Q3 2025 Financial Report

CMG

Contents

CEO Letter to Shareholders

February 11, 2025

Dear Fellow Shareholders,

A colleague recently challenged me with the question “what is that one word that you stand for?” It was an easy answer or me because it is a deeply held and long-standing belief. That one word is “compounding.” Compounding is said to be the 8th wonder of the world and in both my personal and professional life, I believe “bring a 1% improved version of yourself every day and you’ll be 37 times better in a year.” Our employees know this well as I’ve repeated it often since joining CMG. It is something I strive to do every day.

In business, if you compound free cash flow per share over a long period, well, you can do the math. As I take a step back and look at what we are trying to achieve at CMG, it’s all about compounding. This means small but consistent improvements in our business with a long-term focus on sustainable growth that generates increasing free cash flow per share, which then allows for disciplined capital deployment at attractive rates of return.

This is a lofty goal but by making manageable changes that build on each other, both within our businesses and in our strategy as whole, we set ourselves up for the compounding effect of 1% improvement every day.

Reservoir and Production Simulation

We had many successes in the past two years including establishing a performance-based culture and compensation, investing in key sales and marketing teams, introducing product management as a practice, improving price discipline, and implementing systems to enable scaling. These improvements, alongside constructive industry trends, led to early wins with our transformation efforts.

In the current quarter, the core CMG annuity and maintenance (A/M) revenue, as reported in the Reservoir and Production segment, recovered after a dip in the second quarter. While profitability remains solid, year-to-date revenue is below my expectation of what would be needed to meet the objective of low double-digit annual growth. Customers are increasingly price sensitive and global energy transition policy direction has become more uncertain in recent months. Decision making at many organizations has slowed.

In response, we are making small adjustments to ensure our “1% improvement every day.” Early in my tenure, I committed to expanding our consulting practice, which was met with strong demand. Our consulting and customer support are performed by the same dedicated and highly technical team, which does not easily scale with strong demand for both. As our primary objective is to grow our higher margin software revenue, we are evolving our approach to focus our resources on customer support which we expect to support higher software licensing and usage through deeper customer engagement. We will not be focused on growing our current levels of consulting activity. The team will remain true to its key objectives of building relationships with our customers, driving software use and adoption, and identifying customer challenges, roadmap opportunities and market trends that allow us to deliver the kind of exceptional customer experience expected of us.

Second, there are many product and solution opportunities that CMG could pursue at this time, so ruthless prioritization is key. In my first letter to our shareholders, I shared my passion for building relentlessly customer-focused product organizations.

Building on customer feedback, we identified key opportunities in our product development roadmap and prioritized initiatives we believe are critical to enhancing user experience and strengthening our market position. These include targeted improvements to the simulation pre-processing workflow, run-time speed, and other specific functionality. While these initiatives were previously underway, they have now been given higher priority and resourcing.

Finally, growth in the sales pipeline for CoFlow put us in a position to engage deeply with a diverse potential customer base who offered valuable product feedback. We are committed to delivering on refinements and functionalities to the product as a top priority. This strengthens CoFlow to a point where we expect funding commitments from the development sponsor to ramp down over the coming year as they transition to solely software licensing. This allows CMG to manage CoFlow more directly, with a focus on recurring revenue growth and profitability, which is consistent with how we view all internal initiatives and acquisitions.

Success Criteria

When I joined CMG, success was measured by revenue growth while maintaining strong profitability. Our company looks very different today than it did then and while growth and profitability are still the goal, the nature of that growth is now more critical.

Today, approximately 65% of our total revenue is recurring software revenue, compared to CMG's 78% in the simulation business alone. Reorienting the revenue mix, especially from acquired companies, towards software is essential for driving profitability. Recurring software revenue is scalable in a way that services are not, offering higher incremental margins. This enhances profitability which in turn can boost free cash flow, enabling us to further our acquisition strategy.

Our shift towards a higher percentage of recurring software revenue will primarily result from our focus on stronger software sales. A lesser impact will come from declines in professional services revenue including the ramp-down of CoFlow funding. We also expect a gradual reduction in tailored software development professional services within Seismic Solutions. This shift can contribute to strengthening our margin profile and cash-generating potential. As a result, total revenue growth will be less important than software revenue growth, margin expansion and free cash flow per share.

Acquisitions

Acquisitions are where compounding will have the greatest impact on CMG. To date, we have bought two high-quality businesses with a slightly heavier focus on services revenue and that are in the early stages of software growth. As we adjust the focus to recurring software revenue and expanding the margins, we expect to start growing our free cash flow which can be redeployed into further acquisitions.

This is a long-term, multi-year strategy. It will take time to demonstrate the evolution of the businesses and the growth in free cash flow per share and to successfully identify the right opportunities to reinvest our capital.

We have built a strong team around M&A and have expanded roles covering business development, strategy, research, and integration. Our first two significant acquisitions were complex, allowing us to start to develop an integration and M&A playbook that will set us up for further acquisitions. The size and pace of our acquisitions will continue to be dictated by the opportunities available and we are leveraging the learnings and successes of the last two years to guide further refinements to our strategy.

In closing

My team knows that I am passionate about whiteboarding ideas. It helps me think through ideas, new approaches and clarify my thinking. The idea of compounding is not unique to me or to business, but it is a new approach for CMG. I recently drew out the straightforward idea that focusing on growing recurring software revenue can lead to expanded margins, which in turn improves free cash flow, which can be continually reinvested in initiatives or acquisitions at attractive rates of return. Apply this strategy to how we think about CoFlow, how we think about Bluware, how we think about Sharp, and you quickly come to realize the value of 1% improvement every day. The benefit of compounding comes with time. Investing in our businesses to create profitability alongside sustainable, long-term growth is key.

Thank you for your ongoing support and enthusiasm for our vision.

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 February 11, 2025, accessible on SEDAR+ (www.sedarplus.ca) and our website (www.cmgl.ca/investors/financial-reports).

Computer Modelling Group Ltd. announces its third quarter results for the three and nine months ended December 31, 2024.

THIRD QUARTER 2025 CONSOLIDATED HIGHLIGHTS

Select financial highlights

- Closed the Company's second major acquisition, Sharp Reflections GmbH ("SR" or "Sharp"), on November 12, 2024;
- Generated total revenue of $35.8 million in the third quarter of fiscal 2025, compared to $33.0 million in the prior year's quarter, reflecting a 1% decrease in R&P segment revenue and a 9% contribution from the Seismic segment, of which 6% was growth from acquisitions;
- Operating profit increased to $11.2 million, an increase of 37% from the same period of the previous fiscal year, primarily due to increased software and professional service revenues and a decrease in operating expenses primarily driven by a decrease in stock-based compensation in the quarter as a result of the decrease in share price. Adjusted operating profit increased by 9% from the same period of the previous fiscal year, with the R&P segment decreasing by 5% and the Seismic segment increasing by 14%, of which 1% was contributed from the acquisition;
- Adjusted EBITDA Margin was 39%, compared to 37% in the same period of the previous fiscal year with the R&P segment generating 42% and the Seismic segment generating 34% in Adjusted EBITDA Margin;
- Net income during the period was $9.6 million, a 71% increase compared to the prior year's quarter, primarily due to a increased operating profit and significant FX gains, partially offset by a change in the fair value of contingent consideration;
- Earnings per share was $0.12, a 71% increase compared to the prior year's quarter;
- Funds flow from operations per share was $0.12, a 20% increase from the prior year comparative period. Reported Free Cash Flow of $0.11 per share, an increase of 22%, primarily due to increased funds flow from operations and a decrease in both capital expenditures and repayment of lease liabilities.

THIRD QUARTER YEAR TO DATE 2025 CONSOLIDATED HIGHLIGHTS

Select financial highlights

- Closed the Company's second major acquisition, Sharp Reflections GmbH ("SR" or "Sharp"), on November 12, 2024;
- Generated total revenue of $95.8 million for the third quarter fiscal 2025 year-to-date period, compared to $76.4 million in the prior year-to-date period, reflecting a 3% increase in the R&P segment revenue and a 22% contribution from the Seismic segment of which 21% was growth from acquisitions;
- Operating profit decreased to $25.3 million, a decrease of 2% from the same year-to-date period of the previous fiscal year, primarily due to increased headcount and headcount related costs, increased acquisition costs, increased amortization of acquired intangible assets, and increased agent commissions as a result of increased revenues, partially offset by a decrease in stock-based compensation expense. Adjusted operating profit remained consistent with the prior year comparative period, with the R&P segment decreasing by 4% and the Seismic segment contributing an increase of 4%;
- Adjusted EBITDA Margin was 35%, compared to 43% in the same period of the previous fiscal year with the R&P Segment generating 43% and the Seismic segment generating 15% in Adjusted EBITDA Margin;
- Net income during the period was $17.3 million, a 9% decrease compared to the prior year-to-date period, primarily due to a decrease in operating profit, change in fair value of contingent consideration and increased income tax;
- Earnings per share was $0.21, a 13% decrease compared to the prior year-to-date period;
- Funds flow from operations per share was $0.29, a 15% decrease from the prior year-to-date period. Reported Free Cash Flow of $0.25 per share, a decrease of 22%, primarily due to decreased funds flow from operations and increases in both capital expenditures and repayment of lease liabilities.

Third Quarter Overview

In the third quarter, total revenue grew by 8% from the prior fiscal year to $35.8 million, of which 2% was Organic growth and 6% was growth from acquisitions.

Adjusted EBITDA Margin of 39% compared to 37% in the prior year period, with reductions in the Reservoir and Productions Solutions segment offset by increases in the Seismic Solutions segment.

Net income for the quarter increased to $9.6 million, up from $5.6 million in the prior year period, supported by an increase in operating profit and significant foreign exchange rate gains. Free Cash Flow increased from $0.09 per share in the prior period to $0.11 per share, impacted by the increase in funds flow from operations. At December 31, 2024, the cash balance was $39.7 million, a decrease from $61.4 million at September 30, 2024 due primarily to the acquisition of Sharp Reflections.

Reservoir and Production Solutions

Total revenue declined by 1% with declines in Professional Services revenue partially offset by gains in Perpetual license revenue. Annuity/maintenance ("A/M") revenue was flat compared to the third quarter of 2024 with decreases in the US, Canada and South America, offset by growth in the Eastern Hemisphere. Software revenue attributable to energy transition was 23% in the quarter, compared to 22% in the comparable prior year period. From a trend perspective, on a year-to-date basis, software revenue attributable to energy transition was 23% compared to 22% in the same period of the previous year.

Operating profit in the segment for the third quarter increased to $7.0 million, from $5.9 million in the prior year period, driven by a reduction in stock-based compensation expense due to lower share price, partially offset by increased expenses, including acquisition related expenses, agent commission and other related fees, and other corporate costs. Adjusted EBITDA Margin in the quarter decreased to 42% from 44% in the prior fiscal year, due primarily to the slight decline in revenue and an increase in expenses.

Maintaining our customary high renewal rates in the fourth quarter will be important for sustaining our current growth trajectory which, on a year-to-date basis, is below our expectation of low double-digits.

Seismic Solutions

Total revenue increased 26% of which 9% was Organic growth and 17% growth from acquisitions.

A/M revenue increased 131% compared to the prior year period, of which 49% was Organic growth, due to an increase in licensing and the positive impact of foreign exchange rates. Growth from acquisitions was 82%. Annuity license fee increase of 12% Organic growth was also positively impacted by an increase in licensing and the positive impact of USD/CAD foreign exchange rates.

Operating profit in the segment for the third quarter increased to $4.2 million from $2.3 million as a result of higher revenue and lower G&A expenses. Adjusted EBITDA increased to $4.8 million from $2.7 million, of which 6% is from acquisitions. Adjusted EBITDA Margin grew to 34% from 24% in the prior year. Contract renewals in the Seismic segment 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. We would encourage shareholders to evaluate the Seismic Solutions segment revenue and profitability on a full-year basis.

SUMMARY OF FINANCIAL PERFORMANCE

	Reservoir & Production Solutions		Seismic Solutions		Consolidated	
Three months ended December 31, ($ thousands, except per share data)	**2024**	2023	**2024**	2023	**2024**	2023
Annuity/maintenance licenses	**17,706**	17,625	**2,746**	1,189	**20,452**	18,814
Annuity license fee	**-**	-	**4,303**	3,846	**4,303**	3,846
Perpetual licenses	**804**	584	**-**	-	**804**	584
Total software license revenue	**18,510**	18,209	**7,049**	5,035	**25,559**	23,244
Professional services	**3,181**	3,594	**7,033**	6,169	**10,214**	9,763
Total revenue	**21,691**	21,803	**14,082**	11,204	**35,773**	33,007
Total revenue growth	**(1%)**	*12%*	**26%**		**8%**	*70%*
Annuity/maintenance licenses growth	**(0%)**	*13%*	**131%**		**9%**	*21%*
Cost of revenue	**2,389**	2,288	**3,918**	4,068	**6,307**	6,356
Operating expenses						
Sales & marketing	**2,914**	4,379	**1,449**	478	**4,363**	4,857
Research and development	**4,656**	5,337	**2,684**	1,916	**7,340**	7,253
General & administrative	**4,743**	3,890	**1,803**	2,434	**6,546**	6,324
Operating expenses	**12,313**	13,606	**5,936**	4,828	**18,249**	18,434
Operating profit	**6,989**	5,909	**4,228**	2,308	**11,217**	8,217
Operating Margin	***32%***	*27%*	***30%***	*21%*	***31%***	*25%*
Acquisition related expenses	**1,533**	146	**54**	551	**1,587**	697
Amortization of acquired intangible assets	**575**	565	**430**	87	**1,005**	652
Stock-based compensation	**(82)**	2,974	**3**	-	**(79)**	2,974
Adjusted operating profit (1)	**9,015**	9,594	**4,715**	2,946	**13,730**	12,540
Adjusted Operating Margin (1)	***42%***	*44%*	***33%***	*26%*	***38%***	*38%*
Net income (loss)	**5,496**	3,918	**4,110**	1,692	**9,606**	5,610
Adjusted EBITDA (1)	**9,003**	9,583	**4,821**	2,689	**13,824**	12,272
Adjusted EBITDA Margin (1)	***42%***	*44%*	***34%***	*24%*	***39%***	*37%*
Earnings per share – basic & diluted					**0.12**	0.07
Funds flow from operations per share - basic					**0.12**	0.10
Free Cash Flow per share – basic (1)					**0.11**	0.09

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

	Reservoir & Production Solutions		Seismic Solutions		Consolidated	
Nine months ended December 31, ($ thousands, except per share data)	**2024**	2023	**2024**	2023	**2024**	2023
Annuity/maintenance licenses	**52,257**	50,673	**5,832**	1,196	**58,089**	51,869
Annuity license fee	**-**	-	**4,552**	4,004	**4,552**	4,004
Perpetual licenses	**5,063**	3,609	**-**	-	**5,063**	3,609
Total software license revenue	**57,320**	54,282	**10,384**	5,200	**67,704**	59,482
Professional services	**9,843**	10,338	**18,216**	6,568	**28,059**	16,906
Total revenue	**67,163**	64,620	**28,600**	11,768	**95,763**	76,388
Total revenue growth	**4%**	*21%*	**143%**		**25%**	*43%*
Annuity/maintenance licenses growth	**3%**	*15%*	**388%**		**12%**	*18%*
Cost of revenue	**7,341**	6,464	**10,850**	4,290	**18,191**	10,754
Operating expenses						
Sales & marketing	**10,418**	10,096	**3,105**	500	**13,523**	10,596
Research and development	**15,170**	14,040	**6,843**	2,032	**22,013**	16,072
General & administrative	**12,276**	10,776	**4,447**	2,483	**16,723**	13,259
Operating expenses	**37,864**	34,912	**14,395**	5,015	**52,259**	39,927
Operating profit	**21,958**	23,244	**3,355**	2,463	**25,313**	25,707
Operating Margin	***33%***	*36%*	***12%***	*21%*	***26%***	*34%*
Acquisition related expenses	**1,928**	719	**423**	551	**2,351**	1,270
Amortization of acquired intangible assets	**1,726**	746	**608**	92	**2,334**	838
Stock-based compensation	**3,057**	5,370	**3**	-	**3,060**	5,370
Adjusted operating profit (1)	**28,669**	30,079	**4,389**	3,106	**33,058**	33,185
Adjusted Operating Margin (1)	***43%***	*47%*	***15%***	*26%*	***35%***	*43%*
Net income (loss)	**15,491**	17,245	**1,842**	1,785	**17,333**	19,030
Adjusted EBITDA (1)	**28,774**	30,116	**4,425**	2,822	**33,199**	32,938
Adjusted EBITDA Margin (1)	***43%***	*47%*	***15%***	*24%*	***35%***	*43%*
Earnings per share – basic & diluted					**0.21**	0.24
Funds flow from operations per share – basic					**0.29**	0.34
Free Cash Flow per share – basic (1)					**0.25**	0.32

(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 February 11, 2025, should be read in conjunction with CMG Group's unaudited condensed consolidated interim financial statements (the "Financial Statements") and accompanying notes for the three and nine months ended December 31, 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 February 11, 2025.

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 Reservoir & Production Solutions operating segment to maintain annual Adjusted EBITDA Margin in excess of 40%;
- ability of the Reservoir & Production Solutions operating segment to achieve 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, including the transition to software licensing arrangement, 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 in a particular territory or in general;
- the Company's ability to recognize financial results of acquired businesses and assets; 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. CMG Group provides 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, Oslo, Stavanger, and Kaiserslautern. The Company's 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, CMG Europe Ltd., CMG Collaboration Centre India Private Ltd., and Computer Modelling Group Brazil Solucoes Technoligicas Ltda., (together referred to as "CMG"), and CMG Holdings (USA) Inc., Bluware-Headwave Ventures Inc., Bluware Inc., and Bluware AS, (together referred to as "BHV") and CMGL Services Corporation Inc., CMG Germany GmbH, Sharp Reflections GmbH, Sharp Reflections Inc., Sharp Reflections AS, Sharp Reflections Ltd., (together referred to as "SR" or "Sharp").

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 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 acquisitions.

Organic Growth

The Company measures Organic growth on a quarterly and year-to-date basis at the revenue and Adjusted EBITDA levels and includes revenue and Adjusted EBITDA under CMG Group's ownership for a year or longer, beginning from the first full quarter of CMG Group's ownership in the current and comparative period(s). For example, BHV was acquired on September 25, 2023 (Q2 2024). On September 25, 2024, it marked one full year of ownership under CMG Group and on October 1, 2024 (Q3 2025), which is the first full quarter under CMG Group's ownership in the current and comparative period, started being tracked under Organic growth. Any revenue generated by BHV prior to October 1, 2024, would not be included in Organic growth. Sharp was acquired on November 12, 2024 (Q3 2025) and will start contributing to Organic growth on January 1, 2026 (Q4 2026).

For further clarity, current statements include Organic growth from the following:

- CMG revenue and Adjusted EBITDA
- BHV revenue and Adjusted EBITDA generated beginning on October 1, 2024

Significant Events

Acquisition of Sharp Reflections GmbH

On November 12, 2024, CMG Group announced the acquisition of Sharp Reflections GmbH a software company, specializing in seismic processing and interpretation. Sharp leverages high-performance computing to process and analyze pre-stack seismic datasets in real time thereby enhancing the efficiency and quality of decision making in subsurface interpretation. The acquisition of Sharp is a natural extension of CMG Group and will enable us to further expand CMG Group's solutions in the seismic processing and interpretation in the upstream energy workflow.

Sharp is headquartered in Kaiserslautern, Germany with operations in UK, USA, Norway and Germany. Sharp's customer base includes integrated oil companies (IOCs), national oil companies (NOCs) and super majors with further opportunities to expand to energy transition through CCS, offshore wind-farm development and hydrogen storage where subsurface integrity is critical.

Sharp's flagship solution, Pre-Stack Pro (now known as Sharp Reflections software), is a leading high performance computing platform for seismic data processing and interpretation, with a specific expertise in large pre-stack seismic data sets. Sharp has recently expanded its offering to include 4D seismic analysis. Sharp works with some of the world's largest oil and gas operators for sponsor driven development through foundation projects which aids in the continuous improvement and features offered within the Sharp Reflections software. Sharp also offers tech-enabled consulting services, leveraging its software to deliver studies and solutions to their customers.

This acquisition is intended to grow CMG Group's existing software revenues and continues to demonstrate our ability to add strategic IP to our portfolio.

Refer to note 3 in the condensed consolidated interim financial statements for additional information.

Business Model

As a result of CMG Group's acquisition of Sharp on November 12, 2024, the Company's operations are organized into two reportable operating segments represented by "Reservoir & Production Solutions" segment ("R&P") which reflects the operations of CMG and includes the development and licensing of reservoir simulation software and "Seismic Solutions" segment ("Seismic") represented by BHV and SR and includes the development and licensing of seismic interpretation software. As such, we have prepared the below analysis to follow both segments and consolidated amounts to allow users to understand and sufficiently compare results from each segment separately.

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 the R&P and Seismic segments. Each entity allocates 50% of annuity license agreement to software license and 50% to maintenance. 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 segment, as follows:

- R&P – Software annuity license revenue is recognized ratably over the term of the agreement, given management's practice to honour customers' mid-contract requests to reduce product quantities or license duration without a penalty and a refund or credit a pro-rata share of the agreement fee. These software annuity license revenues are included in "Annuity/maintenance license" revenue.
- Seismic – 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.

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 R&P. The Seismic entities historically offered perpetual licenses and recognize maintenance revenue from legacy perpetual licenses. Maintenance license revenue to support perpetual license sales 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 licenses are no longer commonly sold by Seismic. 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.

In addition to the above, CMG Group also offers the following:

Cloud Solutions

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 software. This currently represents a small part of the Company's business and is reported under annuity/maintenance license revenue.

Professional Services

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, Organic growth, 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.

	Reservoir & Production Solutions		**Seismic Solutions**		**Consolidated**	
Three months ended December 31, ($ thousands)	**2024**	2023	**2024**	2023	**2024**	2023
Net income (loss)	**5,496**	3,918	**4,110**	1,692	**9,606**	5,610
Add (deduct):						
Depreciation and amortization	**1,460**	1,449	**807**	106	**2,267**	1,555
Stock-based compensation	**(82)**	2,974	**3**	-	**(79)**	2,974
Acquisition related expenses	**1,533**	146	**54**	551	**1,587**	697
Loss on contingent consideration	**150**	-	**-**	-	**150**	-
Income and other tax expense	**2,497**	1,805	**1,065**	702	**3,562**	2,507
Interest income	**(474)**	(982)	**(179)**	(2)	**(653)**	(984)
Foreign exchange loss (gain)	**(1,146)**	701	**(781)**	(59)	**(1,927)**	642
Repayment of lease liabilities	**(431)**	(428)	**(258)**	(300)	**(689)**	(728)
Adjusted EBITDA (1)	**9,003**	9,583	**4,821**	2,689	**13,824**	12,272
Adjusted EBITDA Margin (1)	***42%***	*44%*	***34%***	*24%*	***39%***	*37%*

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

	Reservoir & Production Solutions		Seismic Solutions		Consolidated	
Nine months ended December 31, ($ thousands)	**2024**	2023	**2024**	2023	**2024**	2023
Net income (loss)	**15,491**	17,245	**1,842**	1,785	**17,333**	19,030
Add (deduct):						
Depreciation and amortization	**4,496**	3,424	**1,601**	113	**6,097**	3,537
Stock-based compensation	**3,057**	5,370	**3**	-	**3,060**	5,370
Acquisition related expenses	**1,928**	719	**423**	551	**2,351**	1,270
Loss on contingent consideration	**2,063**	-	**-**	-	**2,063**	-
Income and other tax expense	**5,913**	6,288	**2,381**	740	**8,294**	7,028
Interest income	**(1,934)**	(2,434)	**(358)**	(4)	**(2,292)**	(2,438)
Foreign exchange loss (gain)	**(948)**	752	**(558)**	(59)	**(1,506)**	693
Repayment of lease liabilities	**(1,292)**	(1,248)	**(909)**	(304)	**(2,201)**	(1,552)
Adjusted EBITDA (1)	**28,774**	30,116	**4,425**	2,822	**33,199**	32,938
Adjusted EBITDA Margin (1)	***43%***	*47%*	***15%***	*24%*	***35%***	*43%*

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

Adjusted EBITDA Margin for the three and nine months ended December 31, 2024, was 39% and 35%, respectively, down from 37% and 43% during the period year comparative periods.

The R&P segment's Adjusted EBITDA Margin is 42% and 43% for the three and nine months ended December 31, 2024, respectively, compared to 44% and 47%, respectively for the three and nine months ended December 31, 2023. The decline in Adjusted EBITDA Margin for the three months ended December 31, 2024, is primarily due to a slight decline in revenue and increase in other corporate costs. The decline in Adjusted EBITDA Margin for the nine months ended December 31, 2024, is primarily due to an increase in headcount and headcount related costs and other corporate costs, partially offset by an increase in total revenues. Refer to the "Operating Expenses" section of this MD&A for further detail on the increase in operating expenses by category.

The Seismic segment's Adjusted EBITDA Margin for the three and nine months ended December 31, 2024, is 34% and 15%, respectively, compared to 24% for the three and nine months ended December 31, 2023. Seismic Adjusted EBITDA for the three months ended December 31, 2024, increased by 79%, of which 6% is due to growth from acquisitions. The increase in Seismic Adjusted EBITDA not related to growth from acquisitions for the three months ended December 31, 2024, is primarily due to higher revenues and lower G&A expenses. Seismic Adjusted EBITDA for the nine months ended December 31, 2024, increased by 57%, of which there was an 8% decline due to acquisitions. The increase in Seismic Adjusted EBITDA not related to growth from acquisitions for the nine months ended December 31, 2024, is impacted by the same reasons as the three months ended December 31, 2024. The decrease in Seismic Adjusted EBITDA due to decline from acquisitions for the nine months ended December 31, 2024, is primarily due to negative Adjusted EBITDA in the first six months of fiscal 2025, influenced by revenue recognition being skewed to the last two quarters of the fiscal year. Contract renewals in the Seismic segment 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)	Q4	Q1	Q2	Q3	Q4	Q1	Q2	**Q3**
Funds flow from operations	7,656	7,920	11,491	8,477	10,367	6,515	7,101	**9,937**
Capital expenditures[(1)]	(1,707)	(45)	(51)	(459)	(95)	(93)	(236)	**(432)**
Repayment of lease liabilities	(553)	(412)	(412)	(728)	(803)	(743)	(769)	**(689)**
Free Cash Flow	5,396	7,463	11,028	7,290	9,469	5,679	6,096	**8,816**
Weighted average shares – basic (thousands)	80,603	80,685	80,834	81,067	81,314	81,476	81,887	**82,753**
Free Cash Flow per share - basic	0.07	0.09	0.14	0.09	0.12	0.07	0.07	**0.11**
Funds flow from operations per share-basic	0.09	0.10	0.14	0.10	0.13	0.08	0.09	**0.12**

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

Free Cash Flow per share increased by 22% for the three months ended December 31, 2024, and decreased by 22% for the nine months ended December 31, 2024, as compared to the three and nine months ended December 31, 2023, respectively. The increase in Free Cash Flow for the three months ended December 31, 2024, primarily relates to an increase in net income and decrease in the repayment of lease liabilities relating to timing of payments as the BHV office lease in Houston concluded during the period. The decrease in Free Cash Flow for the nine months ended December 31, 2024, primarily relates to a decrease in net income and increase in repayment of lease liabilities compared to the prior year comparative period as a result of the acquisition of BHV.

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.

	Reservoir & Production Solutions		Seismic Solutions		Consolidated	
Three months ended December 31, ($ thousands)	**2024**	2023	**2024**	2023	**2024**	2023
Operating profit	**6,989**	5,909	**4,228**	2,308	**11,217**	8,217
Add:						
Acquisition related expenses	**1,533**	146	**54**	551	**1,587**	697
Amortization of acquired intangible assets	**575**	565	**430**	87	**1,005**	652
Stock-based compensation	**(82)**	2,974	**3**	-	**(79)**	2,974
Adjusted operating profit (1)	**9,015**	9,594	**4,715**	2,946	**13,730**	12,540
Adjusted Operating Margin (1)	***42%***	*44%*	***33%***	*26%*	***38%***	*38%*

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

	Reservoir & Production Solutions		Seismic Solutions		Consolidated	
Nine months ended December 31, ($ thousands)	**2024**	2023	**2024**	2023	**2024**	2023
Operating profit	**21,958**	23,244	**3,355**	2,463	**25,313**	25,707
Add:						
Acquisition related expenses	**1,928**	719	**423**	551	**2,351**	1,270
Amortization of acquired intangible assets	**1,726**	746	**608**	92	**2,334**	838
Stock-based compensation	**3,057**	5,370	**3**	-	**3,060**	5,370
Adjusted operating profit (1)	**28,669**	30,079	**4,389**	3,106	**33,058**	33,185
Adjusted Operating Margin (1)	***43%***	*47%*	***15%***	*26%*	***35%***	*43%*

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

SUMMARY OF CONSOLIDATED FINANCIAL RESULTS

	Three months ended December 31,			Nine months ended December 31,		
($ thousands)	**2024**	2023	% change	**2024**	2023	% change
Total revenue	**35,773**	33,007	8%	**95,763**	76,388	25%
Cost of revenue	**(6,307)**	(6,356)	(1%)	**(18,191)**	(10,754)	69%
Operating expenses	**(18,249)**	(18,434)	(1%)	**(52,259)**	(39,927)	31%
Operating profit	**11,217**	8,217	37%	**25,313**	25,707	(2%)
Finance income (cost)	**2,101**	(100)	2201%	**2,377**	351	577%
Change in fair value of contingent consideration	**(150)**	-	100%	**(2,063)**	-	100%
Income taxes	**(3,562)**	(2,507)	42%	**(8,294)**	(7,028)	18%
Net income	**9,606**	5,610	71%	**17,333**	19,030	(9%)

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 R&P's software products and Seismic'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 R&P is recognized evenly over the term of the contract within “Annuity/maintenance license revenue”, and for Seismic 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 the Company’s customers, who have acquired perpetual software licenses, subsequently purchase our maintenance package to ensure ongoing product support and access to current versions of the Company’s software.

Software License Revenue

	Three months ended December 31,			**Nine months ended December 31,**		
($ thousands)	**2024**	2023	% change	**2024**	2023	% change
Annuity/maintenance licenses	**20,452**	18,814	9%	**58,089**	51,869	12%
Annuity license fee	**4,303**	3,846	12%	**4,552**	4,004	14%
Perpetual licenses	**804**	584	38%	**5,063**	3,609	40%
Total software license revenue	**25,559**	23,244	10%	**67,704**	59,482	14%
Professional services	**10,214**	9,763	5%	**28,059**	16,906	66%
Total revenue	**35,773**	33,007	8%	**95,763**	76,388	25%

Total software license revenue for the three months ended December 31, 2024, increased by 10%, compared to the same period of the previous fiscal year, of which 6% was from Organic growth. The R&P segment contributed to 1% of the increase due to slight increases in both annuity/maintenance and perpetual license sales. The Seismic segment contributed to 9% of the increase, of which 4% was contributed by acquisitions. The R&P segment benefitted from the strengthening of the USD relative to CAD during the quarter.

Total software license revenue for the nine months ended December 31, 2024, increased by 14%, compared to the same period of the previous fiscal year, of which 7% was Organic growth. The R&P segment contributed 5% of the increase due to increases in both annuity/maintenance and perpetual license sales. The Seismic segment contributed 9% of the increase, of which 7% was contributed by acquisitions. Similar to the quarter, the R&P segment benefitted from the strengthening USD relative to CAD during the nine months ended December 31, 2024.

Total R&P segment software license revenue from energy transition customers for both the three and nine months ended December 31, 2024, is estimated to be 23%, mainly related to Carbon Capture and Storage projects.

Annuity/Maintenance license revenue

Annuity/maintenance license revenue increased by 9% during the three months ended December 31, 2024, compared to the same period of the previous fiscal year, of which 4% was Organic growth. While the R&P segment remained flat, the Seismic segment contributed 9% of the increase, of which 5% was contributed by acquisitions.

Annuity/maintenance license revenue increased by 12% during the nine months ended December 31 ,2024, compared to the same period of the previous fiscal year, of which 4% was Organic growth. The R&P segment contributed 3% of the increase, mainly supported by growth in the Eastern Hemisphere. The Seismic segment contributed 9% of the increase, of which 8% was contributed by acquisitions.

Annuity license fee revenue

Annuity license fee revenue relates to the Seismic segment. 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.

Annuity license fee revenue increased by 12% during the three months ended December 31, 2024, compared to the same period of the previous fiscal year, all related to Organic growth in the Seismic segment and positively affected by the strengthening USD relative to CAD.

Annuity license fee revenue increased by 14% during the nine months ended December 31, 2024, compared to the same period of the previous fiscal year, of which 8% was Organic growth generated during the current quarter, and 6% was contribution from acquisitions.

Perpetual license revenue

Perpetual license revenue in the R&P segment increased by 38% and 40% respectively during the three and nine months ended December 31, 2024, respectively, compared to the same periods of the previous fiscal year, primarily due to perpetual license sales generated in Europe and Asia during the three months, and in United States, Europe and Asia for the nine months ended December 31, 2024.

Foreign Exchange Impact

As many of CMG Group's revenue contracts are denominated in USD, the fluctuation in the USD/CAD exchange rate has a direct impact on the change in total software revenue for the reporting period. For the three months ended December 31, 2024, it was determined that the increase in USD/CAD exchange rate positively impacted total software revenue by approximately 2% for USD-denominated contracts. For the nine months ended, December 31, 2024, the impact was negligible.

Software Revenue by Geographic Region

($ thousands)	Three months ended December 31, 2024	2023	% change	Nine months ended December 31, 2024	2023	% change
Annuity/maintenance license						
Canada	**3,261**	3,339	(2%)	**9,739**	9,898	(2%)
United States	**4,494**	4,698	(4%)	**13,242**	13,499	(2%)
South America	**2,555**	2,504	2%	**7,308**	6,784	8%
Eastern Hemisphere (1)	**10,142**	8,273	23%	**27,800**	21,688	28%
	20,452	18,814	9%	**58,089**	51,869	12%
Annuity license fee						
Canada	**-**	-	0%	**-**	-	0%
United States	**708**	547	29%	**785**	579	36%
South America	**176**	-	100%	**243**	19	1179%
Eastern Hemisphere (1)	**3,419**	3,299	4%	**3,524**	3,406	3%
	4,303	3,846	12%	**4,552**	4,004	14%
Perpetual license						
Canada	**170**	155	10%	**170**	270	(37%)
United States	**-**	-	0%	**1,337**	233	474%
South America	**-**	-	0%	**-**	324	(100%)
Eastern Hemisphere (1)	**634**	429	48%	**3,556**	2,782	28%
	804	584	38%	**5,063**	3,609	40%
Total software license revenue						
Canada	**3,431**	3,494	(2%)	**9,909**	10,168	(3%)
United States	**5,202**	5,245	(1%)	**15,364**	14,311	7%
South America	**2,731**	2,504	9%	**7,551**	7,127	6%
Eastern Hemisphere (1)	**14,195**	12,001	18%	**34,880**	27,876	25%
	25,559	23,244	10%	**67,704**	59,482	14%

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

Total software license revenue increased during both the three and nine months ended December 31, 2024, compared to the same periods of the previous fiscal year, with the Eastern Hemisphere driving the majority of the increase.

The Canadian region (representing 15% of year-to-date total software license revenue) experienced a marginal decrease in annuity/maintenance revenue during the three and nine months ended December 31, 2024, compared to the same periods in the previous fiscal year. The Seismic segment has a negligible portion of annuity/maintenance revenue. Perpetual license revenue increased by 10% during the three months ended December 31, 2024, compared to the same period of the previous fiscal year due to new perpetual sales in the quarter. Perpetual license revenue decreased by 37% for the nine months ended December 31, 2024, compared to the same period of the previous year, due to fewer perpetual sales being generated in the first two quarters of fiscal 2025. Perpetual license revenue is attributable to the R&P segment only.

The United States (representing 23% of year-to-date total software license revenue) experienced decreases of 4% and 2% in annuity/maintenance license revenue during the three and nine months ended December 31, 2024, respectively, compared to the same periods in the previous fiscal year. The R&P segment contributed a decline in annuity/maintenance license revenue of 14% and 9%, for the three and nine months ended December 31, 2024, respectively, primarily due to customer attrition and a reduction in licensing amongst existing customers. This was partially offset by contributions from the Seismic segment of 10% and 7% for the three and nine months ended December 31, 2024, respectively, of which growth from acquisitions represented 6% for both the three and nine months ended December 31, 2024. Annuity license fee revenue increased by 29% and 36%, respectively for the three and nine months ended December 31, 2024, primarily due to the significant increase in the USD/CAD foreign exchange rate positively impacting USD-denominated contracts. The majority of Seismic segment software renewals occur primarily in the third and fourth quarters of the fiscal year when the majority of annuity license fee revenue is generated. No perpetual license sales were generated during the three months ended December 31, 2024.

Perpetual license revenue increased by 474% during the nine months ended December 31, 2024, compared to the same period in the previous fiscal year due to new customer license sales recorded in the first quarter of fiscal 2025. Perpetual license revenue is all attributable to the R&P segment.

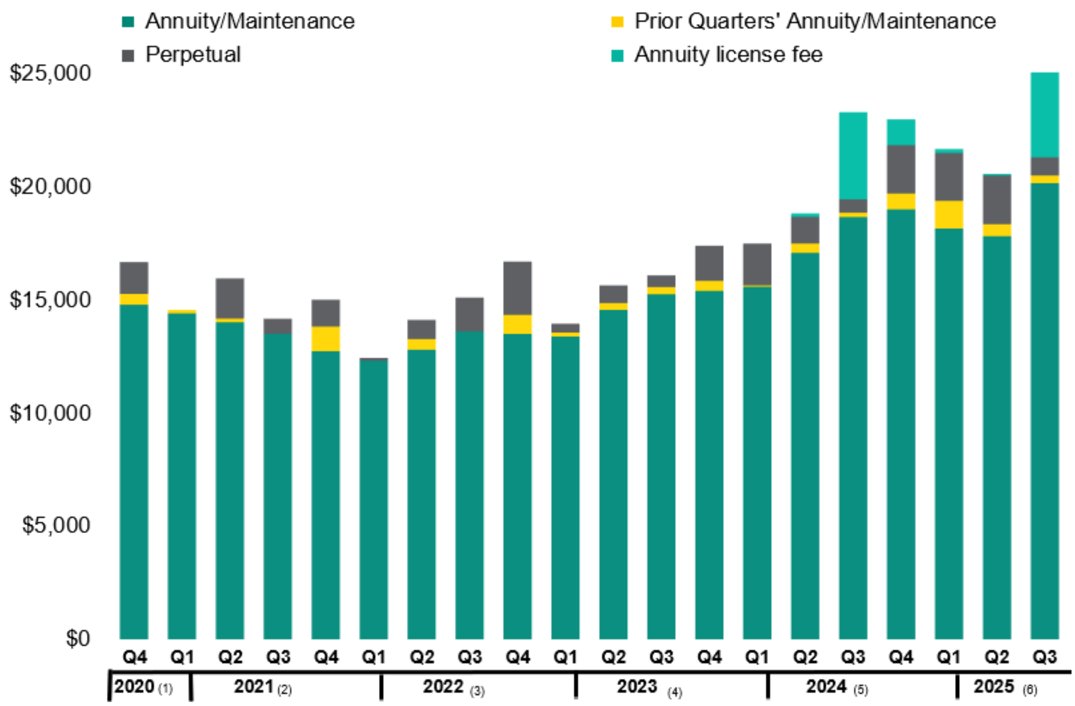
South America (representing 11% of year-to-date total software license revenue) experienced increases of 2% and 8% in annuity/maintenance license revenue during the three and nine months ended December 31, 2024, respectively compared to the same periods in the previous fiscal year. The R&P segment experienced declines in annuity/maintenance license revenue of 9% and 5%, for the three and nine months ended December 31, 2024, respectively, primarily due to delays in negotiating renewals with some existing customers. The Seismic segment contributed increases in annuity/maintenance license revenue of 11% and 13% for the three and nine months ended December 31, 2024, respectively, of which the contribution from acquisitions represented 4% and 11% of the increase with the remaining increase primarily driven by the increase in the USD/CAD foreign exchange rate in the current year which benefitted USD-denominated contracts. Annuity license fee revenue increased by 100% and 1179% for the three and nine months ended December 31, 2024, respectively, primarily due to timing of renewals and a positive effect from the increase in the USD/CAD foreign exchange rate in the current year which has positively impacted USD-denominated contracts. There have been no perpetual license sales in the three and nine months ended December 31, 2024.

The Eastern Hemisphere (representing 51% of year-to-date total software license revenue) experienced increases of 23% and 28% in annuity/maintenance license revenue during the three and nine months ended December 31, 2024, respectively, compared to the same periods in the previous fiscal year. The R&P segment contributed an increase of annuity/maintenance revenue of 13% and 15% for the three and nine months ended December 31, 2024, respectively, primarily due to new customers, increased licensing amongst existing customers and increased pricing. The Seismic segment contributed increases in annuity/maintenance license revenue of 10% and 13%, of which the contribution from acquisitions represented 7% and 12% of the increase with the remaining increase primarily driven by the increase in the USD/CAD foreign exchange rate in the current year which benefitted USD-denominated contracts. Perpetual license sales increased by 48% and 28% for the three and nine months ended December 31, 2024, respectively, compared to the same periods in the previous fiscal year, primarily due to the increase of perpetual sales in Asia. For the nine months ended December 31, 2024, the increases in both annuity/maintenance and perpetual license revenue in Asia for the periods within the R&P segment were largely due to licenses delivered to customers in a prior period, for which the collection of consideration was determined to be probable in the current period due to a negotiated payment schedule which commenced in the second quarter of fiscal 2025.

Consolidated Quarterly Software License Revenues

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 when a contract has been fully executed and collection of consideration is probable. When collection of consideration is not probable, the Company recognizes revenue for consideration received only once substantially all consideration due under the contract is collected and the relevant performance obligations are fulfilled. 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) Q4 of fiscal 2020 include $0.5 million, respectively, in revenue that pertains to usage of CMG's annuity/maintenance 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 annuity/maintenance 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 annuity/maintenance 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 annuity/maintenance 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 annuity/maintenance products in prior quarters.
(6) Q1, Q2, and Q3 of fiscal 2025 include $1.2 million, $0.5 million, and $0.3 million, respectively, in revenue that pertains to usage of CMG"s annuity/maintenance 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)	**32,274**	32,339		(65)	0%
Q3 (December 31)	**34,822**	27,089		7,733	29%
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 Seismic.
(2) Q1, Q2, and Q3 of fiscal 2025 include $3.3 million, $1.9 million, and $11.1 million, respectively, in deferred revenue that pertains to Seismic.

The Company's deferred revenue consists primarily of amounts for prepaid licenses. Annuity/maintenance revenue for R&P is deferred and recognized rateably 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 Q3 of fiscal 2025 was 29% higher than in Q3 of fiscal 2024. Approximately 22% of this increase was from the acquisition during the three months ended December 31, 2024, with the remaining increase positively impacted by the strengthening of the USD-CAD exchange rate, partially offset by timing due to delays in negotiating certain contracts.

Professional Services Revenue

Professional services revenue consists of specialized consulting, training, and contract research activities. The R&P segment 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. The Seismic segment also performs consulting services related to subsurface interpretations, seismic data analysis services, Prestack QA and data conditioning, training, and product development related activities including building custom software for their customers and developing desired client features on existing software. The majority of Seismic professional services revenue relates to one customer contract.

Professional services revenue for the three and nine months ended December 31, 2024, was $10.2 million and $28.1 million which represents increases of 5% and 66%, respectively, compared to the same periods of the previous fiscal year. The R&P segment professional service revenue declined by 4% and 3% for the three and nine months ended December 31, 2024, respectively, primarily due to lower customer project activity. The Seismic segment contributed professional service revenue increases of 9% and 69% for the three and nine months ended December 31, 2024, respectively, of which 9% and 72% represented contribution from acquisitions and 0% and (3%) related to organic operations.

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 December 31,			Nine months ended December 31,		
($ thousands)	**2024**	2023	% change	**2024**	2023	% change
Cost of revenue (1) (2)	**6,307**	6,356	(1%)	**18,191**	10,754	69%

(1) Depreciation and amortization related to property and equipment and right of use assets is $0.1 and $0.4 million for the three and nine months ended December 31, 2024, respectively, and $0.1 million and $0.3 million for the three and nine months ended December 31, 2023, respectively.
(2) Stock based compensation is $0.03 million for the three and nine months ended December 31, 2024, and $0.2 million and $0.5 million for the three and nine months ended December 31, 2023, respectively.

Cost of revenue decreased by 1% and increased by 69% for the three and nine months ended December 31, 2024, respectively, compared to the same periods of the previous fiscal year. The R&P segment's cost of revenue increased by 2% and 8% for the three and nine months ended December 31, 2024, respectively, primarily due to an increase in headcount and headcount related costs and travel expenses. The Seismic segment contributed a decrease of 3% and increase of 61% for the three and nine months ended December 31, 2024, respectively, of which acquisitions contributed 5% and 66%.

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"), SkatteFUNN (a Norwegian government program), and NRC (Norwegian Research Council), collectively referred to as ("Government grants for research and development"). 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 December 31,			Nine months ended December 31,		
($ thousands)	**2024**	2023	% change	**2024**	2023	% change
Sales and marketing (1)(2)	**4,363**	4,857	(10%)	**13,523**	10,596	28%
Research and development (1)(2)	**7,340**	7,253	1%	**22,013**	16,072	37%
General and administrative (1)(2)	**6,546**	6,324	4%	**16,723**	13,259	26%
Operating expenses	**18,249**	18,434	(1%)	**52,259**	39,927	31%
% of total revenue	***51%***	*56%*		***55%***	*52%*	
Acquisition related expenses	**(1,587)**	(697)	128%	**(2,351)**	(1,270)	85%
Amortization of acquired intangibles	**(1,005)**	(652)	54%	**(2,334)**	(838)	179%
Stock-based compensation	**119**	(2,818)	(104%)	**(2,710)**	(4,921)	(45%)
Adjusted operating expenses (3)	**15,776**	14,267	11%	**44,864**	32,898	36%
% of total revenue	***44%***	*43%*		***47%***	*43%*	
Direct employee costs (3)	**9,892**	12,074	(18%)	**32,886**	26,770	23%
Other corporate cost (3)	**8,357**	6,360	31%	**19,373**	13,157	47%
	18,249	18,434	(1%)	**52,259**	39,927	31%

(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, $1.4 million, $0.7 million, respectively, for the three months ended December 31, 2024 (three months ended December 31, 2023, $0.1 million, $1.0 million, $0.3 million, respectively) and $0.3 million, $3.5 million, $1.9 million, respectively, for the nine months ended December 31, 2024 (nine months ended December 31, 2023 $0.3 million, $2.2 million, $0.7 million, respectively).

(2) Included in sales and marketing, research and development, and general and administrative expenses is stock based compensation expense of ($0.3) million, $0.1 million, $0.1 million, respectively, for the three months ended December 31, 2024 (three months ended December 31, 2023, $1.5 million, $0.6 million, $0.8 million respectively) and $0.7 million, $0.7 million, $1.3 million, respectively, for the nine months ended December 31, 2024 (nine months ended December 31, 2023, $1.7 million, $1.4 million, $1.9 million respectively).

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

Operating expenses for the three and nine months ended December 31, 2024, decreased by 1% and increased by 31%, compared to the same periods of the previous fiscal year. The R&P segment contributed a decrease of 7% and increase of 7% for the three and nine months ended December 31, 2024, respectively. The Seismic segment contributed an increase of 6% and increase of 24% for the three and nine months ended December 31, 2024, respectively, of which acquisitions contributed 9% and 26%, respectively.

Adjusted total operating expenses increased by 11% and 36% for the three and nine months ended December 31, 2024, compared to the same periods of the previous fiscal year. The R&P segment contributed an increase of 2% and 9% for the three and nine months ended December 31, 2024, respectively. The Seismic segment contributed an increase of 9% and 27% for the three and nine months ended December 31, 2024, respectively, of which the acquisitions contributed 10% and 28%, respectively.

Sales and marketing

Sales and marketing expenses for the three and nine months ended December 31, 2024, decreased by 10% and increased by 28%, respectively, compared to the same periods of the previous fiscal year. The R&P segment contributed a decrease of 30% and increase of 3% for the three and nine months ended December 31, 2024, respectively. The decrease of 30% in sales and marketing expenses within the R&P segment for the three months ended December 31, 2024, is primarily driven by a decrease in stock-based compensation expense, partially offset by an increase in agent commissions and related fees. The increase of 3% in sales and marketing expenses within the R&P segment for the nine months ended December 31, 2024, is primarily due to an increase in headcount and headcount related costs, as well as agent commissions and related fees, partially offset by a decrease in stock-based compensation. The Seismic segment contributed an increase of 20% and 25% for the three and nine months ended December 31, 2024, respectively, of which the acquisitions contributed 8% and 20%. Within the Seismic segment, non-acquisition related impacts for the three and nine months ended December 31, 2024, were primarily driven by headcount and headcount related costs as a result of increasing the existing sales team to support revenue growth.

Research and development

Research and development expenses for the three and nine months ended December 31, 2024, increased by 1% and 37%, respectively, compared to the same periods of the previous fiscal year. For the three and nine months ended December 31, 2024, the R&P segment contributed a decrease of 9% and increase of 7%, respectively. The decrease of 9% in research and development expenses within the R&P segment for the three months ended December 31, 2024, is primarily related to a decrease in headcount and headcount related costs including stock-based compensation and a reduction in professional service fees. The increase of 7% in research and development expenses within the R&P segment for the nine months ended December 31, 2024, is primarily related to increased amortization related to acquired intangible assets, increased headcount related costs including increased salaries, severance and variable compensation, and increased enabling technology costs to support client service initiatives, partially offset by a decrease in stock-based compensation expense. The Seismic segment contributed increases of 10% and 30% for the three and nine months ended December 31, 2024, respectively, of which the acquisitions contributed 9% and 30%, respectively. Within the Seismic segment, non-acquisition related impacts for the three months and nine months ended December 31, 2024, were primarily due to a slight decrease in enabling technology costs to support client service initiatives.

General and administrative

General and administrative expenses for the three and nine months ended December 31, 2024, increased by 4% and 26%, respectively, compared to the same periods of the previous fiscal year. For the three and nine months ended December 31, 2024, the R&P segment contributed an increase in general and administrative expenses of 14% and 11%, respectively, primarily driven by increased headcount and headcount related costs and acquisition related costs, partially offset by a decrease in stock-based compensation expense. The Seismic segment contributed a decrease of general and administrative expenses of 10% and increase of 15% for the three and nine months ended December 31, 2024, respectively, of which acquisitions contributed increases of 11% and 25%, respectively. Within the Seismic segment, non-acquisition related impacts for the three months and nine months ended December 31, 2024, is primarily due to reduced professional service fees that did not recur in the current year and reduced corporate costs for fees incurred related to the acquisition in the prior year, partially offset by increased amortization of intangible costs related to customer relationships and trademarks/trade names.

Direct employee costs

As a technology company, the Company's largest investment is its people, and approximately 63% of total operating expenses relate to direct employee costs during the nine months ended December 31, 2024. At December 31, 2024, CMG Group's full-time equivalent staff complement was 320 employees and consultants (CMG – 187; BHV – 95, SR - 38); (September 30, 2023 – CMG – 186; BHV – 104).

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

	Three months ended December 31,			Nine months ended December 31,		
($ thousands)	**2024**	2023	% change	**2024**	2023	% change
Direct employee costs	**9,892**	12,074	(18%)	**32,886**	26,770	23%
Stock-based compensation	**119**	(2,818)	(104%)	**(2,710)**	(4,921)	(45%)
Adjusted direct employee costs (1)	**10,011**	9,256	8%	**30,176**	21,489	38%

(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 and nine months ended December 31, 2024, adjusted direct employee costs increased by 8% and 38%, respectively, compared to the same periods of the previous fiscal year. The R&P segment contributed a decrease of adjusted direct employee costs of 3% and increase of 9%, for the three and nine months ended December 31, 2024, respectively. The 3% decrease in adjusted direct employee costs within the R&P Segment for the three months ended December 31, 2024, was primarily driven by a reduction in headcount. The 9% increase in adjusted direct employee costs within the R&P segment for the nine months ended December 31, 2024, was primarily driven by salary inflation, severance, and variable compensation costs. The Seismic segment contributed an increase of adjusted direct employee costs of 11% and 29% for the three and nine months ended December 31, 2024, respectively, of which acquisitions contributed 10% and 29%, respectively. Adjusted direct employee costs within the Seismic segment not related to the acquisition for the three and nine months ended December 31, 2024, remained relatively consistent with the prior year comparative periods.

Other Corporate costs

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

	Three months ended December 31,			Nine months ended December 31,		
($ thousands)	**2024**	2023	% change	**2024**	2023	% change
Other corporate costs	**8,357**	6,360	31%	**19,373**	13,157	47%
Acquisition-related costs	**(1,587)**	(697)	128%	**(2,351)**	(1,270)	85%
Amortization of acquired intangible assets	**(1,005)**	(652)	54%	**(2,334)**	(838)	179%
Adjusted other corporate costs (1)	**5,765**	5,011	15%	**14,688**	11,049	33%

(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 and nine months ended December 31, 2024, adjusted other corporate costs increased by 15% and 33%, respectively, compared to the same periods of the previous fiscal year. The R&P segment's adjusted other corporate costs increased by 11% and 9% for the three and nine months ended December 31, 2024, respectively. The 11% increase in adjusted other corporate costs within the R&P segment for the three months ended December 31, 2024, is primarily due to increased agent commissions and other related fees, reduced SR&ED investment tax credits and increased travel.

The 9% increase in adjusted other corporate costs within the R&P segment for the nine months ended December 31, 2024, is primarily due to the same reasons impacting the three months, in addition to increased enabling technology costs to support client service initiatives. The Seismic segment's adjusted other corporate costs increased by 4% and 24% for the three and nine months ended December 31, 2024, respectively, of which acquisitions contributed an increase of 10% and 27%, respectively. The decrease of Adjusted other corporate costs within the Seismic segment not related to the acquisition in the current period for the three and nine months ended December 31, 2024, are primarily due to a decrease in professional services costs.

FOREIGN EXCHANGE

The Company is impacted by foreign exchange fluctuations, as 79% of our revenue for the nine months ended December 31, 2024 (2023 – 73%) is denominated in US dollars, whereas 54% (2023 – 34%) 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 December 31, 2024, 2023 and 2022 and the average exchange rate used to translate income statement expense items during the three months ended December 31, 2024, 2023 and 2022:

CDN$ to US$	At June 30	At September 30	At December 31	Nine-month trailing average
2022	0.7744	0.7302	0.7370	0.7581
2023	0.7545	0.7364	0.7547	0.7411
2024	**0.7310**	**0.7395**	**0.6956**	**0.7246**

CMG Group recorded foreign exchange gains of $1.9 million and $1.5 million for the three and nine months ended December 31, 2024, respectively, due to the strengthening of the US dollar compared to Q2 of fiscal 2025 and Q4 of fiscal 2024, 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 December 31, 2024, is 32% (2023 – 27.0%), 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 taxes incurred in foreign jurisdictions.

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

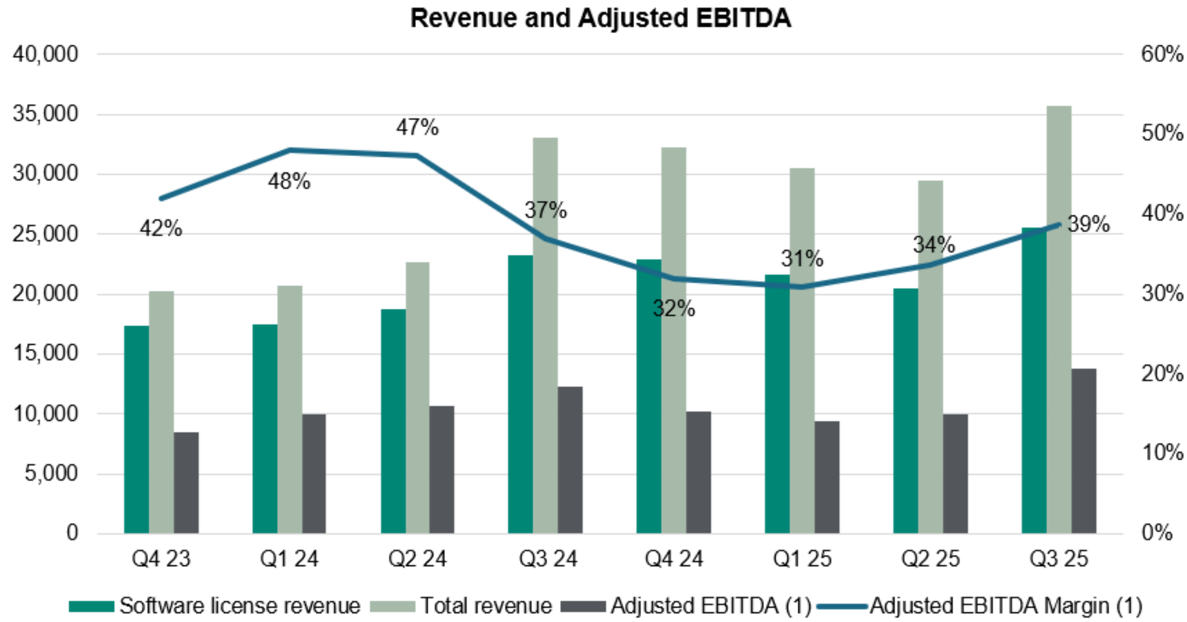
The following table summarizes selected results for the eight most recently completed quarters:

	Fiscal 2023[(2)]	Fiscal 2024[(3)]				Fiscal 2025[(4)]		
($ thousands, unless otherwise stated)	Q4	Q1	Q2	Q3	Q4	Q1	Q2	**Q3**
Annuity/maintenance license	15,803	15,607	17,610	18,814	19,661	19,335	18,302	**20,452**
Annuity license fee	-	-	-	3,846	1,142	178	71	**4,303**
Perpetual license	1,556	1,849	1,176	584	2,130	2,110	2,149	**804**
Total software license revenue	17,359	17,456	18,786	23,244	22,933	21,623	20,522	**25,559**
Professional services revenue	2,906	3,292	3,847	9,763	9,358	8,900	8,945	**10,214**
Total revenue	20,265	20,748	22,633	33,007	32,291	30,523	29,467	**35,773**
Operating profit	6,909	9,764	7,726	8,217	8,277	5,666	8,430	**11,217**
Operating profit Margin (%)	*34%*	*47%*	*34%*	*25%*	*26%*	*19%*	*29%*	***31%***
Net income for the period	5,226	6,904	6,516	5,610	7,229	3,964	3,763	**9,606**
Adjusted EBITDA [(1)]	8,520	9,948	10,718	12,272	10,219	9,437	9,937	**13,824**
Adjusted EBITDA Margin [(1)] %	*42%*	*48%*	*47%*	*37%*	*32%*	*31%*	*34%*	***39%***
Free Cash Flow [(1)]	5,396	7,463	11,028	7,290	9,469	5,679	6,096	**8,816**
Per share amounts – ($/share)								
Earnings per share (EPS) – basic	0.07	0.09	0.08	0.07	0.09	0.05	0.05	**0.12**
Earnings per share (EPS) – diluted	0.06	0.08	0.08	0.07	0.09	0.05	0.05	**0.12**
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)]	0.07	0.09	0.14	0.09	0.12	0.07	0.07	**0.11**
Funds flow from operations per share – basic	0.09	0.10	0.14	0.10	0.13	0.08	0.09	**0.12**

(1) This is a non-IFRS financial measure. See the "Non-IFRS Financial Measures" section.
(2) Q4 of fiscal 2023 include $0.4 million 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 annuity/maintenance products in prior quarters.
(4) Q1, Q2 of fiscal 2025 includes $1.2 million, $0.5 million, and $0.3 million respectively, in annuity/maintenance license revenue that pertains to usage of CMG's annuity/maintenance products in prior quarters.

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 the Seismic segment annuity license fee revenue will occur during the third and fourth quarters when the majority of renewals take place. This seasonality has a similar impact on both operating profit and net income as seen in the above table.

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 December 31,			Nine months ended December 31,		
($ thousands)	**2024**	2023	% change	**2024**	2023	% change
Cash, beginning of period	**61,373**	48,225	27%	**63,083**	66,850	(6%)
Cash provided by (used in):						
Operating activities	**8,266**	443	1766%	**14,034**	14,668	(4%)
Financing activities	**(2,472)**	(2,640)	(6%)	**(9,432)**	(12,344)	(24%)
Investing activities	**(29,633)**	(819)	3518%	**(29,962)**	(23,965)	25%
Effect of foreign exchange on cash	**2,197**	(26)	8550%	**2,008**	(26)	7823%
Cash, end of period	**39,731**	45,183	(12%)	**39,731**	45,183	(12%)

At December 31, 2024, CMG Group had $39.7 million in cash, no borrowings, and access to a $2.0 million line of credit with its principal banker, of which $0.6 million is available for use. The Company's primary non-operating use of cash was for acquisitions, 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 nine months ended December 31, 2024, 30 million shares of the Company's public float were traded on the TSX. As at December 31, 2024 the Company's market capitalization based upon its December 31, 2024 closing price of $10.65 was $877.9 million.

OPERATING ACTIVITIES

Cash provided by operating activities increased by $7.8 million during the three months ended December 31, 2024, compared to the same period of the previous fiscal year. Funds flow from operations increased by $1.5 million from the comparative quarter, primarily due to an increase in net income. Cash provided by operating activities was further offset 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, an increase in deferred revenue, and an increase income tax payable due to increased earnings and therefore taxable income in the quarter.

Cash provided by operating activities decreased by $0.6 million during the nine months ended December 31, 2024, compared to the same period of the previous fiscal year. Funds flow from operations decreased by $4.3 million from the comparative year-to-date period, primarily due to reduced net income. Cash provided by operating activities was further reduced by $9.5 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 $0.2 million during the three months ended December 31, 2024, compared to the same period of the previous fiscal year. The decrease is primarily due to proceeds received from the issuance of shares related option exercises.

Cash used in financing activities decreased by $2.9 million during the nine months ended December 31, 2024, compared to the same period of the previous fiscal year. The decrease is primarily due to the repayment of the acquired line of credit from Bluware from the prior year that didn't recur in the current year, 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 February 11, 2025, 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 March 14, 2025, to shareholders of record at the close of business on March 6, 2025. Decisions with respect to dividend payments are made by the Board of Directors on a quarterly basis.

INVESTING ACTIVITIES

Cash used in investing activities for the three and nine months ended December 31, 2024 consist of the acquisition of Sharp, capital asset additions, and related holdback payments for the prior year acquisition of BHV, all of which are funded internally. Our capital budget for fiscal 2025 is $1.7 million, which is intended to expand our existing computer 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.

During the three months ended December 31, 2024, Shell exercised its right to terminate the CoFlow Agreement one year prior to the original five-year anniversary.

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 and nine months ended December 31, 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 December 31, 2024:

(thousands of $)	Undiscounted lease liability payments	Operating costs	Total commitments
Less than one year	4,030	1,492	5,522
Between one and five years	16,458	5,258	21,716
More than five years	29,821	8,256	38,077
	50,309	15,006	65,315

OUTSTANDING SHARE DATA

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

As at February 11, 2025 (thousands)	
Common shares	82,437
Stock options	3,689
Restricted share units (1)	151
Performance share units (1)	108

(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 February 11, 2025, CMG Group could reserve up to 8,243,658 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 December 31, 2024, except for the matter described below. During the 2025 fiscal year, we continue to monitor and review our controls and procedures.

On November 12, 2024, we completed the acquisition of SR, a privately held software and services company headquartered in Kaiserslautern, Germany. SR's operations have been included in the consolidated financial statements of CMG Group since November 12, 2024. However, we have not had sufficient time to appropriately determine and assess the extent of DC&P and ICFR previously used by SR 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 SR (as permitted by applicable securities laws in Canada).

Amounts in respect of SR included in CMG Group's condensed consolidated statement of financial position and statement of operations and comprehensive income as at December 31, 2024, are as follows:

(thousands)	
Current Assets	14,548
Total Assets	22,272
Current Liabilities	10,518
Total Liabilities	22,543
Total Revenues	1,888
Net Income (Loss)	(74)

Condensed Consolidated Statements of Financial Position

UNAUDITED (thousands of Canadian $)	December 31, 2024	March 31, 2024 (Note 3) Restated Note 2(e)	April 1, 2023 Restated Note 2(e)
Assets			
Current assets:			
Cash	**39,731**	63,083	66,850
Restricted cash	**194**	142	-
Trade and other receivables	**43,193**	36,550	23,910
Prepaid expenses	**2,267**	2,321	1,060
Prepaid income taxes (note 10)	**647**	3,841	444
	86,032	105,937	92,264
Intangible assets (note 3)	**59,919**	23,683	1,321
Right-of-use assets	**28,969**	29,072	30,733
Property and equipment	**9,808**	9,877	10,366
Goodwill (note 3)	**14,850**	4,399	-
Deferred tax asset (note 10)	**97**	-	2,444
Total assets	**199,675**	172,968	137,128
Liabilities and shareholders' equity			
Current liabilities:			
Trade payables and accrued liabilities	**16,420**	18,551	11,126
Income taxes payable (note 10)	**2,842**	2,136	33
Acquisition holdback payable (note 3 and note 12)	**7,214**	2,292	-
Acquisition earnout (note 12)	**3,782**	-	-
Deferred revenue (note 5)	**34,822**	41,120	34,797
Lease liabilities (note 6)	**2,298**	2,566	1,829
Government loan (note 3 and note 12)	**299**	-	-
	67,677	66,665	47,785
Lease liabilities (note 6)	**35,144**	34,395	36,151
Stock-based compensation liabilities (note 11(c))	**252**	624	742
Government loan (note 3 and note 12)	**1,169**	-	-
Acquisition earnout (note 12)	**-**	1,503	-
Acquisition holdback payable (note 3)	**1,213**	-	-
Other long-term liabilities	**213**	305	-
Deferred tax liabilities (note 10)	**12,303**	1,661	-
Total liabilities	**117,971**	105,153	84,678
Shareholders' equity:			
Share capital (note 11 (b))	**94,255**	87,304	81,820
Contributed surplus	**15,452**	15,667	15,471
Cumulative translation adjustment	**1,745**	(367)	-
Deficit	**(29,748)**	(34,789)	(44,841)
Total shareholders' equity	**81,704**	67,815	52,450
Total liabilities and shareholders' equity	**199,675**	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

UNAUDITED (thousands of Canadian $ except per share amounts)	Three months ended December 31 **2024**	2023	Nine months ended December 31 **2024**	2023
Revenue (note 7)	**35,773**	33,007	**95,763**	76,388
Cost of revenue	**6,307**	6,356	**18,191**	10,754
Gross profit	**29,466**	26,651	**77,572**	65,634
Operating expenses				
Sales and marketing	**4,363**	4,857	**13,523**	10,596
Research and development (note 8)	**7,340**	7,253	**22,013**	16,072
General and administrative	**6,546**	6,324	**16,723**	13,259
	18,249	18,434	**52,259**	39,927
Operating profit	**11,217**	8,217	**25,313**	25,707
Finance income (note 9)	**2,580**	986	**3,798**	2,438
Finance costs (note 9)	**(479)**	(1,086)	**(1,421)**	(2,087)
Change in fair value of contingent consideration (note 12)	**(150)**	-	**(2,063)**	-
Profit before income and other taxes	**13,168**	8,117	**25,627**	26,058
Income and other taxes (note 10)	**3,562**	2,507	**8,294**	7,028
Net income for the period	**9,606**	5,610	**17,333**	19,030
Other comprehensive income:				
Foreign currency translation adjustment	**1,402**	(453)	**2,112**	(449)
Other comprehensive income	**1,402**	(453)	**2,112**	(449)
Total comprehensive income	**11,008**	5,157	**19,445**	18,581
Net income per share – basic (note 11(d))	**0.12**	0.07	**0.21**	0.24
Net income per share – diluted (note 11(d))	**0.12**	0.07	**0.21**	0.23
Dividend per share	**0.05**	0.05	**0.15**	0.15

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
Net income	-	-	-	19,030	19,030
Foreign currency translation adjustment	-	-	(448)	-	(448)
Dividends paid	-	-	-	(12,140)	(12,140)
Shares issued on exercise of stock options (note 11(b))	3,477	(481)	-	-	2,996
Shares issued on redemption of restricted share units (note 11(b))	480	-	-	-	480
Shares issued on redemption of performance share units (note 11(b))	148	-	-	-	148
Stock-based compensation:					
Current period expense (note 11(c))	-	606	-	-	606
Balance, December 31, 2023	85,925	15,596	(448)	(37,951)	63,122
Balance, April 1, 2024	**87,304**	**15,667**	**(367)**	**(34,789)**	**67,815**
Net income	**-**	**-**	**-**	**17,333**	**17,333**
Foreign currency translation adjustment	**-**	**-**	**2,112**	**-**	**2,112**
Dividends paid	**-**	**-**	**-**	**(12,292)**	**(12,292)**
Shares issued on exercise of stock options (note 11(b))	**6,127**	**(1,003)**	**-**	**-**	**5,124**
Shares issued on redemption of restricted share units (note 11(b))	**580**	**-**	**-**	**-**	**580**
Shares issued on redemption of performance share units (note 11(b))	**244**	**-**	**-**	**-**	**244**
Stock-based compensation:					
Current period expense (note 11(c))	**-**	**788**	**-**	**-**	**788**
Balance, December 31, 2024	**94,255**	**15,452**	**1,745**	**(29,748)**	**81,704**

See accompanying notes to condensed consolidated interim financial statements.

Condensed Consolidated Statements of Cash Flows

UNAUDITED (thousands of Canadian $)	Three months ended December 31 **2024**	2023	Nine months ended December 31 **2024**	2023
Operating activities				
Net income	**9,606**	5,610	**17,333**	19,030
Adjustments for:				
Depreciation and amortization of property, equipment, right-of use assets	**1,262**	890	**3,763**	2,686
Amortization of intangible assets	**1,005**	665	**2,334**	851
Deferred income tax expense (recovery) (note 10)	**(150)**	1,104	**(228)**	3,082
Stock-based compensation (note 11(c))	**(641)**	513	**(855)**	2,222
Foreign exchange and other non-cash items	**(1,295)**	(305)	**(857)**	17
Change in fair value of contingent consideration (note 12)	**150**	-	**2,063**	-
Funds flow from operations	**9,937**	8,477	**23,553**	27,888
Movement in non-cash working capital:				
Trade and other receivables	**(3,827)**	(5,413)	**(1,981)**	(2,112)
Trade payables and accrued liabilities	**(645)**	2,413	**(3,712)**	24
Prepaid expenses and other assets	**85**	(639)	**193**	(349)
Income taxes receivable (payable)	**1,567**	(181)	**3,678**	(1,432)
Deferred revenue	**1,149**	(4,214)	**(7,697)**	(9,351)
Change in non-cash working capital	**(1,671)**	(8,034)	**(9,519)**	(13,220)
Net cash provided by (used in) operating activities	**8,266**	443	**14,034**	14,668
Financing activities				
Repayment of acquired line of credit	**-**	-	**-**	(2,012)
Repayment of government loan	**(63)**	-	**(63)**	-
Proceeds from issuance of common shares	**2,395**	1,783	**5,124**	2,996
Repayment of lease liabilities (note 6)	**(689)**	(364)	**(2,201)**	(1,188)
Dividends paid	**(4,115)**	(4,059)	**(12,292)**	(12,140)
Net cash used in financing activities	**(2,472)**	(2,640)	**(9,432)**	(12,344)
Investing activities				
Corporate acquisition, net of cash acquired (note 3)	**(27,071)**	157	**(27,071)**	(22,893)
Change in non-cash working capital	**-**	(517)	**-**	(517)
Property and equipment additions	**(432)**	(459)	**(761)**	(555)
Repayment of acquisition holdback payable	**(2,130)**	-	**(2,130)**	-
Net cash used in investing activities	**(29,633)**	(819)	**(29,962)**	(23,965)
Increase (decrease) in cash	**(23,839)**	(3,016)	**(25,360)**	(21,641)
Effect of foreign exchange on cash	**2,197**	(26)	**2,008**	(26)
Cash, beginning of period	**61,373**	48,225	**63,083**	66,850
Cash, end of period	**39,731**	45,183	**39,731**	45,183
Supplementary cash flow information				
Interest received (note 9)	**653**	986	**2,292**	2,438
Interest paid (notes 6 and 9)	**479**	444	**1,421**	1,394
Income taxes paid	**2,128**	1,071	**7,853**	5,429

See accompanying notes to condensed consolidated interim financial statements.

Notes to Condensed Consolidated Interim Financial Statements

For the three and nine months ended December 31, 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 and nine months ended December 31, 2024, comprise CMG Group and its subsidiaries: Computer Modelling Group Inc., CMG Middle East FZ LLC, CMG Europe Ltd., CMG Collaboration Centre India Private Ltd., and Computer Modelling Group Brazil Solucoes Technoligicas Ltda., (together referred to as "CMG"), and CMG Holdings (USA) Inc., Bluware-Headwave Ventures Inc., Bluware Inc., and Bluware AS, (together referred to as "BHV") and CMGL Services Corporation Inc., CMG Germany GmbH, Sharp Reflections GmbH, Sharp Reflections Inc., Sharp Reflections AS, Sharp Reflections Ltd., (together referred to as "SR" or "Sharp"). 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) and (f).

These unaudited condensed consolidated interim financial statements as at and for the three and nine months ended December 31, 2024, were authorized for issuance by the Board of Directors on February 11, 2025.

(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., Bluware Inc., and Sharp Reflections Inc has been determined to be United States dollar. The functional currency of Bluware AS and Sharp Reflections AS has been determined to be Norwegian Krone. The functional currency of Sharp Reflections Ltd. Is Great British Pound. The functional currency of Sharp Reflections GmbH is Euro. 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 September 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) Material Accounting Policies

As a result of the SR acquisition, incremental material accounting policies implemented by management in the preparation of these condensed consolidated interim financial statements are as follows:

Revenue Recognition

Revenue is recognized upon transfer of control of products or services to customers at an amount that reflects the consideration the Company expects to receive in exchange for the products or services. The nature of the products and services from which the Company derives its SR revenue is described below:

Type of products /service	Nature, timing of satisfaction of performance obligations, significant contract terms
Annuity license fee Annuity maintenance revenue	SR enters into contracts that include combinations of software product licenses, upgrades, and maintenance and support which have differing revenue recognition patterns. Annuity agreements may include a term-based software license, as a single performance obligation and upgrades, maintenance and support services (“maintenance”) as a single performance obligation. We allocate the contract value based on the standalone selling prices of the software license and maintenance. Revenue from the annuity agreement fee that relates to the software license is recognized up front upon delivery of the licensed product and/or the utility that enables the customer to access authorization keys, provided an enforceable contract has been received. Revenue from the maintenance component of the annuity license agreement is recognized on a straight-line basis over the term of the contract, as SR satisfies the maintenance performance obligation over time. Since the SR does not sell term-based subscription licenses individually without maintenance that includes the rights to a term software license and maintenance and there is no comparable product in the market, there is no observable standalone selling price (“SSP”) for term-based subscription licenses. SR allocates the value of bundled annual agreements between the software licenses and maintenance using the residual approach. Based on this calculation, the SSP of maintenance represents 50% of the total annual contract fee, leaving 50% to be allocated to the subscription license to be recognized upfront at the start of the license period. This determination considers the value relationship for SR’s products between maintenance and the term-based subscription license, the economic life of products, the frequency of product upgrades, and software renewal rates.

Intangible Assets

Intangibles acquired as part of a business combination are recognized at fair value at the acquisition date and carried at cost less accumulated amortization subsequent to acquisition. Intangible assets with a finite life are amortized on a straight-line basis over their expected period of benefit, as follows:

	Useful life
Customer relationships	10 to 15 years
Intellectual property	5 to 15 years
Tradename/trademarks	10 years

Financial Instruments

Loans and borrowings: for measurement purposes, fair value is calculated based on the present value of future principal and interest cash flows, discounted at the market rate of interest at the end of the reporting period and are subsequently measured at amortized cost using the effective interest rate method

(g) 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 of these reporting requirements and has not yet assessed the impact with of these regulations.

3. Acquisitions:

Sharp Reflections GmbH Acquisition:

On November 12, 2024, CMG completed the acquisition of 100% of the outstanding shares of Sharp Reflections GmbH ("Sharp"), a software and services company specializing in seismic processing and interpretation. The acquisition of Sharp will enable us to further expand CMG Group's business in the seismic portion of the upstream energy workflow. The purchase price consideration is €25 million ($37.1 million), which includes a payment of €22 million ($32.7 million) paid on closing and €3.0 million held back ($4.4 million) plus an amount equivalent to Sharp's cash on hand less financial debt immediately prior to acquisition, of which amounted to €2.5 million ($3.7 million). Of the withheld amount of €3 million ($4.4 million), €2.2 million ($3.3 million) will be withheld for approximately 60 business days, and the remaining €0.8 million (approximately $1.1 million) will be withheld for a period of 18 months. The payment for Sharp's cash on hand less financial debt immediately prior to the acquisition was also withheld for approximately 60 business days. These amounts have been recorded as acquisition holdback payable and long-term acquisition holdback payable as at December 31, 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 $10.1 million recognized in connection with this acquisition is primarily attributable to CMG Group's strategy to improve the operations of Sharp, opportunities for Sharp 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 and complexity of the acquisition, CMG Group is in the process of determining and finalizing the estimated fair value of the net assets acquired. The amounts determined on a provisional basis are generally related to net asset assessments and measurements of assumed liabilities. The provisional purchase price allocations may differ from the final purchase price allocations, and these differences may be material. Revisions to allocations will occur as additional information about the fair value of the assets and liabilities becomes available.

The acquisition accounting method applied on a provisional basis in connection with the acquisition of Sharp is as follows:

(thousands of $)	
Fair value of net assets acquired	
Cash	**5,557**
Accounts receivable	**4,662**
Prepaid expenses and prepaid income taxes	**150**
Property and equipment	**224**
ROU asset	**256**
Accounts payable	**(4,123)**
Income tax payable	**(230)**
Lease liabilities	**(256)**
Deferred revenue	**(1,400)**
Government loan	**(1,530)**
Deferred tax liability	**(10,943)**
Intangible assets: technology	**36,104**
Intangible assets: customer relationships	**2,229**
Net assets acquired	**30,700**
Goodwill	**10,145**
Total purchase consideration	**40,845**

Consideration	
Cash	**32,705**
Closing date cash less financial debt	**3,692**
Acquisition holdback payable - current	**3,247**
Acquisition holdback payable - long term	**1,201**
Total consideration	**40,845**

These condensed consolidated interim financial statements include the results of SR for the period following closing of the transaction on November 12, 2024. For the three months ended December 31, 2024, the acquisition contributed revenues and net income (loss) before tax of $1.9 million and ($0.1) million, respectively. For the nine months ended December 31, 2024, proforma revenues would have increased by $10.4 million and net income before taxes would have decreased by $2.2 million. The $2.2 million loss includes $2.1 million of amortization of fair value adjustments recorded upon acquisition, including amortization of intangible assets recognized and amortization of a deferred revenue fair value adjustment. This proforma information is not necessarily indicative of the results of operations that would have resulted had the acquisition been reflected on the dates indicated, or that may be obtained in the future.

During the three and nine months ended December 31, 2024, the Company incurred $1.5 million and $1.9 million, respectively of transaction costs, including legal, travel and professional services related to the acquisition of Sharp. These costs have been included in 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 the Reservoir & Production Solutions Segment (CMG), the development and licensing of reservoir simulation software, and Seismic Solutions Segment (BHV and SR), the development and licensing of seismic interpretation software.

	Reservoir & Production Solutions		**Seismic Solutions**		**CMG Group**	
Three months ended December 31, (thousands of $)	**2024**	2023	**2024**	2023	**2024**	2023
Revenue	**21,691**	21,803	**14,082**	11,204	**35,773**	33,007
Cost of revenue	**2,389**	2,288	**3,918**	4,068	**6,307**	6,356
Gross profit	**19,302**	19,515	**10,164**	7,136	**29,466**	26,551
Operating expenses						
Sales and marketing	**2,914**	4,379	**1,449**	478	**4,363**	4,857
Research and development	**4,656**	5,337	**2,684**	1,916	**7,340**	7,253
General and administrative	**4,743**	3,890	**1,803**	2,434	**6,546**	6,324
	12,313	13,606	**5,936**	4,828	**18,249**	18,434
Operating profit	**6,989**	5,909	**4,228**	2,308	**11,217**	8,217
Net finance income (cost)	**1,154**	(186)	**947**	86	**2,101**	(100)
Change in fair value of contingent consideration	**(150)**	-	**-**	-	**(150)**	-
Profit before income and other taxes	**7,993**	5,723	**5,175**	2,394	**13,168**	8,117
Income and other taxes	**2,497**	1,805	**1,065**	702	**3,562**	2,507
Net income for the period	**5,496**	3,918	**4,110**	1,692	**9,606**	5,610

Nine months ended December 31, (thousands of $)	Reservoir & Production Solutions 2024	2023	Seismic Solutions 2024	2023	CMG Group 2024	2023
Revenue	**67,163**	64,620	**28,600**	11,768	**95,763**	76,388
Cost of revenue	**7,341**	6,464	**10,850**	4,290	**18,191**	10,754
Gross profit	**59,822**	58,156	**17,750**	7,478	**77,572**	65,634
Operating expenses						
Sales and marketing	**10,418**	10,096	**3,105**	500	**13,523**	10,596
Research and development	**15,170**	14,040	**6,843**	2,032	**22,013**	16,072
General and administrative	**12,276**	10,776	**4,447**	2,483	**16,723**	13,259
	37,864	34,912	**14,395**	5,015	**52,259**	39,927
Operating profit	**21,958**	23,244	**3,355**	2,463	**25,313**	25,707
Net finance income (cost)	**1,509**	289	**868**	62	**2,377**	351
Change in fair value of contingent consideration	**(2,063)**	-	-	-	**(2,063)**	-
Profit before income and other taxes	**21,404**	23,533	**4,223**	2,525	**25,627**	26,058
Income and other taxes	**5,913**	6,288	**2,381**	740	**8,294**	7,028
Net income for the period	**15,491**	17,245	**1,842**	1,785	**17,333**	19,030

Other material items of income (expenses) relate to other non-cash items included in cost of revenue and operating expenses and various items as detailed in note 9:

Three months ended December 31, (thousands of $)	Reservoir & Production Solutions 2024	2023	Seismic Solutions 2024	2023	CMG Group 2024	2023
Depreciation and amortization	**(1,460)**	(1,449)	**(807)**	(106)	**(2,267)**	(1,555)
Stock-based compensation expense (recovery)	**82**	(2,974)	**(3)**	-	**79**	(2,974)
Interest income	**474**	982	**179**	4	**653**	986
Interest expense on lease liabilities	**(466)**	(459)	**(13)**	15	**(479)**	(444)
Net foreign exchange gain (loss)	**1,146**	(701)	**781**	59	**1,927**	(642)

Nine months ended December 31, (thousands of $)	Reservoir & Production Solutions 2024	2023	Seismic Solutions 2024	2023	CMG Group 2024	2023
Depreciation and amortization	**(4,497)**	(3,424)	**(1,600)**	(113)	**(6,097)**	(3,537)
Stock-based compensation expense	**(3,057)**	(5,370)	**(3)**	-	**(3,060)**	(5,370)
Interest income	**1,934**	2,434	**358**	4	**2,292**	2,438
Interest expense on lease liabilities	**(1,373)**	(1,393)	**(48)**	(1)	**(1,421)**	(1,394)
Net foreign exchange gain (loss)	**948**	(752)	**558**	59	**1,506**	(693)

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 $)	December 31, 2024	March 31, 2024
Canada	**54,379**	58,188
United States	**9,224**	4,255
South America	**340**	80
Eastern Hemisphere (1) (2)	**49,603**	109
	113,546	62,632

(1) Includes Europe, Africa, Asia and Australia
(2) Majority of the balance relates to Intangibles of $38 million and Goodwill of $10.1 million held in Germany, as a result of the acquisition of Sharp.

5. Deferred Revenue:

The following table presents changes in the deferred revenue balance:

(thousands of $)	December 31, 2024	March 31, 2024
Balance, beginning of period	**41,120**	34,797
Acquired deferred revenue (note 3)	**1,400**	1,413
Invoiced during the period, excluding amounts recognized as revenue during the period	**33,570**	39,815
Recognition of deferred revenue included in the balance of acquired deferred revenue	**(1,794)**	(1,328)
Recognition of deferred revenue included in the balance at the beginning of the period	**(39,796)**	(33,577)
Effect of foreign exchange	**322**	-
Balance, end of period	**34,822**	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, Norway, and Germany, 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 $)	December 31, 2024	March 31, 2024
Balance, beginning of year	**36,961**	37,980
Additions	**2,335**	-
Acquired lease liabilities (note 3)	**256**	1,327
Interest on lease liabilities (note 9)	**1,421**	1,908
Lease payments	**(3,622)**	(4,254)
Effect of foreign exchange	**91**	-
Balance, end of period	**37,442**	36,961
Current	**2,298**	2,566
Long-term	**35,144**	34,395

The following table presents contractual undiscounted payments for lease liabilities as at December 31, 2024:

(thousands of $)	
Less than one year	4,030
Between one and five years	16,458
More than five years	29,821
Total undiscounted payments	**50,309**

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 December 31, (thousands of $)					**2024**					**2023**
($ thousands)	Canada	United States	South America	Eastern Hemisphere [(1)]	**Total**	Canada	United States	South America	Eastern Hemisphere [(1)]	**Total**
Reservoir & Production Solutions										
Annuity/maintenance	3,240	3,795	2,099	8,572	**17,706**	3,339	4,455	2,323	7,508	**17,625**
Perpetual license	170	-	-	634	**804**	155	-	-	429	**584**
Total software revenue	3,410	3,795	2,099	9,206	**18,510**	3,494	4,455	2,323	7,937	**18,209**
Professional services	2,311	105	426	339	**3,181**	2,424	347	647	176	**3,594**
Total Reservoir & Production Solutions revenue	**5,721**	**3,900**	**2,525**	**9,545**	**21,691**	5,918	4,802	2,970	8,113	**21,803**
Seismic Solutions										
Annuity maintenance	21	699	456	1,570	**2,746**	-	243	181	765	**1,189**
Annuity license fee	-	708	176	3,419	**4,303**	-	547	-	3,299	**3,846**
Total software revenue	21	1,407	632	4,989	**7,049**	-	790	181	4,064	**5,035**
Professional services	11	5,752	26	1,244	**7,033**	-	5,147	-	1,022	**6,169**
Total Seismic Solutions revenue	**32**	**7,159**	**658**	**6,233**	**14,082**	-	5,937	181	5,086	**11,204**
Total CMG Group revenue	**5,753**	**11,059**	**3,183**	**15,778**	**35,773**	5,918	10,739	3,151	13,199	**33,007**

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

Nine months ended December 31, (thousands of $)					**2024**					**2023**
($ thousands)	Canada	United States	South America	Eastern Hemisphere [(1)]	**Total**	Canada	United States	South America	Eastern Hemisphere [(1)]	**Total**
Reservoir & Production Solutions										
Annuity/maintenance	9,718	12,037	6,241	24,261	**52,257**	9,898	13,250	6,603	20,922	**50,673**
Perpetual license	170	1,337	-	3,556	**5,063**	270	233	324	2,782	**3,609**
Total software revenue	9,888	13,374	6,241	27,817	**57,320**	10,168	13,483	6,927	23,704	**54,282**
Professional services	7,027	361	1,382	1,073	**9,843**	7,000	836	1,594	908	**10,338**
Total Reservoir & Production Solutions revenue	**16,915**	**13,735**	**7,623**	**28,890**	**67,163**	17,168	14,319	8,521	24,612	**64,620**

Seismic Solutions										
Annuity maintenance	21	1,205	1,067	3,539	**5,832**	-	249	181	766	**1,196**
Annuity license fee	-	785	243	3,524	**4,552**	-	579	19	3,406	**4,004**
Total software revenue	21	1,990	1,310	7,063	**10,384**	-	828	200	4,172	**5,200**
Professional services	11	15,486	26	2,693	**18,216**	-	5,509	-	1,059	**6,568**
Total Seismic Solutions revenue	**32**	**17,476**	**1,336**	**9,756**	**28,600**	-	6,337	200	5,231	**11,768**
Total CMG Group revenue	**16,947**	**31,211**	**8,959**	**38,646**	**95,763**	17,168	20,656	8,721	29,843	**76,388**

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

The amount of revenue recognized during the nine months ended December 31, 2024 from performance obligations satisfied (or partially satisfied) in previous periods is $3.3 million (nine months ended December 31, 2023 – $1.4 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 $)	**December 31, 2024**	March 31, 2024
Receivables	**41,164**	35,137
Contract assets	**1,025**	1,045

During the nine months ended December 31, 2024, one customer comprised 25% of the Company’s total revenue (nine months ended December 31, 2023 – one customer, 18.3%).

8. Research and Development Costs:

	Three months ended December 31,		**Nine months ended December 31,**	
(thousands of $)	**2024**	2023	**2024**	2023
Research and development	**7,418**	7,350	**22,165**	16,376
Government grants for research and development	**(78)**	(97)	**(152)**	(304)
	7,340	7,253	**22,013**	16,072

9. Finance Income and Finance Costs:

	Three months ended December 31,		**Nine months ended December 31,**	
(thousands of $)	**2024**	2023	**2024**	2023
Interest income	**653**	986	**2,292**	2,438
Net foreign exchange gain	**1,927**	-	**1,506**	-
Finance income	**2,580**	986	**3,798**	2,438
Interest expense on lease liabilities (note 6)	**(479)**	(444)	**(1,421)**	(1,394)
Net foreign exchange loss	**-**	(642)	**-**	(693)
Finance costs	**(479)**	(1,086)	**(1,421)**	(2,087)

10. Income and Other Taxes:

The major components of income tax expense are as follows:

Nine months ended December 31, (thousands of $)	2024	2023
Current year income tax expense	6,417	3,111
Adjustment for prior year	969	139
Current year income taxes	7,386	3,250
Deferred tax expense (recovery)	(117)	3,082
Adjustment for prior year	(76)	-
Foreign withholding and other taxes	1,101	696
	8,294	7,028

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:

Nine months ended December 31, (thousands of $, unless otherwise stated)	2024	2023
Combined statutory tax rate	23.00%	23.00%
Expected income tax	5,904	5,993
Non-deductible costs	923	365
Withholding taxes	417	474
Effect of tax rates in foreign jurisdictions	(232)	(83)
Adjustment for prior year	894	139
Other	388	140
	8,294	7,028

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

(thousands of $)	December 31, 2024	March 31, 2024
Other current liabilities	444	191
Right-of-use assets	1,822	1,733
Stock-based compensation liability	786	1,342
Property and equipment	583	84
Intangible assets	(16,296)	(5,421)
Federal loss carryforward	44	104
Foreign income tax credit carryforward	438	385
SR&ED investment tax credits	(27)	(79)
Deferred tax asset (liability)	(12,206)	(1,661)
Deferred tax asset	97	-
Deferred tax liability	(12,303)	(1,661)

All movement in deferred tax assets and liabilities is recognized through net income of the respective period. Deferred tax assets and liabilities are offset only when a legally enforceable right to offset exists and the deferred tax assets and liabilities arise in the same tax jurisdiction and relate to the same taxable entity.

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 redemption of performance share units	15
Issued on redemption of restricted share units	53
Issued on exercise of stock options	477
Balance, December 31, 2023	81,182
Balance, April 1, 2024	**81,392**
Issued on redemption of performance share units	**17**
Issued on redemption of restricted share units	**52**
Issued for cash on exercise of stock options	**975**
Balance, December 31, 2024	**82,436**

(c) Stock-Based Compensation:

Stock-Based Compensation Expense

The following table summarizes stock-based compensation expense:

	Three months ended December 31,		**Nine months ended December 31,**	
(thousands of $)	**2024**	**2023**	**2024**	2023
Equity-settled plans	**98**	252	**788**	606
Cash-settled plans	**(177)**	2,722	**2,272**	4,764
Total stock-based compensation expense (recovery)	**(79)**	2,974	**3,060**	5,370

Liability Recognized for Stock-Based Compensation(1)

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

(thousands of $)	**December 31, 2024**	March 31, 2024 (2)
SARs	**341**	1,278
RSUs	**999**	2,128
PSUs	**147**	519
DSUs	**1,881**	1,910
Total stock-based compensation liability	**3,368**	5,835
Current, recorded within trade payables and accrued liabilities	**3,116**	5,211
Long-term	**252**	624

(1) The intrinsic value of the vested awards at December 31, 2024 is $2.2 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 December 31, 2024, the Company may reserve up to 8,243,658 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. The Company has also granted stock options that vest when certain share price thresholds are achieved. Stock options have a three to five-year life

The following table outlines changes in stock options:

	Nine months ended December 31, 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)	**750**	**10.90**	376	8.52
Exercised	**(975)**	**5.24**	(687)	6.04
Forfeited/expired	**(220)**	**12.24**	(313)	7.83
Outstanding at end of period	**3,948**	**5.85**	4,393	5.17
Options exercisable at end of period	**1,242**	**5.09**	1,131	5.01

(1) 500,000 stock options granted during the nine months ended December 31, 2024, are exercisable when specified share price targets are achieved. During the three months ended December 31, 2024, 200,000 of these stock options were forfeited.

The range of exercise prices of stock options outstanding and exercisable at December 31, 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	400	2.1	4.21	225	4.00
4.63 to 4.87	1,792	2.4	4.74	492	4.74
4.88 to 5.04	512	2.7	5.00	245	5.00
5.05 to 5.88	383	2.4	5.37	158	5.26
5.89 to 10.40	861	3.8	9.64	122	8.52
	3,948	2.7	5.85	1,242	5.09

During the three months ended December 31, 2024, CMG Group issued a grant of 550,000 stock options, out of which 300,000 are performance based. The performance factors are as follows for the performance-based stock options to become fully vested and exercisable:

- 300,000 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 these grants and the assumptions used to fair value this grant are included in the table below. The expected volatility considers the historical volatility in the price of CMG Group's common shares over a period similar to the life of the options.

	Three months ended December 31, 2024	Year ended March 31, 2024
Fair value at grant date ($/option)	**0.83 to 2.74**	2.35 to 2.81
Share price at grant date ($/share)	**10.11 to 10.40**	8.52
Risk-free interest rate (%)	**3.08 to 3.14**	4.47 to 4.66
Estimated hold period prior to exercise (years)	**3 to 4**	3 to 4
Volatility in the price of common shares (%)	**38 to 40**	40 to 43
Dividend yield per common share (%)	**1.92 to 2.06**	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:

	Nine months ended December 31, 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	**(229)**	**6.03**	(345)	5.99
Forfeited/expired	**(279)**	**7.30**	(180)	8.88
Outstanding at end of period	**55**	**4.47**	563	6.50
SARs exercisable at end of period	**55**	**4.47**	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)	**Nine months ended December 31, 2024**			Year ended March 31, 2024		
	RSUs	**PSUs**	**DSUs**	RSUs	PSUs	DSUs
Outstanding at beginning of period	**394**	**117**	**187**	542	68	163
Granted	**4**	**74**	**16**	158	87	57
Exercised	**(200)**	**(47)**	**(25)**	(240)	(38)	(33)
Forfeited/expired	**(39)**	**(25)**	**-**	(66)	-	-
Outstanding at end of period	**159**	**119**	**178**	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 December 31, (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	**9,606**	**82,753**	**0.12**	5,610	81,067	0.07
Dilutive effect of share-based awards		**677**			2,312	
Diluted	**9,606**	**83,430**	**0.12**	5,610	83,379	0.07

Nine months ended December 31, (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	**17,333**	**82,460**	**0.21**	19,030	80,863	0.24
Dilutive effect of share-based awards		**914**			2,115	
Diluted	**17,333**	**83,374**	**0.21**	19,030	82,978	0.23

During the three and nine months ended December 31, 2024, 1,105,417 and 1,155,408 awards, respectively, were excluded from the computation of the weighted average number of diluted shares outstanding because their effect was not dilutive (three and nine months ended December 31, 2023 – 41,000 and 239,000 awards, respectively).

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 based on level 3 inputs to determine its fair value. The liability is recorded at an estimated fair value of $3.8 million as at December 31, 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 rate of 9.3%. 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.

As part of the purchase consideration for the acquisition of Bluware-Headwave Ventures Inc. on September 25, 2023, $2.3 million of consideration was withheld as an indemnification holdback for a period of 12 months and was previously recorded as Acquisition holdback payable within current liabilities. On October 18, 2024, $2.1 million of this holdback was paid to the seller.

On May 5, 2020, Sharp Reflections GmbH received a loan from the German Government as part of the KfW Special Programme 2020, which was introduced to support businesses affected by the economic disruptions caused by the COVID-19 pandemic. On September 24, 2021, Sharp Reflections received an amendment on the loan from the German Government. As at the date of acquisition of Sharp, the loan had an outstanding balance of €1.2 million ($1.7 million), will be repaid in quarterly installments of €0.05 million ($0.07 million), ending June 30, 2030, and accrues interest at a rate of 1%.

The Government loan was measured at fair value at the acquisition date using valuation techniques including discounted cash flows, taking into account market information, market rates of interest, and current conditions in credit markets. The estimated fair value of the Government loan was €1.0 million ($1.5 million) compared to the carrying value of €1.2 million ($1.7 million). The Government loan subsequent to the acquisition date is measured at amortized cost using the effective interest rate method. The carrying value of the loan at December 31, 2024 was €1.1 million ($1.7 million).

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 December 31, 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 December 31, 2024, Shell exercised its right to terminate the CoFlow Agreement one year prior to the original five-year anniversary.

During the three and nine months ended December 31, 2024, CMG recorded professional services revenue of $2.0 million and $6.2 million, respectively (three and nine months ended December 31, 2023 - $1.9 million and $5.7 million, respectively), and CoFlow costs of $1.6 million and $5.5 million, respectively, to research and development expenses (three and nine months ended December 31, 2023 - $2.2 million and $5.8 million).

(b) Commitments:

The Company's commitments include operating cost commitments and short-term office leases:

(thousands of $)	December 31, 2024
Less than one year	1,492
Between one and five years	5,258
More than five years	8,256
	15,006

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 December 31, 2024, $1.4 million (December 31, 2023 - $1.3 million) had been reserved on this line of credit for letters of credit supporting performance bonds.

15. Subsequent Event:

On February 11, 2025, the Board of Directors declared a quarterly cash dividend of $0.05 per share on its common shares, payable on March 14, 2025, to all shareholders of record at the close of business on March 6, 2025.

Corporate Information

Directors

Christine (Tina) M. Antony (4)

Birgit Troy (2)

Alexander M. Davern (2) (4)

Kenneth M. Dedeluk (5)

Christopher L. Fong (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

Rahul Jain
Vice President,
CORE

Anjani Kumar
Vice President,
Customer Success and Consulting

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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Dubai, UAE
Houston, Texas, USA
Kaiserslautern, Germany
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Oslo, Norway
Oxford, England
Rio de Janeiro, Brazil
Stavanger, Norway

Transfer Agent

Olympia Trust Company

Stock Exchange Listing

Toronto Stock Exchange: **CMG**

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