# Q1 2025 Financial Report

CMG

# Contents

# CEO Letter to Shareholders

August 7, 2024

Dear fellow shareholders,

In my last letter, I used a Cricket analogy (my favorite sport). CMG employees know very well how often I describe our company as a high performing sports team, as sports and business have a lot in common. Tennis is my second favorite sport and so I'm kicking off this letter with some thoughts on Roger Federer. This is someone I admire for, among many things, his humility, relentless dedication, and tremendous mental discipline. His recent commencement address at Dartmouth University provides a good setup for me to discuss our most recent quarter.

The first lesson he shared in his address is that "effortless is a myth". He emphasized "I had to work very hard… to make it look easy". In many ways, that is what the last quarter was about. I've said before that we are going through a multi-year transformation, that patience will be important and hard work even more so. This past quarter, we set expectations about our performance, worked diligently towards those goals and delivered solid results.

In the CMG operating segment, we delivered revenue consistent with our expectation for low double-digit annual growth. We grew annuity/maintenance revenue by 14% and total revenue by 12% compared to Q1 2024. We continue to see strength internationally through new clients and increased usage. Additionally, we achieved some incremental growth this quarter from energy transition, with 28% of software revenue now coming from this sector - an increase from 22% in the prior year period and 24% in Q4 2024. The sequential increase from Q4 2024 was mainly a result of non-recurring perpetual license sales in the current quarter related to energy transition. Costs were up compared to the first quarter of last year, due in large part to the investments we've made to headcount, yet we maintained profitability, delivering Adjusted EBITDA margin of 42% this quarter. Free Cash Flow of $5.7 million was strong yet declined from the prior year period. This was mostly a result of the inclusion of BHV whose Free Cash Flow is impacted by the timing of their revenue recognition. The CMG operating segment demonstrated a modest increase in Free Cash Flow on a stand-alone basis. We ended the quarter with $69 million in cash, keeping us well positioned as we evaluate acquisition opportunities.

In the BHV operating segment, services revenue declined slightly, which was not unexpected, as there are fluctuations in the timing and pace of consulting services. We continue to emphasize building market awareness, understanding and adoption of the software offerings, particularly InteractivAI. We are gearing up for the newest release, InteractivAI 5, which introduces significant functionality enhancements that have been developed alongside customer feedback. The new version will be officially launched at the IMAGE conference being held in Houston at the end of August and early market feedback has been encouraging.

## Coflow

Recently, we announced that our CCS workflow solution had been selected by Sval Energy for their Trudvang project in the North Sea. This was strategically important to CMG for two reasons.

First, I have not been shy about sharing our approach to CoFlow commercialization. I believe CoFlow solves a real problem and delivers quantifiable benefits, not only for complex, capital-intensive deep-water exploration but equally for energy transition, specifically carbon transportation and storage. While this is but one proof point, it is a first step in demonstrating the commercial opportunity for CoFlow.

Second, it clearly demonstrates the value of prioritizing our investment in strategic partnerships. Developing CO2LINK alongside Kongsberg Digital is a prime example of how we are putting ourselves in the right place with the right partnerships. The ability to seamlessly link KDI's transient wellbore modelling into our workflow strengthens our product offering and enhances the value that we deliver to our clients through a strong, strategic partnership.

## Board

As CEO, I have the good fortune at CMG to work with a talented and engaged board of directors. It was a pleasure to welcome Alex Davern earlier this year as we continued with our board refreshment process, adding critical skills that will support our continued strategic execution. As we look towards our Annual General Meeting to be held on September 5th, our shareholders will note that we have filed our information circular which includes an additional change to our proposed board slate for the coming year. John Billowits is not standing for re-election this year. John has been a trusted mentor since I joined the company and he was instrumental as we developed a strategic plan that, for the first time in the Company's history, included a specific mandate to deploy capital towards acquisitions. John's guidance and expertise was critical in setting up our M&A approach, processes and financial metrics, and his leadership in this regard has set CMG up for continued success. I would like to extend my deepest gratitude for his mentorship as he moves on to focus on his other commitments, and I know that he will remain a champion of CMG and a close personal confidant.

I am extremely pleased to say that Birgit Troy accepted a nomination to the board and is standing for election at the upcoming meeting. Birgit is an exceptional software executive with over 20 years of experience growing global operations, both organically and through M&A. During her time as Portfolio CFO at Lumine Group, she led M&A efforts to acquire, optimize and grow 16 global vertical market software businesses.

Birgit has been an external advisor to CMG executives since April of 2023 and in that time, has developed a strong understanding of our business, both financially and operationally. Having worked closely with her, I am confident that she will bring tremendous value as we continue to execute our CMG 4.0 strategy.

## In closing

From September 23rd to 25th, we will be participating in ATCE (The Society of Petroleum Engineers Annual Technical Conference and Exhibition) in Houston. This event has historically been one of the two most prominent for CMG (the other being ADIPEC held in Abu Dhabi in November). It is a valuable time for us to engage and connect with our customers, gather critical feedback that helps inform our product development and customer support initiatives, and raise market awareness. I am personally looking forward to those conversations and to participating in panel discussions. We anticipate a very busy few days providing demos and presentations.

"It's only a point". Back to Roger Federer, this is the second lesson in his commencement address. He explained that in tennis, perfection is impossible. He won almost 80% of his matches but only 54% of the points. He goes on to say "When you're playing a point, it is the most important thing in the world. But when it's behind you, it's behind you. This mindset is really crucial, because it frees you to fully commit to the next point… and the next one after that… with intensity, clarity and focus." We have had a solid start to fiscal 2025 and remain well positioned to execute our strategy of building a durable growth company. We continue moving forward with acute focus on the next "point".

Sincerely,

Pramod Jain

Chief Executive Officer

This letter to shareholders forms an integral part of our Management's Discussion and Analysis (“MD&A”) and includes forward-looking information and forward-looking statements (together, "Forward Looking Statements") within the meaning of applicable securities laws, and measures that do not have a standard meaning prescribed by the IFRS Accounting Standards ("IFRS"), including the financial measure "Free Cash Flow" to indicate financial performance. For detailed information on these Forward-Looking Statements, non-IFRS measures, and associated risks, please see the relevant sections in our MD&A dated August 7, 2024, accessible on SEDAR+ (www.sedarplus.ca) and our website (www.cmgl.ca/investors/financial-reports).

Computer Modelling Group Ltd. announces its first quarter results for the three months ended June 30, 2024.

## FIRST QUARTER 2025 CONSOLIDATED HIGHLIGHTS

*Select financial highlights*

- Generated total revenue of $30.5 million in the first quarter of fiscal 2025, compared to $20.7 million in the prior year's quarter, reflecting a 12% increase in CMG's revenue and a 35% contribution from BHV;
- Operating profit decreased to $5.7 million, a decrease of 42% from the same period of the previous fiscal year, primarily due to an increase in stock-based compensation in the quarter as a result of the increase in share price. Adjusted operating profit decreased by 5% from the same period of the previous fiscal year, with CMG contributing to 3% and BHV contributing to 2% of the decrease;
- Adjusted EBITDA Margin was 31%, compared to 48% in the same period of the previous fiscal year with CMG generating 42% and BHV generating (4%) in Adjusted EBITDA Margin;
- Net income during the period was $4.0 million, a 43% decrease compared to the prior year's quarter;
- Earnings per share was $0.05, a 44% decrease compared to the prior year's quarter;
- Reported Free Cash Flow of $0.07 per share, a decrease of 22%, primarily due to BHV generating negative cash flows.

### *First Quarter Overview*

In the first quarter, total revenue grew by 47% from the prior fiscal year to $30.5 million, reflecting the acquisition of Bluware ("BHV") which contributed 35%, and growth within the CMG operating segment of 12%. Adjusted EBITDA Margin was 31% compared to 48% in the prior year period reflecting the acquisition of BHV which currently operates at a lower margin than CMG and a modest decline in Adjusted EBITDA in the CMG operating segment, discussed below. Net income for the quarter declined to $4.0 million from $6.9 million in the prior year period, significantly impacted by an increase in stock-based compensation expense driven by the share price increase. Free Cash Flow declined from $0.09 per share in the prior period to $0.07 per share, impacted by the lower Free Cash Flow generation at BHV resulting from seasonality associated with revenue recognition. At June 30, 2024, the cash balance was $69.1 million. In the first quarter, our effective tax rate increased due to a prior year tax adjustment relating to the acquisition of BHV.

The CMG operating segment delivered solid total revenue growth with a 12% increase in total revenue, comprised of a 14% increase in software revenue while professional services revenue remained constant. Growth was underpinned by the US and Eastern Hemisphere regions and included an increase in usage attributable to energy transition, which, as a percentage of CMG software revenue, was 28% for the first quarter. Operating profit in the first quarter declined by $3.6 million, or 37%, from the prior year period driven materially by an increase in stock-based compensation of $2.8 million as a result of the increase in share price and increased amortization on acquired IP of $0.5 million. The remaining decrease compared to the prior year period relates to direct employee expenses as we increased compensation, both salaries and bonuses, and headcount, across all departments to support our growth. Sequentially from Q4 2024, expenses, adjusted for stock-based compensation and amortization on acquired IP, declined slightly. CMG operating segment Adjusted EBITDA Margin in the quarter decreased to 42% from 48% in the prior fiscal year, due primarily to higher expenses described above, but represented a sequential increase from 40% in the fourth quarter of 2024. We anticipate that the CMG operating segment can achieve low double digit total revenue growth on an annual basis while maintaining Adjusted EBITDA margins in the mid-40% range.

Subsequent to the end of the quarter, Sheldon Harbinson, VP Americas, has transitioned out of the organization. The sales organization is now structured with regional sales directors reporting to Dave Montana, VP Global Sales, who joined the organization on May 28, 2024.

In the BHV operating segment, as expected, software license revenue of $1.8 million in the first quarter was down sequentially from the fourth quarter of this fiscal year. This is largely due to lower annuity license fee revenue, which depends on the timing of both contract renewals, which are currently weighted to the third and fourth quarters, and the addition of new contracts. Professional services revenue also experienced a modest sequential decline which is not unexpected as activity levels can fluctuate in the consulting practice. This combination of factors impacted Adjusted EBITDA and Adjusted EBITDA Margin for the quarter, which declined to ($0.3 million), or (4%), from $0.9 million, or 10%, in the fourth quarter of last year. We anticipate that given the fluctuations in revenue recognition, Adjusted EBITDA will be lowest in Q1 and Q2 of each year and would encourage shareholders to evaluate the BHV operating segment profitability on a full-year basis.

## SUMMARY OF FINANCIAL PERFORMANCE

| | CMG | | BHV | | Consolidated | |
|---|---|---|---|---|---|---|
| **Three months ended June 30,**<br>($ thousands, except per share data) | **2024** | 2023 | **2024** | 2023 | **2024** | 2023 |
| Annuity/maintenance licenses | **17,757** | 15,607 | **1,578** | - | **19,335** | 15,607 |
| Annuity license fee | **-** | - | **178** | - | **178** | - |
| Perpetual licenses | **2,110** | 1,849 | **-** | - | **2,110** | 1,849 |
| Total software license revenue | **19,867** | 17,456 | **1,756** | - | **21,623** | 17,456 |
| Professional services | **3,280** | 3,292 | **5,620** | - | **8,900** | 3,292 |
| **Total revenue** | **23,147** | 20,748 | **7,376** | **-** | **30,523** | 20,748 |
| *Total revenue growth* | **12%** | *29%* | | | **47%** | *29%* |
| *Annuity/maintenance licenses growth* | **14%** | *15%* | | | **24%** | *15%* |
| Cost of revenue | **2,620** | 1,905 | **3,572** | - | **6,192** | 1,905 |
| Operating expenses | | | | | | |
| Sales & marketing | **4,141** | 2,355 | **790** | - | **4,931** | 2,355 |
| Research and development | **6,051** | 4,052 | **2,194** | - | **8,245** | 4,052 |
| General & administrative | **4,144** | 2,672 | **1,345** | - | **5,489** | 2,672 |
| Operating expenses | **14,336** | 9,079 | **4,329** | - | **18,665** | 9,079 |
| **Operating profit** | **6,191** | 9,764 | **(525)** | - | **5,666** | 9,764 |
| *Operating Margin* | ***27%*** | *47%* | ***(7%)*** | -% | ***19%*** | *47%* |
| Acquisition related expenses | **-** | - | **188** | - | **188** | - |
| Amortization of acquired intangible assets | **575** | 57 | **90** | - | **665** | 57 |
| Stock-based compensation | **2,906** | 104 | **-** | - | **2,906** | 104 |
| **Adjusted operating profit** (1) | **9,672** | 9,925 | **(247)** | - | **9,425** | 9,925 |
| *Adjusted Operating Margin* (1) | ***42%*** | *48%* | ***(3%)*** | -% | ***31%*** | *48%* |
| **Net income (loss)** | **5,365** | 6,904 | **(1,401)** | - | **3,964** | 6,904 |
| Adjusted EBITDA (1) | **9,702** | 9,948 | **(265)** | - | **9,437** | 9,948 |
| *Adjusted EBITDA Margin* (1) | ***42%*** | *48%* | ***(4%)*** | -% | ***31%*** | *48%* |
| Earnings per share – basic | | | | | **0.05** | 0.09 |
| Free Cash Flow per share – basic (1) | | | | | **0.07** | 0.09 |

(1) Non-IFRS financial measures are defined in the "Non-IFRS Financial Measures" section.

# MANAGEMENT'S DISCUSSION AND ANALYSIS

This Management's Discussion and Analysis ("MD&A") of financial condition and results of operations for Computer Modelling Group Ltd. ("CMG Group", the "Company", "we" or "our"), dated August 7, 2024, should be read in conjunction with CMG Group's unaudited condensed consolidated interim financial statements (the "Financial Statements") and accompanying notes for the three months ended June 30, 2024 and 2023 and CMG Group's Annual Information Form dated May 22, 2024 ("AIF"), which are available under CMG Group's SEDAR+ profile at www.sedarplus.ca.

The Financial Statements have been prepared in accordance with IFRS Accounting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB"). The Financial Statements are presented in Canadian dollars, which is the functional and presentation currency of CMG Group.

Figures within this MD&A are presented in Canadian dollars, unless otherwise indicated. Financial data, other than the non-IFRS financial measures, have been prepared in accordance with IFRS Accounting Standards.

This MD&A was reviewed and approved by the Audit Committee and Board of Directors and is effective August 7, 2024.

## FORWARD-LOOKING INFORMATION

Certain information included in this MD&A and the CEO Letter to Shareholders (attached hereto and incorporated by reference) is forward-looking. Forward-looking information includes statements that are not statements of historical fact and which address activities, events, or developments, that the Company expects or anticipates will or may occur in the future, including such things as investment objectives and strategy, the development plans and status of the Company's software development projects, the Company's intentions, results of operations, levels of activity, future capital and other expenditures (including the amount, nature and sources of funding thereof), business prospects and opportunities, research and development timetable, and future growth and performance. When used in this MD&A, statements to the effect that the Company or its management "believes", "expects", "expected", "plans", "may", "will", "projects", "anticipates", "estimates", "would", "could", "should", "endeavors", "seeks", "predicts" or "intends" or similar statements, including "potential", "opportunity", "target" or other variations thereof that are not statements of historical fact should be construed as forward-looking information. These statements reflect management's current beliefs with respect to future events and are based on information currently available to management of the Company. The Company believes that the expectations reflected in such forward-looking information are reasonable, but no assurance can be given that these expectations will prove to be correct and such forward-looking information should not be unduly relied upon.

Forward-looking information contained in this MD&A is based on management's expectations and assumptions regarding, among other things:

- future software license, maintenance and professional services sales;
- mix of revenues and potential variances from period to period;
- ability of the CMG operating segment to maintain Adjusted EBITDA Margin in excess of 40%;
- ability of the CMG operating segment to achieve double digit total revenue growth on an annual basis;
- allocation of purchase price for completed acquisitions;
- acquisition-related expenses, including the potential for further performance-based earnout;
- goodwill impairment tests and the possibility of future impairment adjustments;
- amortization of intangible assets and stock-based compensation;
- the continued financing by and participation of CMG's CoFlow partner and it being completed in a timely manner, and the associated costs and future revenue related to CoFlow;
- market demand for advanced simulation processes and complex recovery methods to address production declines in aging assets;
- the Company's ability to increase or sustain its revenue in a volatile oil price environment;
- the Company's ability to pay dividends;
- the Company's ability to continue current research activities and new product development;
- the Company's ability to capture market share in energy transition;
- the Company's ability to recruit and retain qualified staff;
- the Company's ability to recognize financial results of acquiring BHV; and

- the Company's ability to successfully execute on commercial partnerships and acquisitions.

Forward-looking information is not a guarantee of future performance and involves a number of risks and uncertainties, only some of which are described herein. Many factors could cause the Company's actual results, performance or achievements, or future events or developments to differ materially from those expressed or implied by the forward-looking information including, without limitation, the following factors, which are discussed in greater detail in the "Business Risks" section of this MD&A:

- Economic conditions in the energy industry;
- Reliance on key customers;
- Foreign exchange;
- Economic and political risks in countries where the Company currently does or proposes to do business;
- Increased competition;
- Reliance on employees with specialized skills or knowledge;
- Protection of proprietary rights;
- Information security breaches or other cyber-security threats; and
- Ability to successfully execute on acquisitions and to integrate acquired businesses and assets.

Should one or more of these risks or uncertainties materialize, or should assumptions underlying the forward-looking statements prove incorrect, actual results, performance or achievement may vary materially from those expressed or implied by the forward-looking information contained in this MD&A. These factors should be carefully considered, and readers are cautioned not to place undue reliance on forward-looking information, which speaks only as of the date of this MD&A. All subsequent forward-looking information attributable to the Company herein is expressly qualified in its entirety by the cautionary statements contained in or referred to herein. The Company does not undertake any obligation to release publicly any revisions to forward- looking information contained in this MD&A to reflect events or circumstances that occur after the date of this MD&A or to reflect the occurrence of unanticipated events, except as may be required under applicable securities laws.

## CORPORATE PROFILE

CMG Group is a global software and consulting company providing advanced reservoir modelling capabilities to the energy industry. Through acquisitions, the Company has expanded to include software and services specializing in cloud and interactive deep learning solutions for subsurface decision-making including seismic interpretation. We provide cutting-edge technologies that support critical field development decisions for upstream planning and energy transition strategies. The Company has a diverse customer base of international oil and gas production and exploration companies in approximately 60 countries. The Company also provides professional services consisting of highly specialized support, consulting, training, and contract research activities. CMG Group has sales and technical support services based in Calgary, Houston, Oxford, Dubai, Bogota, Rio de Janeiro, Bengaluru, Kuala Lumpur and Oslo. Our Common Shares are listed on the Toronto Stock Exchange ("TSX") and trade under the symbol "CMG". CMG Group and its subsidiaries include the following: Computer Modelling Group Inc., CMG Middle East FZ LLC, CMGL Services Company Inc., CMG Europe Ltd., CMG Collaboration Centre India Private Ltd., (together referred to as "CMG"), and CMG Holdings (USA) Inc., Bluware-Headwave Ventures Inc., Bluware Inc., and Bluware AS, (together referred to as "BHV" or "Bluware"). CMG and BHV have been identified as the Company's two operating segments.

## BUSINESS OVERVIEW

The Company is a global software and consulting company providing advanced reservoir modelling capabilities, and cloud and interactive deep learning solutions for seismic interpretation to the energy industry. We provide cutting-edge technologies that support critical field development decisions for upstream planning and energy transition strategies.

Since its inception more than 40 years ago, CMG Group made the strategic decision to focus its research and development efforts on providing solutions for the simulation of difficult hydrocarbon recovery techniques, a decision that created the foundation for our dominant market presence today in the simulation of advanced hydrocarbon recovery processes. The Company has demonstrated this commitment by continuously investing in research and development and working closely with its customers to develop simulation tools relevant to the challenges and opportunities they face. We are experts in modelling and de-risking subsurface exploration with the use of advanced physics-based simulation software and expert consulting.

The Company provides market-leading reservoir simulation software, recognized as the industry standard in traditional oil and gas including Enhanced Oil Recovery (“EOR”), Heavy Oil and unconventionals, and in Energy Transition including Carbon Capture and Storage (“CCS”), geothermal and hydrogen. In addition to offering reservoir simulation solutions, we have invested into the development of CoFlow, the industry’s first fully implicit, multi-user and multi-disciplinary Integrated Reservoir and Production System Modelling (“IPSM”) software application. It provides a unified solution for integrated asset modelling by combining reservoir, production networks and geomechanics in one environment and allows reservoir and production engineers to make informed decisions on large, integrated oil and gas projects.

In combination with its principal business of licensing its software, the Company also provides professional services consisting of multi-disciplinary upstream consultants that provide software proficiency and technical competency to build and optimize reservoir development plans.

CMG Group continues to pursue its CMG 4.0 strategy which is aimed at transforming us into a market-led company, driven by sustained organic growth in the reservoir simulation business and the prudent deployment of capital to pursue acquisitions that are accretive to software revenue. The organic growth strategy leverages the momentum towards digitization in the energy industry and the growing need for complex energy transition solutions to drive growth by winning new customers and selling additional products and services to existing customers. The Company sees mergers and acquisitions (“M&A”) as a growth accelerator and maintains a robust and dynamic pipeline of opportunities, investing in both engagement and outreach while continuously evaluating value creation opportunities through inorganic growth.

## Business Model

Our customers have two alternatives for licensing our software:

### *Annuity License Agreements*

Annuity license agreements, which include a term-based software license bundled with maintenance. These agreements provide customers with rights to use the software for a fixed term, typically one year, but could be shorter or longer, and include maintenance consisting of customer support and unspecified upgrades. Annuity license agreements are issued by both CMG and BHV. Each entity allocates 50% of annuity license agreement to software license and 50% to maintenance. Both CMG and BHV recognize the maintenance component of annuity license agreements on a straight-line basis over the license period. This revenue component is recorded under “Annuity/maintenance license revenue”. We generally invoice our customers for the full amount of their contractual payment obligations at the time that they contract with us.

The software license component of the agreement has different revenue recognition for each entity, as follows:

- CMG – Software annuity license revenue is recognized ratably over the term of the agreement and included in “Annuity/maintenance license” revenue.
- BHV – Software annuity license revenue is recognized upfront when the software license is delivered to the customer at the start of the license term. This revenue component is recorded under “Annuity license fee”.

While both annuity/maintenance license revenue and annual license fee represent recurring revenue base, the annual license fee revenue will fluctuate quarterly due to the timing of agreement renewals which tend to be skewed towards the last two quarters of our fiscal year. Our annuity and maintenance license agreements must be renewed upon their agreement expiry. Based on our experience, a majority of customers renew their agreements upon expiry.

Maintenance license revenue is recorded under “Annuity/maintenance license” revenue and recognized on a straight-line basis over the term of the agreement. These agreements are typically renewed annually.

### *Perpetual License Agreements*

Perpetual license agreements grant the customer the right to use the then-current version of software license in perpetuity. This revenue stream is recorded under “Perpetual license” revenue and is recognized at a point in time, upon delivery of the licensed product. Customers purchasing perpetual licenses may also enter into a separate maintenance and support agreement giving them access to customer support and software upgrades. The majority of customers who have acquired perpetual software licenses subsequently purchase a maintenance package.

Perpetual license agreements are entered into by CMG. BHV historically offered perpetual licenses and recognizes maintenance revenue from legacy perpetual licenses. Perpetual licenses are no longer sold by BHV. Perpetual license sales are variable and unpredictable in nature as the purchase decision and its timing fluctuate with the customers' needs and budgets.

We generally invoice our customers for the full amount of their agreement at the time that they contract with us, with payment generally due within a period of 30 days.

We also offer a public cloud solution which enables customers to securely access Company's simulators and submit simulation jobs to some of the latest and fastest hardware available in the industry optimized for maximum efficiency and faster simulation results. The cloud solution gives customers the ability to take advantage of the flexibility and economies of scale with the "pay as you go" model for hardware and CMG software. This currently represents a small part of the Company's business and is reported under annuity/maintenance license revenue. In combination with its principal business of licensing its software, the Company also provides professional services consisting of multi-disciplinary upstream consultants that provide software proficiency and technical competency to build and optimize reservoir development plans.

In addition to consulting, we allocate significant resources to training, which is an instrumental part of our Company's success, as it enables our customers to become more efficient and effective users of our software. Our training is continuous in nature, is offered worldwide, and it helps us in developing and maintaining long-term relationships with our customers.

## NON-IFRS FINANCIAL AND SUPPLEMENTARY FINANCIAL MEASURES

Certain financial measures in this MD&A – namely, Adjusted EBITDA and Adjusted EBITDA Margin, Free Cash Flow, adjusted operating expenses, direct employee costs, adjusted direct employee costs, other corporate costs, adjusted other corporate costs, adjusted operating profit, and Adjusted Operating Profit Margin– do not have a standard meaning prescribed by IFRS and, accordingly, may not be comparable to measures used by other companies. Management believes that these indicators nevertheless provide useful measures in evaluating the Company's performance.

### Adjusted EBITDA and Adjusted EBITDA Margin

Adjusted EBITDA and Adjusted EBITDA Margin refers to net income before adjusting for depreciation and amortization expense, interest income, income and other taxes, stock-based compensation, restructuring charges, foreign exchange gains and losses, repayment of lease obligations, asset impairments, acquisition related costs and other expenses directly related to business combinations, including compensation expenses and gains or losses on contingent consideration. Adjusted EBITDA should not be construed as an alternative to operating income, net income or liquidity as determined by IFRS. The Company believes that Adjusted EBITDA and Adjusted EBITDA Margin are useful supplemental measures as they provide an indication of the results generated by the Company's main business activities prior to consideration of how those activities are amortized, financed or taxed. In addition, management has determined that Adjusted EBITDA and Adjusted EBITDA Margin is a more accurate measurement of the Company's operating performance and our ability to generate earnings as compared to EBITDA and EBITDA Margin.

| | CMG | | BHV | | Consolidated | |
|---|---|---|---|---|---|---|
| **Three months ended June 30,**<br>($ thousands) | **2024** | 2023 | **2024** | 2023 | **2024** | 2023 |
| Net income (loss) | **5,365** | 6,904 | **(1,401)** | - | **3,964** | 6,904 |
| Add (deduct): | | | | | | |
| Depreciation and amortization | **1,498** | 961 | **385** | - | **1,883** | 961 |
| Stock-based compensation | **2,906** | 104 | **-** | - | **2,906** | 104 |
| Acquisition related expenses | **-** | - | **188** | - | **188** | - |
| Gain on contingent consideration | **(199)** | - | **-** | - | **(199)** | - |
| Income and other tax expense | **1,614** | 2,244 | **874** | - | **2,488** | 2,244 |
| Interest income | **(780)** | (760) | **(98)** | - | **(878)** | (760) |
| Foreign exchange loss (gain) | **(255)** | 907 | **83** | - | **(172)** | 907 |
| Repayment of lease liabilities | **(447)** | (412) | **(296)** | - | **(743)** | (412) |
| Adjusted EBITDA (1) | **9,702** | 9,948 | **(265)** | - | **9,437** | 9,948 |
| *Adjusted EBITDA Margin* (1) | ***42%*** | *48%* | ***(4%)*** | *-%* | ***31%*** | *48%* |

(1) This is a non-IFRS financial measure. Refer to definition of the measures above.

Adjusted EBITDA Margin for the three months ended June 30, 2024, was 31%, representing Adjusted EBITDA decrease of 5% from the same period of the previous fiscal year.

CMG's Adjusted EBITDA Margin is 42% for the three months ended June 30, 2024, compared to 48% in the prior year comparative quarter, primarily due to an increase in operating expenses as a result of an increase in headcount and headcount related costs and other corporate costs. Refer to the "Operating Expenses" section of this MD&A for further detail on the increase in operating expenses by category.

BHV's Adjusted EBITDA Margin is (4%) for the three months ended June 30, 2024. Contract renewals at BHV typically occur in the third and fourth quarters, resulting in Adjusted EBITDA fluctuation on a quarterly basis. As a result of annuity license fee revenue recognition being skewed towards the last two quarters of the fiscal year, Adjusted EBITDA is expected to be lower in the first and second quarters of the fiscal year.

## Free Cash Flow Reconciliation to Funds Flow from Operations

Free Cash Flow is a non-IFRS financial measure that is calculated as funds flow from operations less capital expenditures and repayment of lease liabilities. Free Cash Flow per share is calculated by dividing Free Cash Flow by the number of weighted average outstanding shares during the period. Management believes that this measure provides useful supplemental information about operating performance and liquidity, as it represents cash generated during the period, regardless of the timing of collection of receivables and payment of payables, which may reduce comparability between periods. Management uses free cash flow and free cash flow per share to help measure the capacity of the Company to pay dividends and invest in business growth opportunities.

| | Fiscal 2023 | | | Fiscal 2024 | | | | **Fiscal 2025** |
|---|---|---|---|---|---|---|---|---|
| ($ thousands, unless otherwise stated) | Q2 | Q3 | Q4 | Q1 | Q2 | Q3 | Q4 | **Q1** |
| Funds flow from operations | 4,974 | 8,169 | 7,656 | 7,920 | 11,491 | 8,477 | 10,367 | **6,515** |
| Capital expenditures(1) | (130) | (211) | (1,707) | (45) | (51) | (459) | (95) | **(93)** |
| Repayment of lease liabilities | (339) | (413) | (553) | (412) | (412) | (728) | (803) | **(743)** |
| Free Cash Flow | 4,505 | 7,545 | 5,396 | 7,463 | 11,028 | 7,290 | 9,469 | **5,679** |
| Weighted average shares – basic (thousands) | 80,412 | 80,511 | 80,603 | 80,685 | 80,834 | 81,067 | 81,314 | **81,476** |
| Free Cash Flow per share - basic | 0.06 | 0.09 | 0.07 | 0.09 | 0.14 | 0.09 | 0.12 | **0.07** |

(1) Capital expenditures include cash consideration for USI acquisition in Q4 2023.

Free Cash Flow per share has decreased by 22% for the three months ended June 30, 2024 from the same period of the previous fiscal year. The decrease in Free Cash Flow is primarily a result of negative cash flow generated in the BHV segment, which primarily relates to reduced net income in the period due to revenue recognition being skewed towards the third and fourth quarters of the fiscal year. Additionally, the repayment of lease liabilities has increased compared to the prior year comparative quarter as a result of the acquisition of BHV resulting in a further decrease in free cash flow for the three months ended June 30, 2024, compared to the same period of the previous fiscal year.

## Adjusted operating expenses, direct employee and other corporate costs

Adjusted operating expenses include adjusted direct employee costs and adjusted other corporate costs in which adjustments are made with respect to restructuring costs, stock-based compensation, acquisition of acquired intangible assets, and acquisition related expenses. Adjusted direct employee costs include salaries, bonuses, benefits, commission expenses, and professional development. Adjusted other corporate costs include facility-related expenses, corporate reporting, professional services, marketing and promotion, computer expenses, travel, other office-related expenses, depreciation and amortization on property and equipment and right-of-use assets. Adjusted direct employee costs and adjusted other corporate costs should not be considered an alternative to total operating expenses as determined in accordance with IFRS. People-related costs represent the Company's largest area of expenditure; hence, management considers highlighting separately corporate and direct employee costs to be important in evaluating the quantitative impact of cost management of these two major expenditure pools. See "Operating Expenses" heading for a reconciliation of direct employee costs and other corporate costs to total operating expenses.

## Adjusted Operating Profit and Adjusted Operating Profit Margin

Adjusted Operating Profit and Adjusted Operating Profit Margin are non-IFRS financial measures. They do not have a standard meaning prescribed by IFRS and, accordingly, may not be comparable to measures used by other companies. Adjusted Operating Profit is calculated as operating profit excluding restructuring charges, stock-based compensation, amortization of acquired intangible assets, and acquisition-related expenses. Management believes that analyzing the Company's performance exclusive of these items illustrates underlying trends in our business and provides better comparability between periods. See "Operating Expenses" heading for analysis on items that impact Adjusted Operating Profit.

| | CMG | | BHV | | Consolidated | |
|---|---|---|---|---|---|---|
| **Three months ended June 30,**<br>($ thousands) | **2024** | 2023 | **2024** | 2023 | **2024** | 2023 |
| Operating profit | **6,191** | 9,764 | **(525)** | - | **5,666** | 9,764 |
| Add: | | | | | | |
| Acquisition related expenses | **-** | - | **188** | - | **188** | - |
| Amortization of acquired intangible assets | **575** | 57 | **90** | - | **665** | 57 |
| Stock-based compensation | **2,906** | 104 | **-** | - | **2,906** | 104 |
| Adjusted operating profit (1) | **9,672** | 9,925 | **(247)** | - | **9,425** | 9,925 |
| *Adjusted Operating Margin (1)* | ***42%*** | *48%* | ***(3%)*** | *-%* | ***31%*** | *48%* |

(1) This is a non-IFRS financial measure. Refer to definition of the measures above.

## SUMMARY OF CONSOLIDATED FINANCIAL RESULTS

| **Three months ended June 30,**<br>($ thousands) | **2024** | 2023 | % change |
|---|---|---|---|
| Total revenue | **30,523** | 20,748 | 47% |
| Cost of revenue | **6,192** | 1,905 | 225% |
| Operating expenses | **18,665** | 9,079 | 106% |
| Operating profit | **5,666** | 9,764 | (42%) |
| Net finance income (cost) | **587** | (616) | 195% |
| Change in fair value of contingent consideration | **199** | - | 100% |
| Income taxes | **2,488** | 2,244 | 11% |
| Net income | **3,964** | 6,904 | (43%) |

As a result of CMG Group's acquisition of BHV on September 25, 2023, the Company's operations are organized into two reportable operating segments represented by CMG; the development and licensing of reservoir simulation software, and BHV; the development and licensing of seismic interpretation software. As such, we have prepared the below analysis to follow a consolidated format including analysis from both segments to allow users to understand and sufficiently compare results from each segment separately.

With the acquisition of BHV in the prior year, we added a new software license revenue category labelled "Annuity license fee". The section below will provide further detail with respect to revenue categories.

### *REVENUE*

### Software License Revenue

Software license revenue is made up of annuity/maintenance license fees and annuity license fees charged for the use of the Company's software products and BHV's software products respectively and are both generally for a term of one year or less. Software license revenue also includes perpetual software license sales, whereby the customer purchases the then-current version of the software and has the right to use that version in perpetuity. Annuity/maintenance license fees have historically had a high renewal rate and, accordingly, provide a recurring revenue stream. The total annual contract value of the annuity license fee is allocated 50% to the standalone software license fee and 50% to maintenance (included in "Annuity/maintenance license revenue" and recognized over the license term).

The software license fee for CMG is recognized evenly over the term of the contract within “Annuity/maintenance license revenue”, and for BHV is recognized upfront under “Annuity license fee.” The annuity license fee is recognized in revenue when the software license is delivered to the customer at the start of the license term. As such, annuity license fee, while recurring in nature, will fluctuate due to the timing of contract renewals, and may not be indicative of the performance in a particular reporting period.

Perpetual license sales are more variable and unpredictable in nature as the purchase decision and its timing fluctuate with the customers’ needs and budgets. The majority of CMG’s customers, who have acquired perpetual software licenses, subsequently purchase our maintenance package to ensure ongoing product support and access to current versions of CMG’s software.

## Software License Revenue

| **Three months ended June 30,** ($ thousands) | **2024** | 2023 | % change |
|---|---|---|---|
| Annuity/maintenance licenses | **19,335** | 15,607 | 24% |
| Annuity license fee | **178** | - | 100% |
| Perpetual licenses | **2,110** | 1,849 | 14% |
| Total software license revenue | **21,623** | 17,456 | 24% |
| Professional services | **8,900** | 3,292 | 170% |
| Total revenue | **30,523** | 20,748 | 47% |

Total software license revenue for the three months ended June 30, 2024 increased by 24%, compared to the same period of the previous fiscal year, of which 10% is due to the BHV acquisition and 14% is due to increases in CMG annuity/maintenance and perpetual license revenue.

*Annuity/Maintenance license revenue*

Annuity/maintenance license revenue increased by 24% during the three months ended June 30, 2024, compared to the same period of the previous fiscal year, of which 10% is due to the BHV acquisition and 14% is due to annuity/maintenance license revenue growth of CMG. We continue to see a strong contribution to total software license revenue growth from energy transition customers and estimate during the three months ended June 30, 2024, that 28% of total CMG segment software license revenue is related to energy transition.

*Annuity license fee*

Annuity license fee revenue relates to BHV. This revenue stream is expected to fluctuate quarterly depending on the timing of contract renewals as the annuity license fees are recognized in revenue when the software license is delivered. Historically, a majority of contracts renew during the third and fourth quarters.

*Perpetual license revenue*

Perpetual license revenue in CMG increased by 14% during the three months ended June 30, 2024, compared to the same period of the previous fiscal year, due to perpetual license sales generated in the United States and Asia.

*Foreign Exchange Impact*

We can observe from the tables below that the change in the exchange rate used to convert US dollar denominated revenue to Canadian dollars had a minimal negative impact on reported annuity/maintenance license revenue during the three months ended June 30, 2024, compared to the same period of the previous fiscal year.

| Three months ended June 30, ($ thousands) | 2023 | Incremental License Growth | Acquired | FX Impact | 2024 |
|---|---|---|---|---|---|
| Annuity/maintenance license | 15,607 | 2,333 | 1,578 | (183) | **19,335** |
| Annuity license fee | - | - | 178 | - | **178** |
| Perpetual license | 1,849 | 247 | - | 14 | **2,110** |
| Total software license revenue | 17,456 | 2,580 | 1,756 | (169) | **21,623** |

### Software Revenue by Geographic Region

| Three months ended June 30, ($ thousands) | 2024 | 2023 | % change |
|---|---|---|---|
| ***Annuity/maintenance license*** | | | |
| Canada | **3,229** | 3,241 | -% |
| United States | **4,618** | 4,254 | 9% |
| South America | **2,336** | 1,822 | 28% |
| Eastern Hemisphere (1) | **9,152** | 6,290 | 46% |
| | **19,335** | 15,607 | 24% |
| ***Annuity license fee*** | | | |
| Canada | **-** | - | -% |
| United States | **40** | - | 100% |
| South America | **33** | - | 100% |
| Eastern Hemisphere (1) | **105** | - | 100% |
| | **178** | - | 100% |
| ***Perpetual license*** | | | |
| Canada | **-** | 115 | (100%) |
| United States | **1,337** | 233 | 474% |
| South America | **-** | - | -% |
| Eastern Hemisphere (1) | **773** | 1,501 | (49%) |
| | **2,110** | 1,849 | 14% |
| ***Total software license revenue*** | | | |
| Canada | **3,229** | 3,356 | (4%) |
| United States | **5,995** | 4,487 | 34% |
| South America | **2,369** | 1,822 | 30% |
| Eastern Hemisphere (1) | **10,030** | 7,791 | 29% |
| | **21,623** | 17,456 | 24% |

(1) Includes Europe, Africa, Asia and Australia.

During the three months ended June 30, 2024, compared to the same period of the previous fiscal year, total software license revenue increased in all geographic regions, with the exception of a slight decrease in Canada.

The Canadian region (representing 15% of year-to-date total software license revenue) experienced consistent annuity/maintenance revenue compared to the same period in the previous fiscal year. Perpetual license revenue decreased by 100% for the three months ended June 30, 2024, compared to the same period of the previous fiscal year, due to no perpetual sales being generated in the quarter. BHV has no customers domiciled in Canada and therefore no revenue contribution to this region.

The United States (representing 28% of year-to-date total software license revenue) experienced an increase of 9% in annuity/maintenance license revenue during the three months ended June 30, 2024, compared to the same period in the previous fiscal year. BHV made up 6% of the increase in annuity/maintenance license revenue for the three months ended June 30, 2024. CMG annuity/maintenance license revenue increased by 3% for the three months ended June 30, 2024, compared to the same period of the previous fiscal year, primarily due to new customers. Annuity license fee revenue increased by 100% for the three months ended June 30, 2024, as a result of the acquisition of BHV. Perpetual license revenue, all attributable to CMG, increased by 474% during the three months ended June 30, 2024, compared to the same period in the previous fiscal year due to new customer license sales recorded in the period.

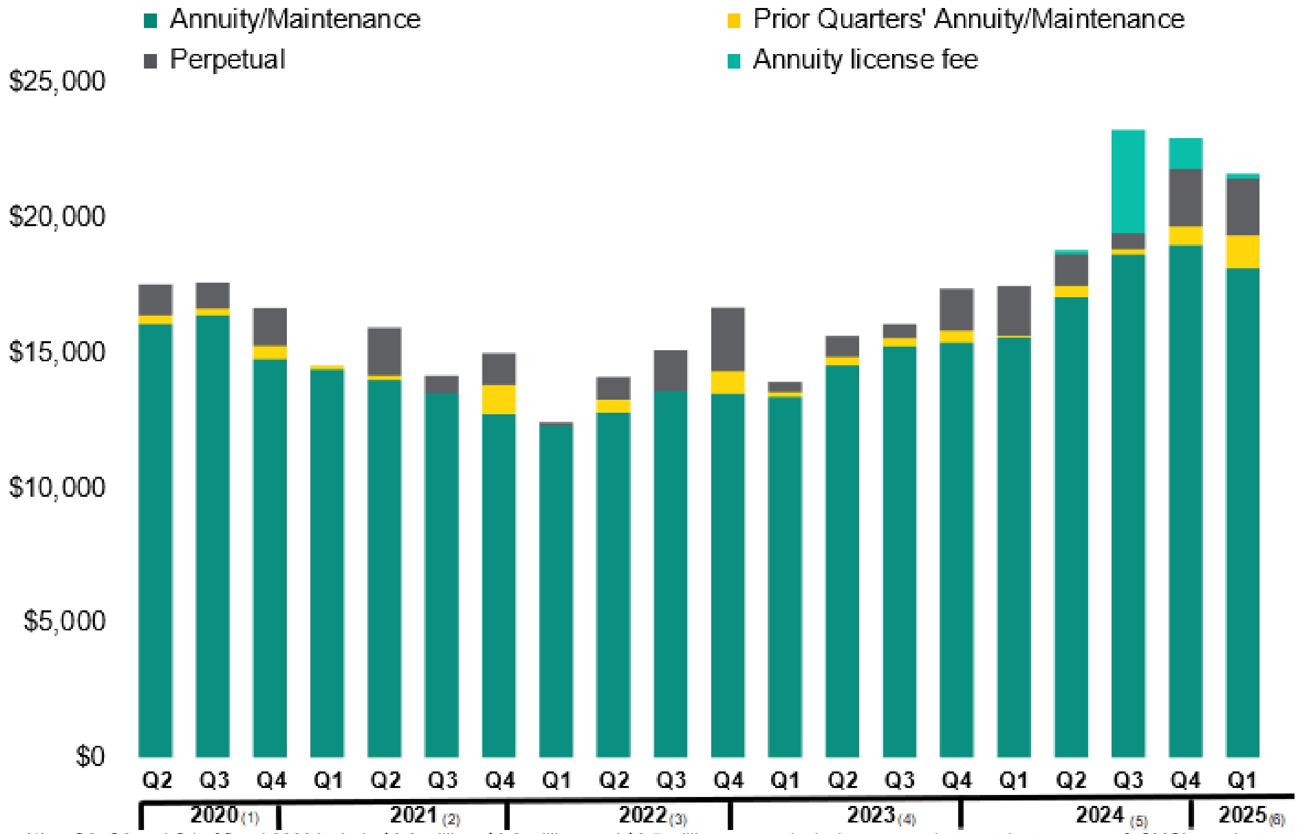
South America (representing 11% of year-to-date total software license revenue) experienced an increase of 28% in annuity/maintenance license revenue during the three months ended June 30, 2024, compared to the same period in the previous fiscal year. BHV made up 18% of the increase in annuity/maintenance license revenue for the three months ended June 30, 2024. CMG annuity/maintenance license revenue increased by 10% for the three months ended June 30, 2024 compared to the same period of the previous fiscal year due to increased license fees, increased licensing by existing customers and timing of contract renewals. Annuity license fee revenue increased by 100% for the three ended June 30, 2024, as a result of the acquisition of BHV. While there were no perpetual license sales in the current quarter, this is consistent with the same period in the previous fiscal year.

The Eastern Hemisphere (representing 46% of year-to-date total software license revenue) experienced an increase of 46% in annuity/maintenance license revenue during the three months ended June 30, 2024, compared to the same period in the previous fiscal year. BHV made up 16% of the increase in annuity/maintenance license revenue for the three months ended June 30, 2024. CMG annuity/maintenance license revenue increased by 30% for the three months ended June 30, 2024, compared to the same period of the previous fiscal year, due to new customers, increased licensing by existing customers, increased license fees and revenue recognized in the current period for products provided in previous quarters. Annuity license fee revenue has increased by 100% for the three months ended June 30, 2024, as a result of the acquisition of BHV. Perpetual license sales decreased by 49% for the three months ended June 30, 2024, compared to the same period of the previous fiscal year, primarily due to fewer perpetual sales in the Asia region.

**Consolidated Quarterly Software License Revenue**

As footnoted in the Consolidated Quarterly Software License Revenue graph, during the normal course of business CMG may complete the negotiation of certain annuity/maintenance contracts and/or fulfill revenue recognition requirements within a current quarter that includes usage of CMG's products in prior quarters. This situation particularly affects contracts negotiated with countries that face increased economic and political risks, leading to the revenue recognition criteria being satisfied only at the time of the receipt of cash. The dollar magnitude of such contracts may be significant to the quarterly comparatives of our annuity/maintenance license revenue stream. To provide a normalized comparison, we specifically identify the revenue component where revenue recognition is satisfied in the current period for products provided in previous quarters. Please refer to the yellow bars and the footnotes in the following graph:

( $ thousands)




(1) Q2, Q3 and Q4 of fiscal 2020 include $0.3 million, $0.2 million, and $0.5 million, respectively, in revenue that pertains to usage of CMG's products in prior quarters.
(2) Q1, Q2, Q3 and Q4 of fiscal 2021 include $0.2 million, $0.2 million, $nil, and $1.1 million, respectively, in revenue that pertains to usage of CMG's products in prior quarters.
(3) Q1, Q2, Q3 and Q4 of fiscal 2022 include $nil, $0.5 million, $nil, and $0.8 million, respectively, in revenue that pertains to usage of CMG's products in prior quarters.
(4) Q1, Q2, Q3 and Q4 of fiscal 2023 includes $0.2 million, $0.3 million, $0.3 million, and $0.4 million, respectively, in revenue that pertains to usage of CMG's products in prior quarters.
(5) Q1, Q2, Q3, and Q4 of fiscal 2024 include $0.1 million, $0.4 million, $0.2 million, and $0.7 million, respectively, in revenue that pertains to usage of CMG's products in prior quarters.
(6) Q1 of fiscal 2025 includes $1.2 million in revenue that pertains to usage of CMG"s products in prior quarters.

## Deferred Revenue

| ($ thousands) | **Fiscal 2025** | Fiscal 2024 | Fiscal 2023 | $ change | % change |
|---|---|---|---|---|---|
| Deferred revenue at: | | | | | |
| Q1 (June 30) | **30,890** | 26,616 | | 4,724 | 16% |
| Q2 (September 30) | | 32,339 | 24,164 | 8,175 | 34% |
| Q3 (December 31) | | 27,089 | 26,717 | 372 | 1% |
| Q4 (March 31) | | 41,120 | 34,797 | 6,323 | 18% |

(1) Q1, Q2, Q3 and Q4 of fiscal 2024 include $nil, $1.4 million, $3.5 million, and $4.4 million, respectively, in deferred revenue that pertains to BHV.
(2) Q1 of fiscal 2025 includes $3.3 million in deferred revenue that pertains to BHV.

The Company's deferred revenue consists primarily of amounts for prepaid licenses. Annuity/maintenance revenue is deferred and recognized ratably over the license period, which is generally one year or less. Amounts are deferred for licenses that have been provided and revenue recognition reflects the passage of time.

The above table illustrates the normal trend in the deferred revenue balance from the beginning of the calendar year (which corresponds with Q4 of our fiscal year), when most renewals occur, to the end of the calendar year (which corresponds with Q3 of our fiscal year). Our fourth quarter corresponds with the beginning of the fiscal year for most oil and gas companies, representing a time when they enter a new budget year and sign/renew their contracts.

The deferred revenue balance at the end of Q1 of fiscal 2025 was 16% higher than in Q1 of fiscal 2024. The BHV acquisition contributed a 12% increase and CMG contributed a 4% increase and was partially positively impacted by timing differences.

### Professional Services Revenue

Professional services revenue consists of specialized consulting, training, and contract research activities. CMG performs consulting and contract research activities on an ongoing basis. Our experience is that consulting activities are variable in nature as both the timing and dollar magnitude of work are dependent on activities and budgets within customer companies. BHV also performs consulting services related to subsurface interpretations and product development related activities including building custom software for their customers. The majority of BHV professional services revenue relates to one customer contract.

Professional services revenue for the three months ended June 30, 2024, was $8.9 million which represents an increase of 170% compared to the same period of the previous fiscal year. The acquisition of BHV contributed 170% of the increase for the three months ended June 30, 2024. CMG's professional services revenue remained consistent with the same period of the previous fiscal year.

## COST OF REVENUE

Cost of revenue primarily consists of direct employee costs, external consultants, overhead costs associated with customer support, training, and consulting, and public cloud hosting applications. These costs are generally related to headcount and are driven by management's decision to add customer success and consulting capacity. In general, these costs fluctuate as a percentage of revenue as the Company adds headcount to support increased demand for our software and consulting services.

| **Three months ended June 30,** ($ thousands) | **2024** | 2023 | % change |
|---|---|---|---|
| Cost of revenue (1) (2) | **6,192** | 1,905 | 225% |

(1) Depreciation and amortization related to property and equipment and right of use assets is $0.1 million for the three months ended June 30, 2024 and 2023.

(2) Stock based compensation is $0.2 million and $0.02 million for the three months ended June 30, 2024 and 2023, respectively.

Cost of revenue increased by 225% for the three months ended June 30, 2024, compared to the same period of the previous fiscal year of which increases from the acquisition of BHV contributed 188%. CMG contributed to an increase of 37% for the three months ended June 30, 2024, primarily due to increased variable compensation and stock-based compensation costs.

## OPERATING EXPENSES

### Sales and marketing

Sales and marketing expenses are comprised primarily of employee salaries, commissions, benefits and stock-based compensation, as well direct costs related to the delivery of marketing programs and events. Sales and marketing expenses also include travel-related expenses and corporate overhead allocations. We plan to continue to expand sales and marketing efforts to attract new customers, retain existing customers and increase revenues from both new and existing customers.

## Research and development

Research and development expenses are comprised primarily of personnel expenses including employee salaries, benefits and stock-based compensation, product-related expenses including product management, product research and development, and other corporate overhead allocations off-set by certain tax benefits realized through the Canadian Scientific Research and Experimental Development Tax Credit program ("SR&ED"). We continue to invest in our research and development program by adding new features and functionality to our products, maintaining our expansive artifact infrastructure, and delivering new products to market.

## General and administrative

General and administrative expenses are comprised primarily of personnel expenses including employee salaries, benefits, and stock-based compensation expense for our administrative, finance, legal, information technology, and people and culture teams, allocated rent expenses, travel and travel related expenses, and general office and administrative expenses, and professional service expenses.

The below table provides a reconciliation of operating expenses to adjusted operating expenses:

| **Three months ended June 30,** ($ thousands) | **2024** | 2023 | % change |
|---|---|---|---|
| Sales and marketing (1)(2) | **4,931** | 2,355 | 109% |
| Research and development (1)(2) | **8,245** | 4,052 | 103% |
| General and administrative (1)(2) | **5,489** | 2,672 | 105% |
| **Operating expenses** | **18,665** | 9,079 | 106% |
| ***% of total revenue*** | ***61%*** | *44%* | |
| Acquisition-related expenses | **(188)** | - | 100% |
| Amortization of acquired intangible assets | **(665)** | (57) | 1067% |
| Stock-based compensation | **(2,674)** | (88) | 2939% |
| **Adjusted operating expenses** (3) | **15,138** | 8,934 | 69% |
| ***% of total revenue*** | ***50%*** | *43%* | |
| Direct employee costs (3) | **13,655** | 6,157 | 122% |
| Other corporate cost (3) | **5,010** | 2,922 | 71% |
| | **18,665** | 9,079 | 106% |

(1) Included in sales and marketing, research and development, and general and administrative expenses is depreciation related to property and equipment, right of use assets, and amortization of acquired intangible assets of $0.1 million, $1.1 million, $0.6 million, respectively, for the three months ended June 30, 2024 (three months ended June 30, 2023, $0.1 million, $0.6 million, $0.2 million, respectively).

(2) Included in sales and marketing, research and development, and general and administrative expenses is stock based compensation expense of $1.1 million, $0.6 million, $1.0 million, respectively, for the three months ended June 30, 2024 (three months ended June 30, 2023, ($0.1 million), $0.2 million, $0.04 million respectively).

(3) This is a non-IFRS financial measure. See the "Non-IFRS Financial Measures" section.

Operating expenses for the three months ended June 30, 2024, increased by 106% compared to the same period of the previous fiscal year. Adjusted total operating expenses increased by 69% for the three months ended June 30, 2024, compared to the same period of the previous fiscal year. The acquisition of BHV contributed 45% of the increase in total adjusted operating costs for the three months ended June 30, 2024, compared to the same period of the previous fiscal year. CMG's total adjusted operating expenses increased by 24% for the three months ended June 30, 2024, compared to the same period of the previous fiscal year, primarily due to an increase in direct employee costs which was significantly impacted by the increase in stock-based compensation as a result of the increase in share price.

*Sales and marketing*

Sales and marketing expenses for the three months ended June 30, 2024, increased by 109% compared to the same period of the previous fiscal year. For the three months ended June 30, 2024, BHV contributed 33% of the increase in sales and marketing expenses. CMG sales and marketing expenses increased by 76% for the three months ended June 30, 2024, compared to the same period of the previous fiscal year. Approximately 67% of the increase in sales and marketing expenses at CMG relates to stock-based compensation, and the remaining increase primarily relates to increased headcount and headcount-related costs as we grow our sales team, increase variable performance-based compensation and agent fees to support increased revenue.

*Research and development*

Research and development expenses for the three months ended June 30, 2024 increased by 103% compared to the same period of the previous fiscal year. For the three months June 30, 2024, BHV contributed 54% of the increase in research and development expenses. CMG's research and development expenses increased by 49% for the three months ended June 30, 2024, compared to the same period of the previous fiscal year due to increased amortization related to acquired intangible assets, increased headcount and headcount related costs resulting from increased headcount, severance and variable compensation, increased stock-based compensation expense which drove 22% of the overall increase in R&D expenses, and increased computer related costs to support client service initiatives.

*General and administrative*

General and administrative expenses for the three months ended June 30, 2024, increased by 105% compared to the same period of the previous fiscal year. For the three months ended June 30, 2024, BHV contributed 50% of the increase in general and administrative expenses. CMG general and administrative expenses increased by 55% for the three months ended June 30, 2024, compared to the same period of the previous fiscal year. Approximately 65% of the increase in general and administrative expenses at CMG relates to an increase in stock-based compensation, and the remaining increase primarily relates to increased headcount and headcount-related costs and compensation.

*Direct employee costs*

As a technology company, the Company's largest investment is its people, and approximately 73% of total operating expenses relate to direct employee costs during the three months ended June 30, 2024. At June 30, 2024, CMG Group's full-time equivalent staff complement was 289 employees and consultants (CMG – 190; BHV – 99); (June 30, 2023 – CMG – 184;).

The below table provides a reconciliation of direct employee costs to adjusted direct employee costs:

| **Three months ended June 30,** ($ thousands) | **2024** | 2023 | % change |
|---|---|---|---|
| Direct employee costs | **13,655** | 6,157 | 122% |
| Stock-based compensation | **(2,674)** | (88) | 2939% |
| Adjusted direct employee costs (1) | **10,981** | 6,069 | 81% |

(1) This is a non-IFRS financial measure. See the "Non-IFRS Financial Measures" section. Adjusted direct employee costs exclude stock-based compensation expenses.

For the three months ended June 30, 2024, adjusted direct employee costs increased by 81% compared to the same period of the previous fiscal year. For the three months June 30, 2024, BHV contributed 49% of the increase in adjusted direct employee costs. CMG increased by 32% for the three months ended June 30, 2024 compared to the same period of the previous fiscal year due to increased headcount across all departments, salary inflation costs, severance related costs, and variable compensation costs.

*Other Corporate costs*

The below table provides a reconciliation of other corporate costs to adjusted other corporate costs:

| **Three months ended June 30,** ($ thousands) | **2024** | 2023 | % change |
|---|---|---|---|
| Other corporate costs | **5,010** | 2,922 | 71% |
| Acquisition-related costs | **(188)** | - | 100% |
| Amortization of acquired intangible assets | **(665)** | (57) | 1067% |
| Adjusted other corporate costs [(1)] | **4,157** | 2,865 | 45% |

(1) This is a non-IFRS financial measure. See the "Non-IFRS Financial Measures" section. Adjusted other corporate costs exclude acquisition-related costs and amortization of acquired intangible assets.

For the three months ended June 30, 2024, adjusted other corporate costs increased by 45% compared to the same period of the previous fiscal year. For the three months ended June 30, 2024, BHV contributed 38% of the increase in total adjusted other corporate costs. CMG increased by 7% for the three months ended June 30, 2024, compared to the same period of the previous fiscal year. The increase of 7% at CMG for the three months ended June 30, 2024, compared to the same period of the previous fiscal year, primarily relates to increased enabling technology costs to support client service initiatives, decreased SR&ED credits, and increased agent commissions.

## FOREIGN EXCHANGE

The Company is impacted by foreign exchange fluctuations, as 77% of our revenue for the three months ended June 30, 2024 (2023 – 70%) is denominated in US dollars, whereas 52% (2023 – 22%) of our total costs are denominated in US dollars.

The following chart shows the exchange rates used to translate the Company's US dollar-denominated working capital at June 30, 2024, 2023 and 2022 and the average exchange rate used to translate income statement expense items during the three months ended June 30, 2024, 2023 and 2022:

| CDN$ to US$ | At June 30 | Three-month trailing average |
|---|---|---|
| 2022 | 0.7744 | 0.7892 |
| 2023 | 0.7545 | 0.7418 |
| **2024** | **0.7310** | **0.7302** |

CMG Group recorded a foreign exchange gain of $0.2 million for the three months ended June 30, 2024, due to the strengthening of the US dollar, which positively affected the valuation of the US dollar - denominated portion of the Company's working capital.

## INCOME AND OTHER TAXES

Our consolidated effective tax rate for the three months ended June 30, 2024 is 38.6% (2023 – 24.6%), whereas the Canadian statutory tax rate for each of 2025 and 2024 fiscal years is 23%. The difference between the effective rate and the statutory rate is primarily attributed to a prior year adjustment relating to the acquisition of BHV and measurement period adjustments as described in Note 3 Acquisitions within the Condensed Consolidated Interim Financial Statements for the three months ended June 30, 2024. Additionally, the difference is further attributable to the non-tax deductibility of stock-based compensation expense which was significant for the three months ended June 30, 2024.

The benefit recorded in CMG's books on the scientific research and experimental development ("SR&ED") investment tax credit program impacts deferred income taxes. The investment tax credit earned in the current fiscal year reduces income taxes otherwise payable for the current fiscal year but bears an inherent tax liability as the amount of the credit is included in the subsequent year's taxable income for both federal and provincial purposes. The inherent tax liability on these investment tax credits is reflected in the year the credit is earned as a non-current deferred tax liability and then, in the following fiscal year, is transferred to income taxes payable.

## QUARTERLY PERFORMANCE

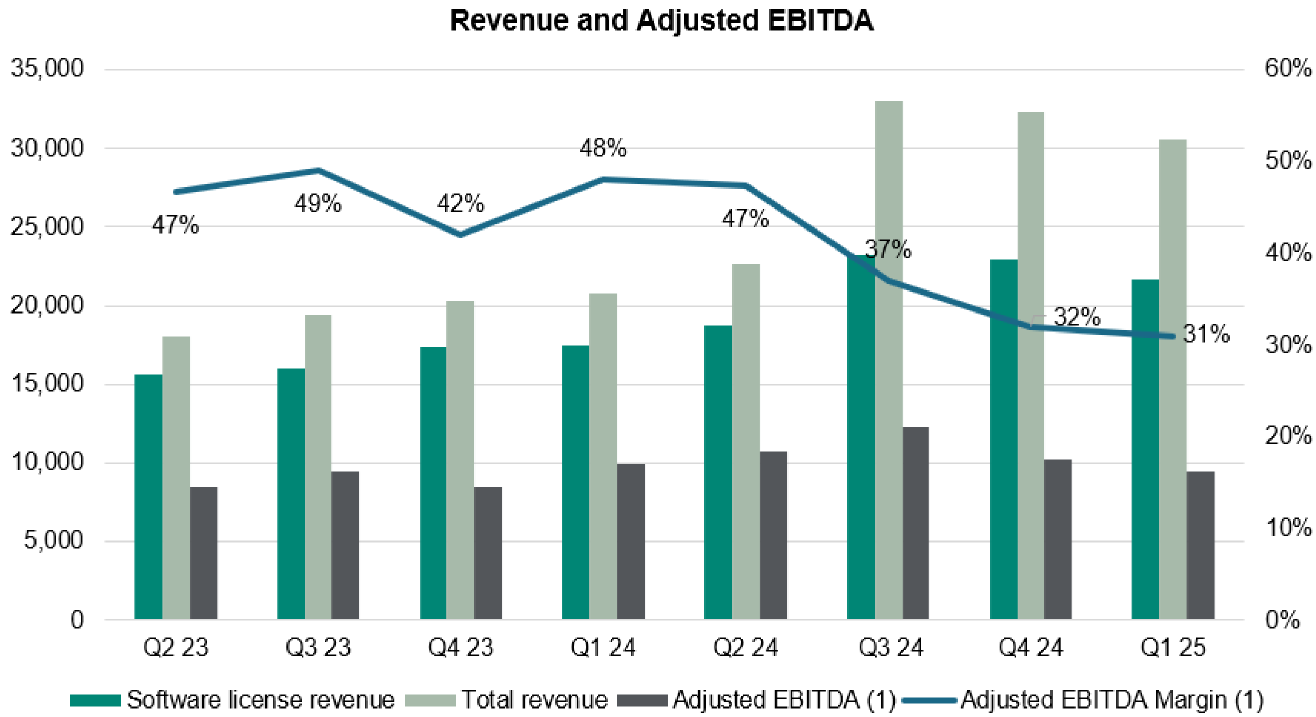
The following table summarizes selected results for the eight most recently completed quarters:

| | Fiscal 2023[2] | | | **Fiscal 2024[3]** | | | | **Fiscal 2025[4]** |
|---|---|---|---|---|---|---|---|---|
| ($ thousands, unless otherwise stated) | Q2 | Q3 | Q4 | Q1 | Q2 | Q3 | Q4 | **Q1** |
| Annuity/maintenance license | 14,825 | 15,533 | 15,803 | 15,607 | 17,610 | 18,814 | 19,661 | **19,335** |
| Annuity license fee | - | - | - | - | - | 3,846 | 1,142 | **178** |
| Perpetual license | 780 | 518 | 1,556 | 1,849 | 1,176 | 584 | 2,130 | **2,110** |
| Total software license revenue | 15,605 | 16,051 | 17,359 | 17,456 | 18,786 | 23,244 | 22,933 | **21,623** |
| Professional services revenue | 2,477 | 3,341 | 2,906 | 3,292 | 3,847 | 9,763 | 9,358 | **8,900** |
| Total revenue | 18,082 | 19,392 | 20,265 | 20,748 | 22,633 | 33,007 | 32,291 | **30,523** |
| Operating profit | 5,555 | 8,435 | 6,909 | 9,764 | 7,726 | 8,217 | 8,277 | **5,666** |
| *Operating profit Margin (%)* | *31%* | *43%* | *34%* | *47%* | *34%* | *25%* | *26%* | ***19%*** |
| Net income for the period | 4,410 | 6,348 | 5,226 | 6,904 | 6,516 | 5,610 | 7,229 | **3,964** |
| Adjusted EBITDA [1] | 8,435 | 9,498 | 8,520 | 9,948 | 10,718 | 12,272 | 10,219 | **9,437** |
| *Adjusted EBITDA Margin [1] %* | *47%* | *49%* | *42%* | *48%* | *47%* | *37%* | *32%* | ***31%*** |
| Free Cash Flow [1] | 4,505 | 7,545 | 5,396 | 7,463 | 11,028 | 7,290 | 9,469 | **5,679** |
| Per share amounts – ($/share) | | | | | | | | |
| Earnings per share (EPS) – basic | 0.05 | 0.08 | 0.07 | 0.09 | 0.08 | 0.07 | 0.09 | **0.05** |
| Earnings per share (EPS) – diluted | 0.05 | 0.08 | 0.06 | 0.08 | 0.08 | 0.07 | 0.09 | **0.05** |
| Cash dividends declared and paid | 0.05 | 0.05 | 0.05 | 0.05 | 0.05 | 0.05 | 0.05 | **0.05** |
| Free Cash Flow per share – basic [1] | 0.06 | 0.09 | 0.07 | 0.09 | 0.14 | 0.09 | 0.12 | **0.07** |

(1) This is a non-IFRS financial measure. See the "Non-IFRS Financial Measures" section.
(2) Q2, Q3, and Q4 of fiscal 2023 include $0.3 million, $0.3 million, and $0.4 million, respectively, of annuity/maintenance revenue that pertains to usage of CMG's products in prior quarters.
(3) Q1, Q2, Q3, and Q4 of fiscal 2024 include $0.1 million, $0.4 million, $0.2 million, $0.7 million, respectively, of annuity/maintenance revenue that pertains to usage of CMG's products in prior quarters.
(4) Q1 of fiscal 2025 includes $1.2 million in annuity/maintenance license revenue that pertains to usage of CMG's products in prior quarters.

The acquisition of BHV in the prior year created a new revenue stream "annuity license fee" and added incremental revenues to annuity/maintenance license revenue and professional services revenue. The above table illustrates the normal trend in annuity/maintenance license revenue from the beginning of the calendar year (which corresponds with Q4 of our fiscal year), when most renewals occur, to the end of the calendar year (which corresponds with Q3 of our fiscal year). Our fourth quarter corresponds with the beginning of the fiscal year for most oil and gas companies, representing a time when they enter a new budget year and sign/renew their contracts. A significant portion of BHV annuity license fee revenue will occur during the third and fourth quarters when the majority of renewals take place, resulting in a significant decrease in annuity license fee revenue for the three months ended June 30, 2024. This seasonality has a similar impact on both operating profit and net income as seen in the above table. In addition, Operating profit and Net income were negatively impacted by a significant increase in stock-based compensation during the quarter as a result of the increase in CMG's share price.

The growth and future success of our business depends on many factors and variables. While each of these items present significant opportunities for our business, they also present challenges which are discussed in the 2024 financial report and in the "Risk Factors" section of CMG's Annual Information Form dated May 22, 2024, which is available under the Company's profile on SEDAR+ at www.sedarplus.ca.




(1) This is a non-IFRS financial measure. See the "Non-IFRS Financial Measures" section.

## LIQUIDITY AND CAPITAL RESOURCES

| **Three months ended June 30,**<br>($ thousands) | **2024** | 2023 | % change |
|---|---|---|---|
| Cash, beginning of period | **63,083** | 66,850 | (6%) |
| Cash provided by (used in): | | | |
| Operating activities | **8,223** | 1,187 | 593% |
| Financing activities | **(2,570)** | (3,750) | 31% |
| Investing activities | **(93)** | (45) | 107% |
| Effect of foreign exchange on cash | **449** | - | 100% |
| Cash, end of period | **69,092** | 64,242 | 8% |

At June 30, 2024, CMG Group had $69.1 million in cash, no borrowings and access to approximately $2.0 million under a line of credit with its principal banker, of which $0.7 million is available for use. The Company's primary non-operating use of cash was for dividend payments and repayment of lease liabilities. Management believes that the Company has sufficient capital resources to meet its operating and capital expenditure needs.

During the period ended June 30, 2024, 9.5 million shares of the Company's public float were traded on the TSX. As at June 30, 2024 the Company's market capitalization based upon its June 30, 2024 closing price of $13.19 was $1,079.4 million.

## OPERATING ACTIVITIES

Cash provided by operating activities increased by $7.0 million during the three months ended June 30, 2024, compared to the same period of the previous fiscal year. Funds flow from operations decreased by $1.4 million from the comparative quarter, primarily due to negative funds flow from operations generated by BHV. Cash provided by operating activities was further supported by $1.7 million in non-cash working capital, primarily driven by the timing of when sales are recorded and when the resulting receivables are collected and a prior year adjustment relating to the acquisition of BHV.

## FINANCING ACTIVITIES

Cash used in financing activities decreased by $1.2 million during the three months ended June 30, 2024, compared to the same period of the previous fiscal year. The decrease is primarily due to an increase in proceeds received from the issuance of shares related to option exercises, partially offset by an increase in repayment of lease liabilities as a result of the acquisition of BHV.

On August 7, 2024, CMG Group announced the payment of a quarterly dividend of $0.05 per share on the Company's common shares. The dividend will be paid on September 13, 2024, to shareholders of record at the close of business on September 5, 2024. Decisions with respect to dividend payments are made by the Board of Directors on a quarterly basis and take into account market conditions and the financial performance of the Company.

## INVESTING ACTIVITIES

Cash used in investing activities for the three months ended June 30, 2024 consist of capital asset additions, all of which are funded internally. Our capital budget for fiscal 2025 is $1.7 million, which is intended to expand our existing compute infrastructure and improve R&D infrastructure to support development initiatives.

# COMMITMENTS, OFF BALANCE SHEET ITEMS AND TRANSACTIONS WITH RELATED PARTIES

CMG, in partnership with Shell Global Solutions International B.V. ("Shell") at present, and also in partnership with Petroleo Brasileiro S.A. historically, is the developer of CoFlow, the newest generation of reservoir and production system simulation software.

On January 1, 2017, Shell and CMG entered into an agreement (the "CoFlow Agreement") for an initial five-year term, whereby CMG would be responsible for the research and development costs of CoFlow and Shell would be responsible for providing a contribution for the continuing development of the software.

On December 21, 2020, the CoFlow Agreement was amended when Shell exercised its right to request a five-year term extension, commencing January 1, 2022. All other terms and conditions in the CoFlow Agreement, including any related amendments, remain unchanged and in full force and effect during the extended term. In September 2021, CMG and Shell agreed that CMG would add and/or allocate up to six additional full-time employees in order to accelerate CoFlow development and support targeted CoFlow deployments, and Shell's contribution would increase accordingly.

The Company enters into transactions with related parties in the normal course of business with its wholly owned subsidiaries which are eliminated upon consolidation. For a list of wholly owned subsidiaries, refer to Note 23 Subsidiaries in the audited consolidated 2024 financial statements There were no other related party transactions to disclose for the three months ended June 30, 2024.

CMG Group has only minor ongoing material contractual obligations other than prepaid licenses, which are reflected as deferred revenue on the statement of financial position, and contractual obligations for office leases, which are estimated to be as follows as at June 30, 2024:

| (thousands of $) | Undiscounted lease liability payments | Operating costs and office leases | Total commitments |
|---|---|---|---|
| Less than one year | 4,166 | 1,402 | 5,568 |
| Between one and five years | 15,370 | 6,280 | 21,650 |
| More than five years | 31,593 | 8,755 | 40,348 |
| | 51,129 | 16,437 | 67,566 |

## OUTSTANDING SHARE DATA

The following table represents the number of common shares, stock options, restricted share units and performance share units outstanding:

| **As at August 7, 2024** (thousands) | |
|---|---|
| Common shares | 81,849 |
| Stock options | 4,142 |
| Restricted share units (1) | 377 |
| Performance share units (1) | 98 |

(1) Upon vesting, restricted share units and performance share units can be exchanged for common shares of the Company or surrendered for cash.

The maximum number of common shares that may be reserved for issuance under the Company's security-based compensation plans is limited to 10% of the issued and outstanding common shares. Based on this calculation, at August 7, 2024, CMG Group could reserve up to 8,184,911 common shares for issuance under its security-based compensation plans.

## BUSINESS RISKS, CRITICAL ACCOUNTING ESTIMATES AND JUDGMENTS

These remain unchanged from the factors detailed in CMG's 2024 Financial Report.

## DISCLOSURE CONTROLS AND PROCEDURES AND INTERNAL CONTROL OVER FINANCIAL REPORTING

Management is responsible for establishing and maintaining disclosure controls and procedures ("DC&P") and internal control over financial reporting ("ICFR") as defined under National Instrument 52-109. This instrument requires us to disclose in our interim MD&A any weaknesses in or changes to our internal control over financial reporting during the period that may have materially affected, or are reasonably likely to materially affect, our internal controls over financial reporting. We confirm that no such weaknesses were identified in, or changes were made to, internal controls over financial reporting during the three months ended June 30, 2024, except for the matter described below. During the 2025 fiscal year, we continue to monitor and review our controls and procedures.

Section 3.3(1)(b) of NI 52-109 allows an issuer to limit its design of DC&P and ICFR to exclude controls, policies and procedures of a business that the issuer acquired not exceeding 365 days from the date of acquisition. On September 25, 2023, we completed the acquisition of BHV, a privately held software and services company headquartered in Houston, Texas. BHV's operations have been included in the consolidated financial statements of CMG Group since the date of acquisition. However, we have not had sufficient time to appropriately determine and assess the extent of DC&P and ICFR previously used by BHV and integrate them with those of CMG Group. As a result, the certifying officers have limited the scope of their design of DC&P and ICFR to exclude any applicable controls, policies and procedures of BHV (as permitted by applicable securities laws in Canada).

Amounts in respect of BHV included in CMG Group's condensed consolidated statement of financial position as at June 30, 2024 and March 31, 2024 are as follows:

| ($ thousands) | **At June 30, 2024** | At March 31, 2024 |
|---|---|---|
| Current Assets | **42,199** | 19,186 |
| Total Assets | **51,668** | 27,167 |
| Current Liabilities | **9,796** | 12,772 |
| Total Liabilities | **15,462** | 13,027 |

With respect to BHV's revenue and profit for the period included in the consolidated financial statement of CMG Group, refer to 4. Segmented Information within the Condensed Consolidated Interim Financial Statements for the three months ended June 30, 2024.

# Condensed Consolidated Statements of Financial Position

| UNAUDITED (thousands of Canadian $) | **June 30, 2024** | March 31, 2024 (Note 3) Restated Note 2(e) | April 1, 2023 Restated Note 2(e) |
|---|---|---|---|
| **Assets** | | | |
| Current assets: | | | |
| Cash | **69,092** | 63,083 | 66,850 |
| Restricted cash | **251** | 142 | - |
| Trade and other receivables | **22,739** | 36,550 | 23,910 |
| Prepaid expenses | **2,287** | 2,321 | 1,060 |
| Prepaid income taxes (note 10) | **3,174** | 3,841 | 444 |
| | **97,543** | 105,937 | 92,264 |
| Intangible assets | **23,018** | 23,683 | 1,321 |
| Right-of-use assets | **29,615** | 29,072 | 30,733 |
| Property and equipment | **9,621** | 9,877 | 10,366 |
| Goodwill (note 3) | **4,467** | 4,399 | - |
| Deferred tax asset (note 10) | **-** | - | 2,444 |
| **Total assets** | **164,264** | 172,968 | 137,128 |
| **Liabilities and shareholders' equity** | | | |
| Current liabilities: | | | |
| Trade payables and accrued liabilities | **15,471** | 18,551 | 11,126 |
| Income taxes payable (note 10) | **2,740** | 2,136 | 33 |
| Acquisition holdback payable (note 3) | **2,315** | 2,292 | - |
| Deferred revenue (note 5) | **30,890** | 41,120 | 34,797 |
| Lease liabilities (note 6) | **2,486** | 2,566 | 1,829 |
| | **53,902** | 66,665 | 47,785 |
| Lease liabilities (note 6) | **35,178** | 34,395 | 36,151 |
| Stock-based compensation liabilities (note 11(c)) | **1,068** | 624 | 742 |
| Acquisition earnout (note 3) | **1,320** | 1,503 | - |
| Other long-term liabilities | **359** | 305 | - |
| Deferred tax liabilities (note 10) | **1,068** | 1,661 | - |
| Total liabilities | **92,895** | 105,153 | 84,678 |
| Shareholders' equity: | | | |
| Share capital (note 11 (b)) | **90,193** | 87,304 | 81,820 |
| Contributed surplus | **15,545** | 15,667 | 15,471 |
| Cumulative translation adjustment | **532** | (367) | - |
| Deficit | **(34,901)** | (34,789) | (44,841) |
| Total shareholders' equity | **71,369** | 67,815 | 52,450 |
| **Total liabilities and shareholders' equity** | **164,264** | 172,968 | 137,128 |

Subsequent event (note 15)

See accompanying notes to condensed consolidated interim financial statements.

# Condensed Consolidated Statements of Operations and Comprehensive Income

| **Three months ended June 30,**<br>UNAUDITED (thousands of Canadian $ except per share amounts) | **2024** | 2023 |
|---|---|---|
| **Revenue (note 7)** | **30,523** | 20,748 |
| **Cost of revenue** | **6,192** | 1,905 |
| **Gross profit** | **24,331** | 18,843 |
| **Operating expenses** | | |
| Sales and marketing | **4,931** | 2,355 |
| Research and development (note 8) | **8,245** | 4,052 |
| General and administrative | **5,489** | 2,672 |
| | **18,665** | 9,079 |
| **Operating profit** | **5,666** | 9,764 |
| Finance income (note 9) | **1,050** | 760 |
| Finance costs (note 9) | **(463)** | (1,376) |
| Change in fair value of contingent consideration (note 12) | **199** | - |
| **Profit before income and other taxes** | **6,452** | 9,148 |
| Income and other taxes (note 10) | **2,488** | 2,244 |
| **Net income** | **3,964** | 6,904 |
| **Other comprehensive income:** | | |
| Foreign currency translation adjustment | **899** | - |
| **Other comprehensive income** | **899** | - |
| **Total comprehensive income** | **4,863** | 6,904 |
| Net income per share – basic (note 11(d)) | **0.05** | 0.09 |
| Net income per share – diluted (note 11(d)) | **0.05** | 0.08 |
| Dividend per share | **0.05** | 0.05 |

See accompanying notes to condensed consolidated interim financial statements

# Condensed Consolidated Statements of Changes in Equity

| UNAUDITED (thousands of Canadian $) | Share capital | Contributed surplus | Accumulated other comprehensive income (loss) | Deficit | Total equity |
|---|---|---|---|---|---|
| Balance, April 1, 2023 | 81,820 | 15,471 | - | (44,841) | 52,450 |
| Comprehensive income for the period | - | - | - | 6,904 | 6,904 |
| Dividends paid | - | - | - | (4,039) | (4,039) |
| Shares issued on exercise of stock options (note 11(b)) | 830 | (129) | - | - | 701 |
| Stock-based compensation: | | | | | |
| Current period expense (note 11(c)) | - | 172 | - | - | 172 |
| **Balance, June 30, 2023** | 82,650 | 15,514 | - | 41,976 | 56,188 |
| **Balance, April 1, 2024** | **87,304** | **15,667** | **(367)** | **(34,789)** | **67,815** |
| Net income for the period | **-** | **-** | **-** | **3,964** | **3,964** |
| Foreign currency translation adjustment | **-** | **-** | **899** | **-** | **899** |
| Dividends paid | **-** | **-** | **-** | **(4,076)** | **(4,076)** |
| Shares issued on exercise of stock options (note 11(b)) | **2,646** | **(397)** | **-** | **-** | **2,249** |
| Shares issued on redemption of performance share units (note 11(b)) | **243** | **-** | **-** | **-** | **243** |
| Stock-based compensation: | | | | | |
| Current period expense (note 11(c)) | **-** | **275** | **-** | **-** | **275** |
| **Balance, June 30, 2024** | **90,193** | **15,545** | **532** | **(34,901)** | **71,369** |

See accompanying notes to condensed consolidated interim financial statements

# Condensed Consolidated Statements of Cash Flows

| Three months ended June 30,<br>UNAUDITED (thousands of Canadian $) | 2024 | 2023 |
|---|---|---|
| **Operating activities** | | |
| Net income | **3,964** | 6,904 |
| Adjustments for: | | |
| Depreciation and amortization of property, equipment, right-of use assets | **1,218** | 904 |
| Amortization of intangible assets | **665** | 57 |
| Deferred income tax expense (recovery) (note 10) | **(653)** | (49) |
| Stock-based compensation | **1,892** | 104 |
| Foreign exchange and other non-cash items | **(571)** | - |
| Funds flow from operations | **6,515** | 7,920 |
| Movement in non-cash working capital: | | |
| Trade and other receivables | **13,811** | 3,882 |
| Trade payables and accrued liabilities | **(3,331)** | (2,794) |
| Prepaid expenses and other assets | **34** | (1) |
| Income taxes receivable (payable) | **1,424** | 361 |
| Deferred revenue | **(10,230)** | (8,181) |
| Change in non-cash working capital | **1,708** | (6,733) |
| **Net cash provided by operating activities** | **8,223** | 1,187 |
| **Financing activities** | | |
| Proceeds from issuance of common shares | **2,249** | 701 |
| Repayment of lease liabilities (note 5) | **(743)** | (412) |
| Dividends paid | **(4,076)** | (4,039) |
| **Net cash used in financing activities** | **(2,570)** | (3,750) |
| **Investing activities** | | |
| Property and equipment additions, net of disposals | **(93)** | (45) |
| **Net cash used in investing activities** | **(93)** | (45) |
| **Increase (decrease) in cash** | **5,560** | (2,608) |
| Effect of foreign exchange on cash | **449** | - |
| Cash, beginning of period | **63,083** | 66,850 |
| **Cash, end of period** | **69,092** | 64,242 |
| **Supplementary cash flow information** | | |
| Interest received (note 9) | **878** | 760 |
| Interest paid (notes 6 and 9) | **463** | 469 |
| Income taxes paid | **1,496** | 1,778 |

See accompanying notes to condensed consolidated interim financial statements.

# Notes to Condensed Consolidated Interim Financial Statements

For the three months ended June 30, 2024 and 2023.

## 1. Reporting Entity:

Computer Modelling Group Ltd. (“CMG Group” or “the Company”) is a company domiciled in Alberta, Canada and is incorporated pursuant to the Alberta Business Corporations Act, with its common shares listed on the Toronto Stock Exchange under the symbol “CMG”. The address of CMG Group’s registered office is 3710 33 Street N.W., Calgary, Alberta, Canada, T2L 2M1. The consolidated financial statements as at and for the three months ended June 30, 2024, comprise CMG Group and its subsidiaries: Computer Modelling Group Inc., CMG Middle East FZ LLC, CMGL Services Corporation Inc., CMG Europe Ltd., and CMG Collaboration Centre India Private Ltd., (together referred to as “CMG”), and CMG Holdings (USA) Inc., Bluware-Headwave Ventures Inc., Bluware Inc., and Bluware AS, (together referred to as “BHV”). The Company is a global software and consulting technology company engaged in both the development and licensing of reservoir simulation and seismic interpretation software. The Company also provides professional services consisting of highly specialized support, consulting, training, and contract research activities.

## 2. Basis of Preparation:

### (a) Statement of Compliance:

These condensed consolidated interim financial statements have been prepared in accordance with International Accounting Standards 34, Interim Financial Reporting, under IFRS Accounting Standards (“IFRS”) as issued by the International Accounting Standards Board (“IASB”). They are condensed as they do not include all of the information required for full annual financial statements, and they should be read in conjunction with the Company’s most recent annual audited consolidated financial statements of the Company for the year ended March 31, 2024.

These condensed consolidated interim financial statements were prepared using accounting policies and methods of their application are consistent with those used in the preparation of the Company’s consolidated annual financial statements for the year ended March 31, 2024, except as noted in Note 2 (e).

These unaudited condensed consolidated interim financial statements as at and for the three months ended June 30, 2024 were authorized for issuance by the Board of Directors on August 7, 2024.

### (b) Basis of Measurement:

The condensed consolidated interim financial statements have been prepared on the historical cost basis except for certain assets and liabilities initially recognized in connection with business combinations, which are measured at their estimated fair value at the time of the transaction, and contingent consideration related to business combinations which is recorded at fair value at each reporting date.

### (c) Functional and Presentation Currency:

The condensed consolidated interim financial statements are presented in Canadian dollars, which is the Company’s functional currency. The functional currency of CMG Holdings (USA) Inc., Bluware-Headwave Ventures Inc. and Bluware Inc. has been determined to be United States dollar. The functional currency of Bluware AS has been determined to be Norwegian Krone. All financial information presented in Canadian dollars has been rounded to the nearest thousand.

#### (d) Use of Estimates, Judgments and Assumptions:

The preparation of financial statements in conformity with IFRS requires management to make judgments, estimates and assumptions that affect the application of accounting policies, the reported amounts of assets, liabilities, revenues and expenses at the date of the financial statements and the reported amounts of revenue, costs and expenses.

Estimates and underlying assumptions are based on historical experience and other assumptions that are considered reasonable in the circumstances and are reviewed on an ongoing basis. Actual results may differ from such estimates and it is possible that the differences could be material. Revisions to accounting estimates are recognized in the period in which the estimates are revised and in any future periods affected. Unless otherwise noted within these condensed consolidated interim financial statements, the significant estimates, judgments and assumptions are consistent with those used in the preparation of Company’s consolidated annual financial statements for the year ended March 31, 2024.

#### (e) Change in Accounting Policy:

The Company has adopted *Classification of Liabilities as Current or Non-current – Amendments to IAS 1*, as issued in 2020 and 2022. The amendments apply retrospectively for annual reporting periods beginning on or after January 1, 2024. They clarify certain requirements for determining whether a liability should be classified as current or non-current.

Due to the change in policy, there is a retrospective impact on the comparative statement of financial position, as the Company has a deferred share unit (DSU) plan for non-management directors which are redeemable in cash upon the director’s retirement. In the case of a director retiring, the director’s respective DSU liability would become payable and the Company would not have the right to defer settlement of the liability for at least 12 months. Additionally, the Company has a restricted share unit (RSU) plan for employees, of which those employees under the Canadian RSU plan have the option to settle RSU’s in cash or for an equal number of common shares and employees under the International RSU plan have the option to settle in cash. For employee’s over the age of sixty, all of the participant’s RSU’s and dividend RSU’s will vest one year following the participant’s retirement or throughout the vesting period, whichever is earlier. The participant’s respective RSU liability would therefore become payable within 12 months and the Company would not have the right to defer settlement of the liability beyond a 12 month period.

As such, certain liabilities are impacted by the revised policy and are now classified as current at June 30, 2024, because the DSU’s can be redeemed by the holders within 12 months after the reporting period and RSU participants that retire will have all RSU units available to settle within 12 months after the reporting period. Additionally, the following presentation changes were made to the Statement of Financial Position to reflect the retrospective impact of the revised policy:

- As of April 1, 2023, accounts payable and accrued liabilities increased by $1.2 million and long-term stock-based compensation liabilities decreased by $1.2 million.

- As of March 31, 2024, accounts payable and accrued liabilities increased by $2.0 million and long-term stock-based compensation liabilities decreased by $2.0 million.

The change in accounting policy will also be reflected in the Company’s consolidated financial statements as at and for the year ending March 31, 2025.

#### (f) Environmental Reporting Regulations:

Environmental reporting for public enterprises continues to evolve and the Company may be subject to additional future disclosure requirements. The International Sustainability Standards Board ("ISSB") has issued an IFRS Sustainability Disclosure Standard with the objective to develop a global framework for environmental sustainability disclosure. The Canadian Sustainability Standards Board has released proposed standards that are aligned with the ISSB release, but include suggestions for Canadian-specific modifications. The Canadian Securities Administrators have also issued a proposed National Instrument

51-107 Disclosure of Climate-related Matters which sets forth additional reporting requirements for Canadian Public Companies. The Company continues to monitor developments on these reporting requirements and has not yet assessed the impact with these regulations.

## 3. Acquisitions:

### Bluware-Headwave Ventures Inc. Acquisition:

On September 25, 2023, CMG Group completed the acquisition of 100% of the outstanding shares of BHV, a software and services company specializing in cloud and interactive deep learning solutions for subsurface decision-making including seismic interpretation. The purchase price consideration of $27.8 million consisted of cash purchase consideration of $24.0 million paid on closing, $2.3 million withheld as an indemnification holdback for a period of 12 months which is recorded as acquisition holdback payable and $1.5 million of earnout contingent consideration.

There is an earnout provision of up to US$8.0 million payable if certain revenue thresholds and cash collections related to key contracts of BHV are met during the 18-month period after closing. Payments pursuant to the earnout will be settled in cash no later than 90 days following March 25, 2025. The earnout is treated as contingent consideration and was valued at $1.5 million at the acquisition date using a discount rate of 15.6%. The fair value of the contingent consideration will be assessed for remeasurement at each reporting period end until the earnout period expires. The contingent consideration was remeasured to $1.3 million as of June 30, 2024.

The acquisition was accounted for as a business combination, under the acquisition method, whereby the net assets acquired, and liabilities assumed were recorded at fair value at the acquisition date and the results of operations included in these consolidated financial statements from the date of the acquisition.

Goodwill of $4.4 million recognized in connection with this acquisition is primarily attributable to CMG Group’s best practices to improve the operations of the BHV, opportunities for BHV to increase sales to new customers and margins on revenue as the business expands, and other intangible assets that do not qualify for separate recognition including the assembled workforce. Goodwill is not expected to be deductible for income tax purposes.

Due to the timing of statutory tax filings during fiscal 2024 and fiscal 2025, combined with the complexity of the corporate tax structure implemented during the acquisition, CMG Group is in the process of determining and finalizing the estimated fair value of the deferred tax assets and liabilities acquired and has recorded the deferred tax assets and liabilities on a provisional basis which may impact the net asset assessments and measurements of assumed liabilities. The provisional purchase price allocations may differ from the final purchase price allocations due to these potential differences and may be material. Revisions to allocations will occur as additional information about the fair value of deferred tax assets and liabilities becomes available. As a result of tax returns filed for BHV during the first quarter of fiscal 2025, there has been a revision to Deferred tax liability, Income taxes payable, and Goodwill which can be seen in the table below. Revisions to these initial estimates are expected to be completed during the second quarter of fiscal 2025.

The acquisition accounting method was applied on a provision basis in connection with the acquisition of BHV. The total consideration paid and estimates of the fair value of assets and liabilities acquired as at the date of acquisition are set forth in the table below.

| (thousands of $) | |
|---|---|
| **Fair value of net assets acquired** | |
| Cash | **1,203** |
| Net working capital, excluding deferred revenue | **2,637** |
| Right-of-use assets | **1,332** |
| Lease liabilities | **(1,327)** |
| Deferred revenue | **(1,413)** |
| Line of credit (1) | **(2,012)** |
| Other assets and liabilities | **249** |
| Intangible assets: technology | **20,338** |
| Intangible assets: customer relationships | **2,349** |
| Intangible assets: trade name and trademarks | **1,176** |
| Income taxes payable (2) | **(532)** |
| Deferred tax liability (2) | **(665)** |
| Net assets acquired | **23,335** |
| Goodwill (2) | **4,399** |
| Total purchase consideration | **27,734** |
| **Consideration** | |
| Cash | **23,958** |
| Acquisition holdback payable | **2,281** |
| Contingent consideration | **1,495** |
| Total consideration | **27,734** |

(1) Subsequent to the acquisition, the line of credit was repaid.

(2) As a result of tax returns filed, the estimated fair value of the deferred tax liability and income taxes payable acquired has been increased by $0.2 million and $0.5 million, respectively, during the remeasurement period. This decrease to the fair value of net assets acquired had a corresponding increase in goodwill recognized on acquisition.

As part of the acquisition, $1.2 million is payable to employees of BHV of which $0.4 million was paid after three months, $0.5 million is payable at the end of the holdback period and $0.3 million is payable at the end of the earnout period, all of which are accounted for as post-combination remuneration and accrued as the service is provided. During the three months ended June 30, 2024, $0.2 million of post-combination remuneration was recognized as acquisition-related costs within general and administrative expenses.

## 4. Segmented Information:

The Company provides professional services, consisting of support, training, consulting and contract research activities, to promote the use and development of its software; however, these activities are considered a single line of business and all products function around this purpose and are not evaluated as a separate business segment. The Company's operations are organized into two reportable operating segments represented by CMG, the development and licensing of reservoir simulation software, and BHV, the development and licensing of seismic interpretation software.

| Three months ended June 30,<br>($ thousands, except per share data) | CMG 2024 | CMG 2023 | BHV 2024 | BHV 2023 | CMG Group 2024 | CMG Group 2023 |
|---|---|---|---|---|---|---|
| **Revenue** | **23,147** | 20,748 | **7,376** | - | **30,523** | 20,748 |
| **Cost of revenue** | **2,620** | 1,905 | **3,572** | - | **6,192** | 1,905 |
| **Gross profit** | **20,527** | 18,843 | **3,804** | - | **24,331** | 18,843 |
| **Operating expenses** | | | | | | |
| Sales and marketing | **4,141** | 2,355 | **790** | - | **4,931** | 2,355 |
| Research and development | **6,051** | 4,052 | **2,194** | - | **8,245** | 4,052 |
| General and administrative | **4,144** | 2,672 | **1,345** | - | **5,489** | 2,672 |
| | **14,336** | 9,079 | **4,329** | - | **18,665** | 9,079 |
| **Operating profit** | **6,191** | 9,764 | **(525)** | - | **5,666** | 9,764 |
| Net finance income (cost) | **589** | (616) | **(2)** | - | **587** | (616) |
| Change in fair value of contingent consideration | **199** | - | **-** | - | **199** | - |
| **Profit before income and other taxes** | **6,979** | 9,148 | **(527)** | - | **6,452** | 9,148 |
| Income and other taxes | **1,614** | 2,244 | **874** | - | **2,488** | 2,244 |
| **Net income for the period** | **5,365** | 6,904 | **(1,401)** | - | **3,964** | 6,904 |

Non-current assets including property, equipment, intangible, right-of-use assets, and goodwill of the Company, are located in the following geographic regions (for revenue by geographic region, refer to note 7), based on location of the respective operations:

| (thousands of $) | **June 30, 2024** | March 31, 2024 |
|---|---|---|
| Canada | **56,864** | **58,188** |
| United States | **8,276** | **4,255** |
| South America | **374** | **80** |
| Eastern Hemisphere [1] | **1,207** | **109** |
| | **66,721** | **62,632** |

(1) Includes Europe, Africa, Asia and Australia.

## 5. Deferred Revenue:

The following table presents changes in the deferred revenue balance:

| (thousands of $) | **June 30, 2024** | March 31, 2024 |
|---|---|---|
| Balance, beginning of period | **41,120** | 34,797 |
| Acquired deferred revenue (note 4) | **-** | 1,413 |
| Invoiced during the period, excluding amounts recognized as revenue during the period | **5,997** | 39,815 |
| Recognition of deferred revenue included in the balance of acquired deferred revenue | **46** | (1,328) |
| Recognition of deferred revenue included in the balance at the beginning of the period | **(16,273)** | (33,577) |
| Balance, end of period | **30,890** | 41,120 |

The Company's deferred revenues are subject to fluctuation. The above table demonstrates the normal trend in deferred revenue, whereby most renewals occur in the fourth quarter. This results in a higher deferred revenue balance recognized during the fourth quarter, which is reduced throughout the remainder of the year.

## 6. Lease Liabilities:

The Company's leases are for office space in Canada, United States, Colombia, and Norway, the most significant of which is the twenty-year head office lease in Calgary, Canada that commenced in 2017. These leases contain renewal options for additional terms, but since the Company is not reasonably certain it will exercise the renewal options, they have not been included in the measurement of the lease obligations.

| (thousands of $) | **June 30, 2024** | March 31, 2024 |
|---|---|---|
| Balance, beginning of year | **36,961** | 37,980 |
| Additions | **1,446** | - |
| Acquired lease liabilities (note 3) | **-** | 1,327 |
| Interest on lease liabilities (note 9) | **463** | 1,908 |
| Lease payments | **(1,206)** | (4,254) |
| Balance, end of period | **37,664** | 36,961 |
| | | |
| Current | **2,486** | 2,566 |
| Long-term | **35,178** | 34,395 |

The following table presents contractual undiscounted payments for lease liabilities as at June 30, 2024:

| (thousands of $) | |
|---|---|
| Less than one year | 4,166 |
| Between one and five years | 15,370 |
| More than five years | 31,593 |
| **Total undiscounted payments** | **51,129** |

## 7. Revenue:

In the following table, revenue is disaggregated by reportable segment and geographical region based on where the customer is located and timing of revenue recognition. In the case of revenues recognized through a reseller arrangement the geographic segmentation is based on the resellers' location:

| Three months ended June 30, (thousands of $) | | | | 2024 | | | | | 2023 |
|---|---|---|---|---|---|---|---|---|---|
| ($ thousands) | Canada | United States | South America | Eastern Hemisphere (1) | **Total** | Canada | United States | South America | Eastern Hemisphere (1) | **Total** |
| **CMG** | | | | | | | | | | |
| Annuity/maintenance | 3,229 | 4,368 | 1,998 | 8,162 | **17,757** | 3,241 | 4,254 | 1,822 | 6,290 | **15,607** |
| Perpetual license | - | 1,337 | - | 773 | **2,110** | 115 | 233 | - | 1,501 | **1,849** |
| Total software revenue | 3,229 | 5,705 | 1,998 | 8,935 | **19,867** | 3,356 | 4,487 | 1,822 | 7,791 | **17,456** |
| Professional services | 2,334 | 234 | 341 | 371 | **3,280** | 2,348 | 255 | 376 | 313 | **3,292** |
| **Total CMG revenue** | **5,563** | **5,939** | **2,339** | **9,306** | **23,147** | 5,704 | 4,742 | 2,198 | 8,104 | **20,748** |
| **BHV** | | | | | | | | | | |
| Annuity maintenance | - | 250 | 338 | 990 | **1,578** | - | - | - | - | **-** |
| Annuity license fee | - | 40 | 33 | 105 | **178** | - | - | - | - | **-** |
| Total software revenue | - | 290 | 371 | 1,095 | **1,756** | - | - | - | - | **-** |
| Professional services | - | 4,801 | - | 819 | **5,620** | - | - | - | - | **-** |
| **Total BHV revenue** | **-** | **5,091** | **371** | **1,914** | **7,376** | - | - | - | - | **-** |
| **Total revenue** | **5,563** | **11,030** | **2,710** | **11,220** | **30,523** | 5,704 | 4,742 | 2,198 | 8,104 | **20,748** |

(1) Includes Europe, Africa, Asia and Australia.

The amount of revenue recognized during the three months ended June 30, 2024 from performance obligations satisfied (or partially satisfied) in previous periods is $1.2 million (three months ended June 30, 2023 – $0.7 million).

The Company applies the practical expedient available under IFRS 15 and does not disclose the amount of the transaction price allocated to unsatisfied performance obligations if the underlying contract has an expected duration of one year or less.

Receivables and contract assets from contracts with customers included in "Trade and other receivables" were as follows:

| (thousands of $) | **June 30, 2024** | March 31, 2024 |
|---|---|---|
| Receivables | **21,432** | 35,137 |
| Contract assets | **828** | 1,045 |

During the three months ended June 30, 2024, one customer comprised 24.7% of the Company's total revenue (three months ended June 30, 2023 – one customer, 10.1%).

## 8. Research and Development Costs:

| **Three months ended June 30,** (thousands of $) | **2024** | 2023 |
|---|---|---|
| Research and development | **8,284** | 4,164 |
| Scientific research and experimental development ("SR&ED") investment tax credits | **(39)** | (112) |
| | **8,245** | 4,052 |

## 9. Finance Income and Finance Costs:

| **Three months ended June 30**<br>(thousands of $) | **2024** | 2023 |
|---|---|---|
| Interest income | **878** | 760 |
| Net foreign exchange gain | **172** | - |
| Finance income | **1,050** | 760 |

| | | |
|---|---|---|
| Interest expense on lease liabilities (note 6) | **(463)** | (469) |
| Net foreign exchange loss | **-** | (907) |
| Finance costs | **(463)** | (1,376) |

## 10. Income and Other Taxes:

The major components of income tax expense are as follows:

| **Three months ended June 30,**<br>(thousands of $) | **2024** | 2023 |
|---|---|---|
| Current year income tax expense | **2,226** | 2,165 |
| Adjustment for prior year (note 3) | **716** | - |
| Current year income taxes | **2,942** | 2,165 |
| Deferred tax expense (recovery) | **(653)** | (49) |
| Foreign withholding and other taxes | **199** | 128 |
| | **2,488** | 2,244 |

The provision for income and other taxes reported differs from the amount computed by applying the combined Canadian Federal and Provincial statutory rate to the profit before income and other taxes. The reasons for this difference and the related tax effects are as follows:

| **Three months ended June 30,**<br>(thousands of $, unless otherwise stated) | **2024** | 2023 |
|---|---|---|
| Combined statutory tax rate | **23.00%** | 23.00% |
| Expected income tax | **1,484** | 2,104 |
| Non-deductible costs | **88** | 47 |
| Withholding taxes | **83** | 85 |
| Effect of tax rates in foreign jurisdictions | **84** | 20 |
| Adjustment for prior year (note 3) | **716** | - |
| Other | **33** | (12) |
| | **2,488** | 2,244 |

The components of the Company's deferred tax liability are as follows:

| (thousands of $) | **June 30, 2024** | March 31, 2024 |
|---|---|---|
| Other current liabilities | **129** | 313 |
| Right-of-use assets | **1,763** | 1,733 |
| Stock-based compensation liability | **1,658** | 1,342 |
| Property and equipment | **91** | 84 |
| Intangible assets | **(5,258)** | (5,421) |
| Federal loss carryforward | **164** | 104 |
| Foreign income tax credit carryforward | **394** | 385 |
| SR&ED investment tax credits | **(9)** | (79) |
| Deferred income tax asset (liability) | **(1,068)** | (1,539) |

All movement in deferred tax assets and liabilities is recognized through net income of the respective period.

Prepaid income taxes and current income taxes payable have not been offset as the amounts relate to income taxes levied by different tax authorities on different taxable entities.

## 11. Share Capital:

### (a) Authorized:

An unlimited number of common shares, an unlimited number of non-voting shares, and an unlimited number of preferred shares, issuable in series.

### (b) Issued:

| (thousands of shares) | Common shares |
|---|---|
| Balance, April 1, 2023 | 80,637 |
| Issued on exercise of stock options | 162 |
| Balance, June 30, 2023 | 80,799 |
| | |
| Balance, April 1, 2024 | **81,392** |
| Issued on redemption of performance share units | **17** |
| Issued for cash on exercise of stock options | **428** |
| **Balance, June 30, 2024** | **81,837** |

## (c) Stock-Based Compensation:

### Stock-Based Compensation Expense

The following table summarizes stock-based compensation expense:

| **Three months ended June 30,** (thousands of $) | **2024** | 2023 |
|---|---|---|
| Equity-settled plans | **275** | 172 |
| Cash-settled plans | **2,631** | (68) |
| Total stock-based compensation expense | **2,906** | 104 |

### Liability Recognized for Stock-Based Compensation(1)

The following table summarizes liabilities for the Company's cash-settled plans:

| (thousands of $) | **June 30, 2024** | March 31, 2024 (2) |
|---|---|---|
| SARs | **1,548** | 1,278 |
| RSUs | **3,147** | 2,128 |
| PSUs | **99** | 519 |
| DSUs | **2,415** | 1,910 |
| Total stock-based compensation liability | **7,209** | 5,835 |
| Current, recorded within trade payables and accrued liabilities | **6,141** | 5,211 |
| Long-term | **1,068** | 624 |

(1) The intrinsic value of the vested awards at June 30, 2024 is $2.9 million.

(2) As noted in note 2(e), certain amounts were reclassified to current, from long-term for the period of March 31, 2024, due to the adoption of *Classification of Liabilities as Current or Non-current – Amendments to IAS 1*, as issued in 2020 and 2021.

The Company has several stock-based compensation plans, including a stock option plan, a share appreciation rights plan, a performance share unit and restricted share unit plan, and a deferred share unit plan.

The maximum number of common shares reserved for issuance under the Company's security-based compensation plans is limited to 10% of the issued and outstanding common shares. Based on this calculation, at June 30, 2024, the Company may reserve up to 8,183,790 common shares for issuance under its security-based compensation plans.

*(i) Stock Option Plan*

The Company adopted a rolling stock option plan as of July 13, 2005, which was most recently reaffirmed by the Company's shareholders on July 6, 2023. Stock options granted by the Company provide the holder with the right to purchase common shares at the market price on the grant date, subject to fulfilling vesting terms. The majority of the Company's options vest over a three-year period, with fifty percent vesting on the first-year anniversary from the grant date and 25% vesting on each of the second- and third-year anniversary dates. In fiscal 2024, the Company granted stock options that vest when certain share price thresholds are achieved. All stock options have a three to five-year life.

The following table outlines changes in stock options:

| | Three months ended June 30, 2024 | | Year ended March 31, 2024 | |
|---|---|---|---|---|
| | **Number of Options (thousands)** | **Weighted Average Exercise Price ($/share)** | Number of Options (thousands) | Weighted Average Exercise Price ($/share) |
| Outstanding at beginning of period | **4,393** | **5.17** | 5,017 | 5.21 |
| Granted [1] | **200** | **12.63** | 376 | 8.52 |
| Exercised | **(428)** | **5.26** | (687) | 6.04 |
| Forfeited/expired | **(2)** | **3.98** | (313) | 7.83 |
| Outstanding at end of period | **4,163** | **5.52** | 4,393 | 5.17 |
| Options exercisable at end of period | **703** | **4.86** | 1,131 | 5.01 |

(1) 200,000 stock options granted during the three months ended June 30, 2024 are exercisable when specified share price targets are achieved.

The range of exercise prices of stock options outstanding and exercisable at June 30, 2024 is as follows:

| | Outstanding | | | Exercisable | |
|---|---|---|---|---|---|
| Exercise Price ($/option) | Number of Options (thousands) | Weighted Average Remaining Contractual Life (years) | Weighted Average Exercise Price ($/option) | Number of Options (thousands) | Weighted Average Exercise Price ($/option) |
| 3.98 to 4.62 | 610 | 2.5 | 4.17 | 260 | 3.98 |
| 4.63 to 4.87 | 1,800 | 2.9 | 4.74 | - | - |
| 4.88 to 5.04 | 615 | 3.2 | 5.00 | 182 | 5.00 |
| 5.05 to 5.88 | 482 | 2.5 | 5.31 | 182 | 5.08 |
| 5.89 to 8.51 | 60 | 0.4 | 6.36 | 60 | 6.36 |
| 8.52 to 12.63 | 596 | 3.7 | 9.91 | 19 | 8.70 |
| | 4,163 | 2.9 | 5.52 | 703 | 4.86 |

During the three months ended June 30, 2024, CMG issued a grant of 200,000 performance-based stock options. The performance factors are as follows for the performance-based stock options to become fully vested and exercisable:

- 75,000 stock options vest and become exercisable when a share price of $15 has been achieved for three consecutive months.
- 125,000 stock options vest and become exercisable when a share price of $20 has been achieved for three consecutive months.

A Black Scholes pricing model was utilized in the valuing of this grant and the assumptions used to fair value this grant are included in the table below. The weighted average fair value per option is $2.09 and was measured on May 28, 2024. The expected volatility considers the historical volatility in the price of CMG's common shares over a period similar to the life of the options.

| | Three months ended June 30, 2024 | Year ended March 31, 2024 |
|---|---|---|
| Fair value at grant date ($/option) | **1.70 to 2.74** | 2.35 to 2.81 |
| Share price at grant date ($/share) | **12.63** | 8.52 |
| Risk-free interest rate (%) | **4.11 to 4.23** | 4.47 to 4.66 |
| Estimated hold period prior to exercise (years) | **2 to 3** | 3 to 4 |
| Volatility in the price of common shares (%) | **39 to 40** | 40 to 43 |
| Dividend yield per common share (%) | **1.58** | 2.32 |

*(ii) Share Appreciation Rights Plan*

The Company adopted a share appreciation rights plan ("SAR Plan") in November 2015. A share appreciation right ("SAR") entitles the holder to receive a cash payment equal to the difference between the stated exercise price and the market price of the Company's common shares on the date the SAR is exercised. SARs are granted to executive officers and employees residing and working outside of Canada.

The following table outlines changes in SARs:

| | Three months ended June 30, 2024 | | Year ended March 31, 2024 | |
|---|---|---|---|---|
| | **Number of SARs (thousands)** | **Weighted Average Exercise Price ($/SAR)** | Number of SARs (thousands) | Weighted Average Exercise Price ($/SAR) |
| Outstanding at beginning of period | **563** | **6.50** | 957 | 6.47 |
| Granted | **-** | **-** | 131 | 8.52 |
| Exercised | **(88)** | **5.68** | (345) | 5.99 |
| Forfeited/expired | **-** | **-** | (180) | 8.88 |
| Outstanding at end of period | **475** | **6.65** | 563 | 6.50 |
| SARs exercisable at end of period | **51** | **4.51** | 138 | 5.25 |

*(iii) Share Unit Plans*

**Performance Share Units (PSUs) and Restricted Share Units (RSUs)**

The Performance Share Unit and Restricted Share Unit Plan ("PSU & RSU Plan") is open to all employees and contractors of the Company. Upon vesting, PSUs and RSUs can be exchanged for common shares of the Company or surrendered for cash at the option of the holder.

The International Employees PSU & RSU Plan includes substantially the same terms, conditions, and PSU performance criteria as the PSU & RSU Plan, with the main two exceptions being that (i) it is available only to employees and contractors residing and working outside of Canada and (ii) PSUs and RSUs under this plan can be redeemed for cash only.

**Deferred Share Units (DSUs)**

The DSU Plan was adopted in May 2017 and is limited to non-employee members of the Board of Directors. DSUs vest immediately but are redeemable for cash only after a director ceases Board of Director membership.

The following table summarizes the activity related to the Company's share unit plans:

| (thousands) | Three months ended June 30, 2024 | | | Year ended March 31, 2024 | | |
|---|---|---|---|---|---|---|
| | **RSUs** | **PSUs** | **DSUs** | RSUs | PSUs | DSUs |
| Outstanding at beginning of period | **394** | **117** | **187** | 542 | 68 | 163 |
| Granted | **1** | **27** | **1** | 158 | 87 | 57 |
| Exercised | **-** | **(47)** | **-** | (240) | (38) | (33) |
| Forfeited/expired | **(15)** | **-** | **-** | (66) | - | - |
| Outstanding at end of period | **380** | **97** | **188** | 394 | 117 | 187 |

### (d) Earnings Per Share:

The following table summarizes the earnings and weighted average number of common shares used in calculating basic and diluted earnings per share:

| **Three months ended June 30,** (thousands except per share amounts) | **2024** | | | 2023 | | |
|---|---|---|---|---|---|---|
| | **Earnings ($)** | **Weighted average shares outstanding** | **Earnings per share ($/share)** | Earnings ($) | Weighted average shares outstanding | Earnings per share ($/share) |
| Basic | **3,964** | **81,476** | **0.05** | 6,904 | 80,685 | 0.09 |
| Dilutive effect of share-based awards | | **2,537** | | | 1,525 | |
| Diluted | **3,964** | **84,013** | **0.05** | 6,904 | 82,210 | 0.08 |

During the three months ended June 30, 2024 8,187 awards (2023 – nil awards) were excluded from the computation of the weighted average number of diluted shares outstanding because their effect was not dilutive.

## 12. Financial Instruments and Risk Management:

The Company's financial instruments consist of financial assets which include cash, restricted cash and trade and other receivables which are classified as and measured at amortized cost, which approximates their fair values, as well as financial liabilities include trade payables and accrued liabilities (excluding stock-based compensation payable), acquisition holdback payable, and other long-term liabilities which are classified as other financial liabilities and, using level 2 inputs, are measured at amortized cost, which approximates their fair values.

The acquisition earnout liability is classified as long-term and using level 3 inputs is recorded at an estimated fair value of $1.3 million as at June 30, 2024 ($1.5 million – March 31, 2024). Estimates of the fair value of contingent consideration are performed by the Company on a quarterly basis, with adjustments to the estimated fair value being recorded in the condensed consolidated statement of operations and comprehensive income. Key unobservable inputs include forecasted revenue targets and the discount rates applied in which 15.6% was the initially estimated discount rate and has now been revised to 20.6%, which resulted in a gain of $0.2 million being recognized as at June 30, 2024. The gain is included under 'change in fair value of contingent consideration' on the condensed consolidated statement of operations and comprehensive income. The fair value of contingent consideration is measured using a discounted cash flow analysis of expected cash flows in future periods. The estimated fair value increases as the expected cash flow increases and as the discount rate decreases and vice versa.

The different levels in the fair value hierarchy have been defined as follows:

- Level 1: Quoted prices (unadjusted) in active markets for identical assets or liabilities;

- Level 2: Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly; and

- Level 3: Inputs for the asset or liability that are not based on observable market data.

There were no transfers of fair value measurement between level 1, 2, and 3 of the fair value hierarchy in the periods ended June 30, 2024 and March 31, 2024.

## 13. Commitments:

### (a) Research Commitment:

CMG, in partnership with Shell Global Solutions International B.V. (“Shell”) at present, and also in partnership with Petroleo Brasileiro S.A. historically, is the developer of CoFlow, the newest generation of reservoir and production system simulation software.

On January 1, 2017, Shell and CMG entered into an agreement (the “CoFlow Agreement”) with an initial five-year term whereby CMG would be responsible for the research and development costs of CoFlow and Shell would be responsible for providing a contribution for the continuing development of the software.

On December 21, 2020, the CoFlow Agreement was amended when Shell exercised its right to request a five-year term extension, commencing January 1, 2022. All other terms and conditions in the CoFlow Agreement, including any related amendments, remain unchanged and in full force and effect during the extended term. In September 2021, CMG and Shell agreed that CMG would add and/or allocate up to six additional full-time employees in order to accelerate CoFlow development and support targeted CoFlow deployments, and Shell’s contribution would increase accordingly.

During the three months ended June 30, 2024, CMG recorded professional services revenue of $2.1 million (2023 - $1.9 million), and CoFlow costs of $2.4 million, to research and development expenses (2023 -$1.7 million).

### (b) Commitments:

The Company’s commitments include operating cost commitments and an office lease in Houston that that has been committed but does not commence until subsequent to period-end:

| (thousands of $) | June 30, 2024 |
|---|---:|
| Less than one year | 1,402 |
| Between one and five years | 6,280 |
| More than five years | 8,755 |
| | 16,437 |

## 14. Line of Credit:

The Company has arranged for a $2.0 million line of credit with its principal banker, which can be drawn down by way of a demand operating credit facility or may be used to support letters of credit. As at June 30, 2024, $1.3 million (June 30, 2023 - $1.0 million) had been reserved on this line of credit for letters of credit supporting performance bonds.

## 15. Subsequent Event:

On August 7, 2024, the Board of Directors declared a quarterly cash dividend of $0.05 per share on its common shares, payable on September 13, 2024 to all shareholders of record at the close of business on September 5, 2024.

# Corporate Information

## Directors

**Christine (Tina) M. Antony** (4)

**John E. Billowits** (4)

**Alexander M. Davern** (2) (4)

**Kenneth M. Dedeluk** (5)

**Christopher L. Fong** (2) (3)

**Pramod Jain**

**Peter H. Kinash** (1)

**Mark R. Miller**
*Chairman of the Board*

**Kiren Singh**(2)

(1) Chair, Audit Committee
(2) Member, Audit Committee
(3) Chair, TMGN Committee
(4) Member, TMGN Committee
(5) Vice Chairman of the Board

## Officers

**Pramod Jain**
*Chief Executive Officer*

**Sandra Balic**
*Vice President,*
*Finance and Chief Financial Officer*

**John Mortimer**
*Chief Technology Officer*

**Rahul Jain**
*Vice President,*
*CORE*

**Anjani Kumar**
*Vice President,*
*Customer Success and Consulting*

**Dave Montana**
*Vice President,*
*Global Sales*

**Kristina Mysev**
*Vice President,*
*People and Culture*

**Long X. Nghiem**
*Vice President,*
*Chief Scientist*

**Marcus W. Archer**
*Corporate Secretary*

## Head Office

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## Regional Offices

Bengaluru, India
Bogota, Colombia
Dubai, UAE
Houston, Texas, USA
Kuala Lumpur, Malaysia
Oslo, Norway
Oxford, England
Rio de Janeiro, Brazil

## Transfer Agent

Olympia Trust Company

## Stock Exchange Listing

Toronto Stock Exchange: **CMG**

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