

PULSE SEISMIC INC.

Price (September 3, 2009)	\$1.12
52-Week Range	\$2.89-\$0.98
Shares O/S	53.1 million
Market Cap	\$62.7 million
Enterprise Value	\$74.6 million
Enterprise Value Per Share	\$1.40
50-day Average Volume	91,600
200-day Average Volume	72,400
Year-End	December 31
Symbol	TSX: PSD

Financial Data

Selected Income/Cash Flow			
CS'000 Year ended December	Dec-07	Dec-08	Jun-09
Revenues	\$44,225	\$45,403	\$41,645
EBITDA	\$4,802	\$3,573	(\$3,775)
Net Income	\$2,511	\$880	(\$1,504)
Cash Flow (CF) From Ops	\$29,887	\$38,402	\$31,483
Selected Balance Sheet			
	At Dec-07	At Dec-08	At Jun-09
Cash (& Equivalents)	\$6,602	\$13,244	\$14,576
Total Debt	\$31,547	\$32,986	\$30,732
Shareholders' Equity	\$79,174	\$66,288	\$63,972
Enterprise Value	\$172,045	\$98,236	\$83,628
Total Assets	\$124,473	\$112,383	\$101,261
Working Capital	\$12,259	\$14,364	\$15,497
Working Capital Ratio	1.83x	1.91x	2.54x
Key Ratios			
	At Dec-07	At Dec-08	At Jun-09
EBITDA Margin	10.9%	7.9%	-9.1%
Return on Equity (ROE)	3.2%	1.3%	-2.4%
Return on Assets (ROA)	2.0%	0.8%	-1.5%
Total Debt/Total Capital	28.5%	33.2%	32.5%
Cash Flow/Total Debt	0.95x	1.16x	1.02x
Earnings Per Share	\$0.05	\$0.02	(\$0.03)
Cash Flow Per Share	\$0.55	\$0.72	\$0.59
Cash Per Share	\$0.12	\$0.25	\$0.27
Equity Per Share	\$1.45	\$1.24	\$1.20
Enterprise Value Per Share	\$3.16	\$1.84	\$1.57
Multiples			
	At Dec-07	At Dec-08	At Jun-09
Price/Cash Flow	4.92x	2.04x	2.14x
Price/Enterprise Value	0.86x	0.80x	0.81x

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Note: Report prepared with public information only.



Source: www.bigcharts.com

PROFILE

Pulse Seismic Inc. ("Pulse Seismic" or the "Company") is engaged in the acquiring, marketing and licensing of two-dimensional (2D) and three-dimensional (3D) seismic data for the western Canadian energy sector. The Company owns the second-largest seismic data library in Canada, with 257,281 net linear kilometres of 2D data and 12,805 net square kilometres of 3D data. Pulse Seismic estimates that the current replacement value of its data is approximately \$1 billion.

The Company, which was organized in its current form in 2001, grows its seismic data library in two ways: (1) the purchase of existing seismic data from oil and gas companies and competitors; and (2) the shooting of new seismic data through participation surveys in conjunction with oil and gas exploration companies.

Pulse Seismic generates its revenue through the leasing to third parties of its existing proprietary seismic data (which provided 81% of 2008 revenue), and by the granting of licenses to participants in participation seismic surveys of the data acquired in these surveys (this provided the remaining 19% of 2008 revenue).

For the first half of 2009, the leasing of existing proprietary seismic data generated 68% and participation surveys provided approximately 32% of overall revenue.

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INVESTMENT CONSIDERATIONS

Strengths

- Owns second-largest seismic data library in Canada.
- Financially strong, with \$14.6 million in cash, \$15.5 million of working capital, and \$64 million (\$1.20 per share) of equity.
- Its strong financial position puts the Company in an advantageous position to make timely acquisitions of databases or other assets from weaker competitors.

Challenges

- Exposed to weakness in oil and gas exploration activity in western Canada.
- Adversely affected by weak natural gas prices.

RECENT DEVELOPMENTS

Second-Quarter Financials

For the second quarter of 2009, the Company reported net earnings from continuing operations of \$872,000, or \$0.02 per share, compared with \$1.34 million, or \$0.02 per share, for the same period in 2008. Seismic revenue declined 26.1% to \$8.4 million, from a restated \$11.3 million in the second quarter of 2008. The lower earnings reflected the impact of the lower seismic revenue, partially offset by decreased amortization expense.

	(\$000s except per share)			YOY
	Q2/09	Q2/08		% Change
Revenue	8,379	11,332		-26.1%
EBITDA	6,656	9,134		-27.1%
Net Income from Cont. Ops.	872	1,340		-34.9%
Net Margin	10.40%	11.82%		
EPS (\$)	\$0.02	\$0.02		
Shares O/S (000s)	53,147	53,966		

First-Half Financials

The second-quarter results brought the Company's first-half 2009 loss from continuing operations to \$2.1 million, or \$0.04 per share, compared with earnings from continuing operations of \$331,000, or \$0.01 per share, for the first six months of 2008.

Seismic revenue declined 19.6% to \$15.4 million from a restated \$19.2 million. The loss in the latest six-month period was mainly due to: (1) the lower seismic revenue, which was partially offset by higher participation survey revenue in the first quarter of 2009; and (2) lower operating costs and general and administrative expenses during H1/09.

	(\$000s except per share)		YOY
	H1/09	H1/08	% Change
Revenue	15,403	19,161	-19.6%
EBITDA	12,116	14,889	-18.6%
Net Income from Cont. Ops.	(2,053)	331	nmf
Net Margin	nmf	1.73%	
EPS (\$)	(\$0.04)	\$0.01	
Shares O/S (000s)	53,325	54,185	

OUTLOOK

Near-term prospects for exploration activity in western Canada are relatively weak. Although oil prices have strengthened significantly since last winter, natural gas prices have fallen to the lowest level since 2002, as a result of weak demand and a greater-than-anticipated supply of the commodity.

Pulse Seismic management has prudently taken several steps to enable the Company to ride out this period of weakness in the industry. These include: (1) divesting non-core assets; (2) temporarily suspending dividend payments; (3) strengthening the balance sheet; and (4) instituting other cost-cutting measures.

The sale of the Company's Terrapoint operation in May 2008 generated proceeds of \$6.5 million, of which \$1.4 million was still outstanding as at June 30, 2009.

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The temporary suspension of dividends is expected to result in cash savings of \$2.5 million per quarter, and management eliminated approximately \$0.9 million from operating and general and administrative expenses in the first half of 2009 compared with the year-earlier period.

As a result of these measures, the Company seems to be well positioned to operate in possible weak industry conditions into and through 2010.

While natural gas prices may well weaken further over the near term, many industry observers expect a recovery to at least an average of US\$6.50 per mcf in 2010. This will reflect the benefit of an increase in demand as the economy recovers, together with an expected improved supply/demand balance as reduced drilling this year leads to a reduction in supply. In addition, a number of near-term government measures to encourage natural gas exploration and development, including reduced royalties, should lead to an increase in exploration activity in 2010. This, in turn, should stimulate demand for seismic information. In this environment, Pulse Seismic should return to profitability.

COMPARISONS

As shown below, Pulse Seismic is trading at a discount to the three comparable U.S. companies which we have chosen on a Price/Book Value basis. As we do not expect the Company to have significant earnings in 2009 or 2010, we believe this is a valid method of comparing the companies.

If Pulse Seismic stock were to trade at the average P/BV multiple of the other three companies, it would have capital appreciation potential from current levels.

The three comparatives are:

- (1) Dawson Geophysical Company;
- (2) Geokinetics Inc.; and
- (3) TGC Industries Inc.

Company	Symbol	Price	Shs. O/S (million)	Mkt. Cap. (S million)	EPS 2009e	EPS 2010e	P/E 2009e	P/E 2010e	BV (ttm)	Price to Book
Dawson Geophysical	DWSN	\$24.23	7.8	198	\$1.42	\$0.13	17.1	nmf	\$25.56	0.95
Geokinetics Inc.	GOK	\$15.58	10.6	183	\$0.43	\$0.46	36.2	33.9	\$12.96	1.20
TGC Industries	TGE	\$3.54	18.3	73	\$0.25	\$0.16	14.2	22.1	\$3.12	1.13
Average							22.5	28.0		1.09
Pulse Seismic	PSD	\$1.12	53.1	62.7	(\$0.04)	\$0.05	---	22.4	\$1.20	0.93

Source: eResearch

MANAGEMENT

Douglas Cutts, President & CEO
Brent Gale, Vice-President Operations and COO
Pamela Wicks, Vice-President Finance
Neal Coleman, Vice-President Sales and Marketing

BOARD OF DIRECTORS

Douglas Cutts, Brent Gale, Pamela Wicks, Neal Coleman, Graham Weir, Daphne Corbett, Arthur Dumont, Robert Robotti, Don West, and Clark Zentner.

CORPORATE INFORMATION

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