	21
Participation surveys	3,058	13.3	5,031	22.1	(39)
LiDAR	3,266	14.2	4,036	17.7	(19)
Corporate and other	(83)	(0.3)	(127)	(0.6)	35
Total	\$ 22,973	100	\$ 22,792	100	1

### Earnings (loss) before income taxes

For the six months ended June 30 (stated in thousands of dollars)

Business Segment	2006	2005	% Change
Seismic Data	\$ 5,737	\$ 7,166	(20)
LiDAR	(10,815)	(1,687)	(541)
Corporate and other	(3,543)	(2,926)	(21)
Total	\$ (8,621)	\$ 2,553	(438)

### Revenue

For the three months ended June 30 (stated in thousands of dollars)

Business Segment	2006		2005		
	Revenue	% of Total Revenue	Revenue	% of Total Revenue	% Change
Seismic Data:					
Data library sales	\$ 6,634	57.8	\$ 8,059	75.6	(18)
Participation surveys	3,058	26.7	68	0.6	4,397
LiDAR	1,813	15.8	2,556	24.0	(29)
Corporate and other	(34)	(0.3)	(26)	(0.2)	(31)
Total	\$ 11,471	100	\$ 10,657	100	8

## Earnings (loss) before income taxes

For the three months ended June 30 (stated in thousands of dollars)

Business Segment	2006	2005	% Change
Seismic Data	\$ 1,238	\$ 3,203	(61)
LiDAR	(8,519)	(539)	(1,481)
Corporate and other	(1,509)	(1,454)	(4)
Total	\$ (8,790)	\$ 1,210	(827)

## Seismic Data Segment

### Revenue

The seismic data segment, which includes data library sales and participation survey revenues, contributed 86.1 percent of total revenue from continuing operations for the Company in the first half of 2006, and 84.5 percent of total revenue from continuing operations in the second quarter of 2006. In 2005, the seismic data segment contributed 82.9 percent of total revenue for the six-month period ended June 30 and 76.2 percent of total revenue for the second quarter. For the six months ended June 30, 2006, Pulse increased total seismic revenue by \$900,000 to \$19.8 million compared to \$18.9 million for the same period in 2005.

Within the seismic data segment the Company generates two types of revenue: data library sales and participation survey revenue. While participation survey revenue increases total revenue and earnings significantly in periods of high survey activity, participation surveys represent an investment in the seismic data library that initially draws down the Company's capital resources. Data library sales generate immediate free cash flow through licenses of seismic data from the existing library of seismic data, which can occur many times without incurring further costs.

Seismic data segment revenue for the six months ended June 30, 2006 increased by 4.8 percent from the same period in 2005. The increase was due in part to higher demand for seismic data for exploration from junior oil and natural gas companies. In addition, a higher proportion of 3D data sales were made at higher prices in the first half of 2006 compared to the first half of 2005. For the three months ended June 30, 2006, seismic data segment revenue increased by 19.8 percent from the comparable period in 2005 as a result of higher participation survey revenue of \$3.0 million, offset by lower data library sales of \$1.4 million.

Participation survey revenue for the first half of 2006 decreased to \$3.1 million from \$5.0 million for the comparable period in 2005 principally as a result of lower participation funding on the survey completed during the second quarter. In the second quarter of 2006, Pulse completed and delivered a 237 square kilometre, 3D participation survey in west-central Alberta.

### Amortization

Pulse's most significant expense is the charge for data library amortization. Seismic amortization expense was \$12.0 million (60.4 percent of seismic data segment revenue) for the first half of 2006, compared to \$10.0 million (53.2 percent of seismic data segment revenue) for the first half of 2005. The increase is attributable partially to higher capital expenditures for participation surveys in the 2006 period which translates into a higher initial amortization expense upon completion of the survey. Additionally, the Company purchased a significant dataset at the end of the second quarter of 2005 which resulted in a significant monthly amortization expense being added to the current year six-month period that was not in the comparable period in 2005. Amortization of seismic data is described further under "Critical Accounting Estimates". For the three months ended June 30, 2006 amortization expense for this segment was 84.3 percent higher than for the three months ended June 30, 2005. The \$7.3 million amortization expense in Q2 2006 includes three months of amortization of the dataset purchased in 2005, as well as 35 percent

of the costs of the participation survey which was completed in the second quarter of 2006. In 2005 Pulse did not complete any participation surveys in the second quarter.

### **Operating Expenses**

Operating expenses for the seismic data segment include items directly related to licensing data. These items include sales commissions, salaries for the quality inspection and sales technicians, and drafting and mapping costs. For the first six months of 2006, operating expenses were 10.6 percent of seismic segment revenue, compared to 8.9 percent for the same period in 2005. The increase was mainly due to higher commissions being paid on data library sales. For the three month periods, operating costs as a percentage of seismic segment revenue was virtually unchanged at 12 percent.

### **Earnings Before Income Taxes ("EBT")**

EBT for the seismic data segment for the first half of 2006 was \$5.7 million, a reduction of 19.9 percent from \$7.2 million for the first half of 2005. The decline is due to a decrease in participation survey revenues as well as an increase in operating expenses in the first six months of 2006 compared to the same period in 2005. For the second quarter of 2006, the EBT in this segment was \$1.2 million, down by 61.3 percent from \$3.2 million for the second quarter of 2005, due to higher amortization costs as discussed above.

### **Safety**

Pulse Seismic has been awarded the Work Safe Alberta 2005 Best Safety Performers Award for exceptional safety performance in workplace health and safety.

## **LiDAR Segment**

### **Revenue**

LiDAR revenue for the first half of 2006 decreased by 19.1 percent from the same period in 2005. For the second quarter of 2006 revenue decreased by 29.1 percent compared to the second quarter of 2005. The decrease is attributed to lower sales during the period. Terrapoint has now strengthened its marketing efforts with the appointment of Mr. Jake Jenkins as Vice President Sales and Marketing of Terrapoint Canada Inc. Mr. Jenkins has 22 years of extensive worldwide experience in the fields of remote sensing, LiDAR technology and related sales and marketing. Terrapoint has also added several experienced sales people.

Terrapoint also purchased a new high-altitude data collection system in the second quarter of 2006 which allows projects to be completed more quickly, at lower cost to customers and at higher margins.

### **Amortization and Depreciation**

The depreciation expense in the LiDAR segment for the six months ended June 30, 2006 was \$9.9 million compared to \$1.1 million for the same period in 2005. Included in the 2006 figure is an \$8.8 million writedown primarily related to older high-altitude LiDAR data collection systems and their related proprietary processes and software that have been written down to their residual value. The residual value reflects the fair market value of the components that Terrapoint is currently using or will be able to use in its other systems.

LiDAR depreciation expense for the second quarter of 2006 totalled \$8.1 million compared to \$527,000 in 2005. Included in the 2006 figure is \$7.6 million related to the writedown of Terrapoint's older, high-altitude systems. The Q1 2006 writedown of \$1.2 million relates to the older, high-range system retired in the first quarter.

Included in amortization expense for the six months ended June 30, 2006 is amortization of the LiDAR data library acquired on the acquisition of Terrapoint of \$88,000. For the second quarters of 2006 and 2005 the amortization expense was the same. Amortization of the LiDAR data library is calculated on a straight-line basis over five years. No additional LiDAR data library costs have been capitalized since the acquisition of Terrapoint.

### **Operating Expenses**

Included in Terrapoint's operating expenses are all of the costs associated with generating its LiDAR project revenues. Operating expenses for the first half of 2006 were lower at \$2.8 million versus \$3.2 million for the same period in 2005, but were higher as a percentage of revenue – 85.8 percent for the first half of 2006 compared to 79.9 percent for the same period in 2005 – due to lower sales revenue.

Operating expenses for the second quarter of 2006 were \$1.5 million or 82.7 percent of revenue compared to \$1.9 million or 73.2 percent of revenue for the same period in 2005. Terrapoint's management is continuing to focus on reducing operating costs and improving operational efficiencies.

### **General and Administrative Expenses ("G&A")**

For the six months ended June 30, 2006, G&A expenses in the LiDAR segment were reduced to \$764,000 or 23.4 percent of revenue, compared to \$825,000 or 20.4 percent of revenue for the first half of 2005. For the three months ended June 30, 2006, G&A expenses were \$410,000 or 22.6 percent of revenue, versus \$377,000 or 14.7 percent of revenue for the 2005 period.

### **Research and Development Expenses ("R&D")**

The LiDAR segment is the only business segment of Pulse which incurs R&D. Terrapoint's engineering department 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 first half of 2006, including the second quarter, remained consistent with the comparable periods in 2005. In 2006, Terrapoint's R&D efforts are focused on developing innovative new software and hardware solutions that will add value to its expanding client base.

### **Loss Before Income Taxes**

The LiDAR segment accounted for \$10.8 million of Pulse's loss before income taxes in the first half of 2006 compared to \$1.7 million for the same period in 2005. The LiDAR segment loss in the first half of 2006 includes \$8.8 million of additional depreciation of Terrapoint's capital assets. The LiDAR segment loss before income taxes for the second quarter of 2006 was \$8.5 million compared to \$539,000 for the 2005 period. The 2006 second quarter loss includes the \$7.6 million Terrapoint writedown.

### **Trango Segment**

The Trango segment of Pulse's business has been reported as discontinued operations as of June 30, 2006. Trango, a former wholly-owned subsidiary of Pulse, was classified as assets held for sale as of that date, and subsequently sold on July 31, 2006, for \$1.8 million cash plus a working capital adjustment of approximately \$400,000.

### **Corporate and Other Segment**

The corporate and other segment consists primarily of Pulse's corporate G&A costs, interest and items such as inter-company eliminations and foreign exchange gains and/or losses.

### **General and Administrative Expenses (“G&A”)**

For the six months ended June 30, 2006 G&A expenses were \$2.8 million, a 16.7 percent increase from \$2.4 million for the same period in 2005. For the second quarter of 2006 the corporate G&A was unchanged at \$1.2 million for both periods. The increased amount of corporate G&A expenses in 2006 is related to higher stock-based compensation expense, salary expense due to hiring more employees, increased promotion and entertainment expenses and higher public reporting costs.

### **Depreciation Expense**

Depreciation expense for the six months ended June 30, 2006 increased by 39.5 percent to \$180,000 from \$129,000 for the same period in 2005. Depreciation expense for the three months ended June 30, 2006 decreased by 8.0 percent to \$87,000 from \$94,000 for the same period in 2005. The increase for the six-month period is due primarily to 2005 capital expenditures, mainly for technology-related equipment for improving data security and data flow as well as software upgrades.

### **Interest Expense**

Total interest expense for the six months ended June 30, 2006 increased to \$619,000 from \$405,000 for the same period in 2005. For the three months ended June 30, 2006 this expense increased to \$276,000 from \$217,000 for the same period in 2005. The increase is due primarily to the additional debt undertaken in June, 2005 to finance a significant seismic data purchase, and increased interest rates.

### **Consolidated Pulse Data Inc.**

#### **Income Taxes**

The total income tax reduction related to continuing operations for the six months ended June 30, 2006 was \$3.5 million, compared to a total provision of \$1.0 million and an effective tax rate of 39.9 percent for the same period in 2005. The 2006 income tax reduction reflects the elimination of the federal Large Corporations Tax and recently-enacted provincial and federal tax rate decreases.

#### **Data Library**

Pulse acquires seismic data to grow its data library through two primary methods. The Company conducts participation surveys, and also purchases proprietary rights to complementary seismic data. During the first half of 2006, Pulse invested \$7.1 million in a 237 square kilometre, 3D participation survey in west-central Alberta. In the first half of 2005 the Company invested \$6.1 million to complete two 3D participation surveys in northern Alberta for a total addition to the data library of 241 square kilometres of 3D seismic data. The Company did not purchase any data in the first half of 2006, whereas in the first half of 2005 the Company purchased the proprietary rights to approximately 2,500 net square kilometres of 3D seismic data and 500 net kilometres of 2D seismic data, located in south-central Alberta, for \$15.2 million.

The LiDAR data library acquired with Terrapoint includes approximately \$805,000 of data acquired in 2003, of which \$439,000 remains unamortized at June 30, 2006.

### Future Tax Liability

The net future income tax liability, based on assets and liabilities related to continuing operations, has decreased from \$9.9 million at December 31, 2005 to \$4.1 million at June 30, 2006. The liability of \$4.1 million consists principally of deferred partnership income, and the future tax liability associated with various Company property and equipment, including seismic data, that has a lower tax value than its corresponding accounting value. The significant decrease in the future tax liability is related to the writedown of Terrapoint's LiDAR capital assets and the effect of the new, lower future tax rates on the future tax liabilities related to the seismic data.

### Liquidity, Capital Resources and Capital Requirements

At June 30, 2006 the working capital position of Pulse, including the current portion of long-term debt of \$5.9 million, was \$16.4 million, compared to \$17.5 million at December 31, 2005.

With the continued trend of very strong seismic data sales levels, Pulse management expects that its funds from operations will be sufficient to finance operations, service debt, and pay dividends and budgeted capital expenditures throughout the remainder of 2006. The seismic data library is continually growing through the acquisition of new seismic data – principally 3D. 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. Combined 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.

Although quarterly results can show significant swings in working capital because of the impact of participation surveys, Pulse remains liquid. The capital-intensive nature of the seismic business is such that working capital deficiency balances can accumulate during the busy participation survey season, only to be reversed upon delivery of the seismic data to survey participants. Because Pulse's largest expense in any given period is a 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 2005 Annual Report.

### Free Cash Flow

Free cash flow for the six months ended June 30, 2006 was \$4.9 million, compared to free cash flow of \$5.6 million for the first half of 2005.

(\$000s)	Six Months Ended June 30	
	2006	2005
Funds from continuing operations	\$ 11,954	\$ 11,664
Less:		
Participation survey additions	(7,068)	(6,102)
Free cash flow	\$ 4,886	\$ 5,562

The decrease in free cash flow for the first half of 2006 compared to 2005 is attributable to higher expenditures for participation surveys in 2006 and lower funding of the participation survey completed in Q2 2006.

### Related Party Transactions

The Company holds an approximate 50 percent undivided interest in certain 2D seismic data totaling 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 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 \$40,493 at June 30, 2006 (\$173,919 at June 30, 2005).

### **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 seismic 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 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, technical equipment, proprietary software and processes acquired in Terrapoint 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 our 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 for the periods ended June 30, 2006 and June 30, 2005.

	June 30, 2006	June 30, 2005
Weighted average shares outstanding:		
Basic	46,336,770	45,927,686
Diluted	47,531,182	46,559,971
Shares outstanding at period end	47,254,519	46,219,768
Shares outstanding at August 11, 2006	46,718,458	

At June 30, 2006 there were 3,618,031 stock options outstanding at exercise prices ranging from \$0.96 to \$3.05 per share.

At August 11, 2006 there were 3,618,031 options outstanding at exercise prices ranging from \$0.96 to \$3.05 per share.

### **Stock Appreciation Rights**

Stock appreciation rights (SARs) have been granted to employees of Terrapoint resident in the United States with an exercise price equal to the fair market value of the Company's stock on the date of the 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 June 30, 2006, 184,001 SARs were outstanding at exercise prices ranging from \$1.66 to \$3.05, and having a weighted average remaining life of 4.11 years. The exercise of SARs involves the payment of cash compensation, and does not involve the issuance of any common shares of the Company.

**Financial Summary of Quarterly Results (\$000s except per share data)  
(For comparative purposes, this summary includes the results of Trango)**

	2006		2005				2004	
	Q2	Q1	Q4	Q3	Q2	Q1	Q4	Q3
Data library revenue	6,634	10,098	12,439	8,614	8,059	5,793	8,520	4,721
Participation survey revenue	3,058	–	4,368	607	68	4,963	7,657	(116)
LiDAR revenue	1,813	1,453	1,963	2,453	2,556	1,480	2,059	1,321
Trango revenue	855	287	390	203	463	399	820	266
Corporate & other revenue	(34)	(49)	(54)	(45)	(26)	(101)	54	(53)
Total revenue	12,326	11,789	19,106	11,832	11,120	12,534	19,110	6,139
Net earnings (loss)	(5,114)	39	4,020	1,061	683	724	5,305	(1,590)
Per share – basic	(0.11)	0.00	0.09	0.02	0.01	0.02	0.12	(0.04)
Per share – diluted	(0.11)	0.00	0.09	0.02	0.01	0.02	0.12	(0.04)
Dividends paid per share	0.0375	0.0375	0.025	0.025	0.0125	0.0125	0.0125	0.0125

Pulse's total revenue on a quarterly basis continues to fluctuate significantly. The significant contributing revenue streams are data library and participation survey sales. Generally, in quarters where participation surveys are completed, total revenue is much higher than in quarters without participation survey revenue. The trend of increasing library sales is beginning to reduce the impact of fluctuating participation survey revenues. The first half of 2006 had 1 percent more total revenue from continuing operations than the first half of 2005 due to higher data sales in the 2006 period of \$2.9 million, which was offset by lower participation survey revenue (\$3.1 million for the first half of 2006 versus \$5.0 million in the first half of 2005).

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 2006, one survey was completed during the second quarter, while in 2005 Pulse completed and delivered three surveys during the first quarter and two surveys in the fourth quarter.

Terrapoint can also be affected by seasonal differences. The spring and fall present better opportunities than summer and winter due to improved conditions during "leaf-off" periods and when the ground is free of snow.

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. Also, the steadily increasing data library sales are having a very positive impact on earnings. The exceptions in the first and second quarters of 2006 are due to writedowns in the value 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 segment.

## **RISK FACTORS**

Please refer to the Company's 2005 Annual Report and 2006 Interim Reports 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 outlook for the Pulse Seismic business segment remains strong for the balance of 2006 and beyond. Seismic data sales, which are driven in large measure by oil and gas exploration and development activity, continue to grow with an increasing proportion of sales from higher-priced 3D seismic.

The downturn in natural gas prices has had little impact on our seismic business to date this year. Even though fewer natural gas development wells are being drilled as producers await a return to higher prices, the industry is continuing to explore aggressively for natural gas and oil in western Canada; and seismic data is an important tool in exploration activity. The long-term outlook for natural gas prices is very strong. Indeed, in recent weeks natural gas prices have responded to hot weather across much of the continent and one-and two-year futures prices for natural gas on NYMEX are more than \$9 (U.S.) per MMBTU.

Terrapoint has been totally restructured. We rebuilt the management team and R&D department, upgraded our high-range capability, and installed new processing hardware and software, and implemented management reporting systems, safety programs, quality assurance systems and standard operating procedures. The revamped and expanded sales team, led by Mr. Jake Jenkins as Vice President of Sales and Marketing, is an important part of the rebuilding strategy.

We expect that this overhaul of the Terrapoint business segment will result in stronger sales revenues and improved margins. We believe that our decision to retire the poorly performing, older high-altitude systems and to replace them with stable, higher performing sensors, will better position Terrapoint to re-establish itself as a high quality, reliable LiDAR provider.

Terrapoint's research and development team is working on a number of key initiatives focused on new software and hardware solutions that will add value for our expanding client base. We will provide updates on these developments as they near market release. At the same time, we are working with industry partners to expand our capabilities and compete for larger contracts.

Terrapoint is now better positioned for success than at any time since we acquired the company.

In short, we are excited about the future of both our business segments and look forward to a strong second half performance in 2006.

August 11, 2006

(Signed) "Ken G. MacDonald"

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

(Signed) "Douglas A. Cutts"

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 the "Risk Factors" section of this Management's Discussion and Analysis 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, unless required by law.*

## Interim Consolidated Balance Sheets

(In thousands of dollars) (unaudited)	June 30, 2006	December 31, 2005
<b>Assets</b>		
Current assets:		
Cash and cash equivalents	\$ 17,594	\$ 11,012
Accounts receivable	11,862	20,249
Prepaid expenses	343	315
Work in progress	779	993
Assets of discontinued operations (note 2)	1,168	1,750
	<b>31,746</b>	<b>34,319</b>
Long-term receivable	–	800
Data libraries	75,273	80,256
Participation surveys in progress	11	192
Property and equipment	5,286	13,665
Investments	432	432
Deferred charges	180	218
	<b>\$ 112,928</b>	<b>\$ 129,882</b>
<b>Liabilities and Shareholders' Equity</b>		
Current liabilities:		
Accounts payable and accrued liabilities	\$ 5,052	\$ 6,700
Deferred revenue	4,151	3,848
Current portion of long-term debt (note 3)	5,868	6,068
Liabilities of discontinued operations (note 2)	277	200
	<b>15,348</b>	<b>16,816</b>
Long-term debt (note 3)	17,872	20,772
Future income taxes	4,135	9,862
Shareholders' equity:		
Share capital (note 4)	53,257	51,808
Contributed surplus (note 4)	1,364	1,079
Retained earnings	20,952	29,545
	<b>75,573</b>	<b>82,432</b>
	<b>\$ 112,928</b>	<b>\$ 129,882</b>

Subsequent events (note 2)

*See accompanying notes to interim consolidated financial statements.*

## Interim Consolidated Statements of Earnings (loss) and Retained Earnings

(In thousands of dollars, except per share data) (unaudited)	Three Months Ended June 30		Six Months Ended June 30	
	2006	2005	2006	2005
Revenue	\$ 11,471	\$ 10,657	\$ 22,973	\$ 22,792
Operating expenses:				
Amortization of data libraries	7,328	3,996	12,051	10,130
Operating	2,556	2,742	4,779	4,800
Depreciation and amortization (note 5)	8,235	621	10,096	1,200
	18,119	7,359	26,926	16,130
Gross margin	(6,648)	3,298	(3,953)	6,662
General and administrative expenses	1,635	1,595	3,538	3,189
Research and development expenses	231	274	502	513
Interest:				
Long-term debt	439	243	859	470
Other	(163)	(24)	(231)	(63)
	276	219	628	407
Earnings (loss) from continuing operations before income taxes	(8,790)	1,210	(8,621)	2,553
Income taxes:				
Current	1,419	852	2,184	2,630
Future (reduction)	(5,059)	(373)	(5,727)	(1,611)
	(3,640)	479	(3,543)	1,019
Net earnings (loss) from continuing operations	\$ (5,150)	\$ 731	\$ (5,078)	\$ 1,534
Earnings (loss) from discontinued operations, net of income taxes (note 2)	36	(48)	3	(127)
Net earnings (loss)	\$ (5,114)	\$ 683	\$ (5,075)	\$ 1,407
Retained earnings, beginning of period	27,834	26,678	29,545	26,527
Dividends paid	(1,768)	(577)	(3,518)	(1,150)
Retained earnings, end of period	\$ 20,952	\$ 26,784	\$ 20,952	\$ 26,784
Earnings (loss) per share from continuing operations, basic and diluted	\$ (0.11)	\$ 0.01	\$ (0.11)	\$ 0.03
Earnings (loss) per share, basic and diluted	\$ (0.11)	\$ 0.01	\$ (0.11)	\$ 0.03

See accompanying notes to interim consolidated financial statements.

## Interim Consolidated Statements of Cash Flows

(In thousands of dollars) (unaudited)	Three Months Ended June 30		Six Months Ended June 30	
	2006	2005	2006	2005
Cash provided by (used in):				
<b>Continuing operations:</b>				
Net earnings (loss)	\$ (5,150)	\$ 731	\$ (5,078)	\$ 1,534
Items not involving cash:				
Amortization of data libraries	7,328	3,996	12,051	10,130
Depreciation and amortization (note 5)	8,235	621	10,096	1,200
Unrealized loss (gain) on foreign exchange	(112)	51	(74)	64
Future income taxes (reduction)	(5,059)	(373)	(5,727)	(1,611)
Stock-based compensation	346	199	650	357
Other	17	(10)	36	(10)
Funds from continuing operations	5,605	5,215	11,954	11,664
Net change in non-cash working capital items related to operations	3,230	(5,017)	10,363	(472)
Increase (decrease) in non-current deferred revenue	–	250	–	250
	8,835	448	22,317	11,442
<b>Discontinued operations:</b>				
Funds from discontinued operations	70	(48)	35	(147)
Net change in non-cash working capital items related to discontinued operations	(998)	317	(776)	473
Increase (decrease) in cash position	(928)	269	(741)	326
<b>Financing:</b>				
Long-term debt	–	15,439	–	15,439
Repayment of long-term debt	(1,523)	(1,389)	(3,100)	(2,829)
Issue of share capital	895	558	1,084	558
Dividends paid	(1,768)	(1,150)	(3,518)	(1,150)
	(2,396)	13,458	(5,534)	12,018
<b>Investing:</b>				
Additions to data libraries through participation surveys	(7,162)	(5)	(7,068)	(6,102)
Seismic data purchases	–	(15,225)	–	(15,225)
(Increase) decrease in participation surveys in progress	1,113	(4)	181	(2)
Increase in investments	–	–	–	235
Additions to property and equipment	(1,568)	(687)	(1,717)	(1,113)
Additions to property and equipment discontinued operations (note 2)	–	(7)	–	(12)
Net change in non-cash working capital items related to investing	(365)	728	(856)	(1,411)
	(7,982)	(15,200)	(9,460)	(23,630)
Increase (decrease) in cash position	(2,471)	(1,025)	6,582	156
Cash and cash equivalents, beginning of period	20,065	5,008	11,012	3,827
Cash and cash equivalents, end of period	\$ 17,594	\$ 3,983	\$ 17,594	\$ 3,983

During the three and six month periods ended June 30, 2006 the Corporation paid interest of \$276,000 (2005-\$232,000) and \$626,000 (2005-\$415,000), respectively. During the three and six month periods ended June 30, 2006 the Corporation paid income taxes of \$511,000 (2005-\$51,000) and \$736,000 (2005-\$95,700) respectively.

See accompanying notes to interim consolidated financial statements.

## Notes to Interim Consolidated Financial Statements

Information as of June 30, 2006 and for the three and six months ended June 30, 2006 and 2005 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. Basis of presentation and significant accounting policies:

These interim 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, 2005. These interim financial statements follow the same accounting policies and methods as the most recent annual financial statements. The figures for the six months ended June 30, 2005 reflect certain reclassifications to conform to the presentation adopted in 2006.

The results of operations for the six months ended June 30, 2006 are not necessarily indicative of results to be expected for the entire year ending December 31, 2006. The Corporation 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.

### 2. Discontinued operations:

On July 31, 2006 Pulse Data Inc. sold 100% of the shares of Trango Technologies Inc., a wholly owned subsidiary of the Corporation, which represented its software development segment. The shares were sold for \$1.8 million plus a working capital adjustment calculated at June 30, 2006, the effective date of the sale.

Results of operations of this segment have been classified as discontinued operations.

Assets and liabilities of discontinued operations as June 30, 2006 and December 31, 2005 are as follows:

#### Assets of discontinued operations

	June 30, 2006	December 31, 2005
Current assets:		
Cash and cash equivalents	\$ 156	\$ 897
Accounts receivable	523	345
Prepaid expenses	13	1
	<b>692</b>	1,243
Property and equipment	166	194
Future income taxes	310	313
	<b>\$ 1,168</b>	\$ 1,750

#### Liabilities of discontinued operations

	June 30, 2006	December 31, 2005
Current liabilities:		
Accounts payable	\$ 33	\$ 48
Deferred revenue	244	152
	<b>\$ 277</b>	\$ 200

**2. Discontinued operations (continued):**

The results of discontinued operations for 2006 and 2005 are as follows:

	<b>Three Months Ended June 30</b>		<b>Six Months Ended June 30</b>	
	<b>2006</b>	<b>2005</b>	<b>2006</b>	<b>2005</b>
Revenue	\$ 568	\$ 463	\$ 855	\$ 862
Operating expenses:				
Operating	447	476	769	921
Depreciation and amortization	14	19	28	38
	461	495	797	959
Gross margin	107	(32)	58	(97)
General and administrative expenses	54	35	55	88
Interest income	(3)	–	(3)	–
	(3)	–	(3)	–
Earnings (loss) from discontinuing operations before income taxes	56	(67)	6	(185)
Future income taxes (reduction)	20	(19)	3	(58)
	20	(19)	3	(58)
Earnings (loss) from discontinued operations, net of income taxes	\$ 36	\$ (48)	\$ 3	\$ (127)

### 3. Long-term debt:

	June 30, 2006	December 31, 2005
Bank term loan, repayable in set monthly installments of \$483,350 per month over 5 years, plus interest at the lender's base rate plus 2.75%, secured by the assets of the Corporation	\$ 23,672	\$ 26,572
Promissory note payable in US funds (\$24,000 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.	26	205
Capital lease obligations	42	63
	<b>23,740</b>	26,840
Less current portion	<b>5,868</b>	6,068
	<b>\$ 17,872</b>	\$ 20,772

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

2006 (July to December)	\$ 2,967
2007	5,800
2008	5,800
2009	5,800
2010	3,373
	<b>\$ 23,740</b>

### 4. Share capital:

(a) Common shares issued:

	Number of Shares	Amount
Balance, December 31, 2005	46,559,778	\$ 51,808
Issued for cash on exercise of stock options, net of cancellations	641,032	950
Issued under dividend reinvestment plan	53,709	134
Transferred from contributed surplus on exercise of stock options	-	365
Balance, June 30, 2006	47,254,519	\$ 53,257

(b) Contributed Surplus:

Balance, December 31, 2005	\$ 1,079
Stock-based compensation	\$ 650
Transferred to share capital on exercise of stock options	\$ (365)
Balance, June 30, 2006	\$ 1,364

(c) Stock-based plans:

The Corporation has a stock option plan under which directors, officers, employees and certain consultants are eligible to receive options to purchase common shares of the Corporation. The options granted vest one-third on each of the first, second and third anniversaries of the date of grant and expire on the fifth anniversary. The options granted prior to June 30, 2003 are fully vested. At June 30, 2006 options to purchase 3,618,031 shares were outstanding at exercise prices ranging from \$ 0.96 to \$ 3.05 and having a weighted average remaining life of 3.58 years.

During the six months ended June 30, 2006, 213,500 options were granted at a weighted average price of \$2.58. The per share weighted average fair value of stock options granted during this period was \$1.40 (2005 - \$1.01) using the Black-Scholes model with the following assumptions: risk-free interest rate of 4.25% (2005 - 4.25%), expected life of 5 years and a weighted average expected volatility of 64% (2005 - 58%) and assumed dividend rate of \$0.15 per year.

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 June 30, 2006, 184,001 SARs were outstanding at exercise prices ranging from \$1.66 to \$3.05, and having a weighted average remaining life of 4.11 years. The exercise of SARs involves the payment of cash compensation, and does not involve the issuance of any common shares of the Corporation.

Compensation expense related to stock options and SARs was \$650,000 and \$59,000 respectively.

(d) Per share amounts:

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

	Three Months Ended June 30		Six Months Ended June 30	
	2006	2005	2006	2005
Weighted average shares outstanding:				
Basic	46,792,140	46,078,884	46,336,770	45,927,686
Diluted	46,792,140	46,750,196	46,336,770	46,559,971

Diluted earnings per share is computed using a "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 and six months ended June 30, 2006, 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.

**5. LiDAR asset writedown:**

For the six months ended June 30, 2006 the carrying value of all the LiDAR assets have been written down by \$8.8 million to a residual value that is equal to the estimated fair value of these assets. The amount of this writedown is included in depreciation expense in the statement of earnings (loss) and in the LiDAR segment in Note 6.

**6. Segmented information:**

The continuing operations of the Corporation include three segments: seismic data, LiDAR, and corporate and other. Under the first segment, the Corporation specializes in acquiring, marketing and licensing non-exclusive seismic data through its general partnership, Pulse Seismic. The inventory of seismic data is increased either by shooting participation surveys or by purchasing existing seismic data libraries. While Pulse Seismic maintains a proprietary interest in the seismic data from all such participation surveys, the initial participants may be granted exclusive licenses for an initial period during which Pulse Seismic cannot license the data to others. Participation survey revenue includes all revenues for licenses sold prior to the delivery of the seismic data to the initial participants or the expiry of the exclusive periods, whichever occurs later. Thereafter the data forms part of Pulse Seismic'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 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 Corporate and Other segment includes foreign exchange losses of \$178,000 (2005-\$42,000) and \$135,000 (2005-\$29,000) for the six and three months ended June, 2006, respectively.

<b>Six Months Ended June 30, 2006</b>	<b>Seismic Data</b>	<b>LiDAR</b>	<b>Corporate and Other</b>	<b>Total</b>
Revenue:				
Data library sales	\$ 16,732	\$ –	\$ –	\$ 16,732
Participation surveys	3,058	–	–	3,058
LiDAR	–	3,266	–	3,266
Corporate and other	–	–	(83)	(83)
Total revenue	19,790	3,266	(83)	22,973
Amortization	11,963	88	–	12,051
Segment profit (loss), before undernoted	7,827	3,178	(83)	10,922
Operating expenses	2,090	2,802	(113)	4,779
General and administrative	–	764	2,774	3,538
Depreciation	–	9,916	180	10,096
Research and development	–	502	–	502
Interest expense	–	9	619	628
Earnings (loss) before income taxes	\$ 5,737	\$ (10,815)	\$ (3,543)	\$ (8,621)
Total assets	\$ 103,953	\$ 6,950	\$ 857	\$ 111,760
Capital expenditures	\$ 6,887	\$ 1,637	\$ 80	\$ 8,604

<b>Three Months Ended June 30, 2006</b>	<b>Seismic Data</b>	<b>LiDAR</b>	<b>Corporate and Other</b>	<b>Total</b>
Revenue:				
Data library sales	\$ 6,634	\$ –	\$ –	\$ 6,634
Participation surveys	3,058	–	–	3,058
LiDAR	–	1,813	–	1,813
Corporate and other	–	–	(34)	(34)
Total revenue	9,692	1,813	(34)	11,471
Amortization	7,284	44	–	7,328
Segment profit (loss), before undernoted	2,408	1,769	(34)	4,143
Operating expenses	1,170	1,499	(113)	2,556
General and administrative	–	410	1,225	1,635
Depreciation	–	8,148	87	8,235
Research and development	–	231	–	231
Interest expense	–	–	276	276
Earnings (loss) before income taxes	\$ 1,238	\$ (8,519)	\$ (1,509)	\$ (8,790)
Total assets	\$ 103,953	\$ 6,950	\$ 857	\$ 111,760
Capital expenditures	\$ 6,049	\$ 1,539	\$ 29	\$ 7,617

<b>Six Months Ended June 30, 2005</b>	<b>Seismic Data</b>	<b>LiDAR</b>	<b>Corporate and Other</b>	<b>Total</b>
Revenue:				
Data library sales	\$ 13,852	\$ –	–	\$ 13,852
Participation surveys	5,031	–	–	5,031
LiDAR	–	4,036	–	4,036
Corporate and other	–	–	(127)	(127)
Total revenue	18,883	4,036	(127)	22,792
Amortization	10,042	88	–	10,130
Segment profit (loss), before undernoted	8,841	3,948	(127)	12,662
Operating expenses	1,675	3,224	(99)	4,800
General and administrative	–	825	2,364	3,189
Depreciation	–	1,071	129	1,200
Research and development	–	513	–	513
Interest expense	–	2	405	407
Earnings (loss) before income taxes	\$ 7,166	\$ (1,687)	\$ (2,926)	\$ 2,553
Total assets	\$ 100,368	\$ 17,440	\$ 2,626	\$ 120,434
Capital expenditures	\$ 21,327	\$ 330	\$ 785	\$ 22,442

<b>Three Months Ended June 30, 2005</b>	<b>Seismic Data</b>	<b>LiDAR</b>	<b>Corporate and Other</b>	<b>Total</b>
Revenue:				
Data library sales	\$ 8,059	\$ –	\$ –	\$ 8,059
Participation surveys	68	–	–	68
LiDAR	–	2,556	–	2,556
Corporate and other	–	–	(26)	(26)
Total revenue	8,127	2,556	(26)	10,657
Amortization	3,953	43	–	3,996
Segment profit (loss), before undernoted	4,174	2,513	(26)	6,661
Operating expenses	971	1,872	(101)	2,742
General and administrative	-	377	1,218	1,595
Depreciation	-	527	94	621
Research and development	-	274	-	274
Interest expense	-	2	217	219
Earnings (loss) before income taxes	\$ 3,203	\$ (539)	\$ (1,454)	\$ 1,210
Total assets	\$ 100,368	\$ 17,440	\$ 2,626	\$ 120,434
Capital expenditures	\$ 15,234	\$ 40	\$ 647	\$ 15,921

## 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

### 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

### Officers

**Ken MacDonald**  
President & CEO

**Douglas Cutts**  
Vice President, Finance & CFO

**Brent Gale**  
Vice President, Operations & COO

**Norman Hall**  
Corporate Secretary

**Bruce Nelson**  
President  
Terrapoint USA Inc.

**James Ferguson**  
President  
Terrapoint Canada Inc.

**Paul Mrstik**  
Vice, Engineering  
Terrapoint Canada Inc.

**Jake Jenkins**  
Vice President, Sales and Marketing  
Terrapoint Canada Inc.

**Roger Shreehan**  
Vice President, Operations  
Terrapoint Canada Inc.

### Auditors

KPMG LLP  
Calgary, Alberta

### Stock Exchange Listing

The Toronto Stock Exchange  
Symbol: PSD

### Pulse Data Inc. Head Office

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