



CEO Letter to Shareholders

February 8, 2023

Dear fellow shareholders,

In the third quarter, our comparative quarterly revenue grew by 14% which represents the fifth consecutive period of growth. With increased licensing by existing customers and the addition of new customers, our annuity and maintenance revenue grew in all regions except Canada which remained flat due to the negative impact of consolidation activity that occurred in the first quarter. Strength in the U.S. and Europe in particular, continues to be buoyed by increased interest in our technology for use in carbon capture projects.

Approximately 15% of third quarter and 13% of year-to-date total software revenue has been generated by energy transition projects. This will be an important indicator of success as we capitalize on CMG as the technology of choice in Carbon Capture and Storage (CCS) and other energy transition projects.

CMG 4.0: Energy Transition

With evidence of immediate market demand for our simulators in the energy transition market, we have several initiatives that support us in capitalizing on our leadership position and continuing to define the role simulation technology plays in achieving success in the energy transition space.

First is the ground-breaking, innovative research being done in a Joint Industry Partnership (JIP) with Kongsberg. With the participation and support of numerous leading energy companies, this project attempts to solve one of the most challenging issues in CCS and emphasizes the acceptance of CMG's established technology within the carbon capture space.

Second is our recently announced agreement with [Hatch and McDaniel](#) which demonstrates how we are embracing partnerships with industry leaders to underscore the integral part we play in providing technology and consulting expertise in CCS.

CMG 4.0: CoFlow | Integrated Decision Making

During my first nine months at CMG, I have travelled through the Americas, the Middle East and India, listening to and learning from our customers. The industry shift towards maximizing existing reserves, often in aging fields, and away from reserve replacement through exploration is underlining a new need for integrated decision making to optimize increasingly complex reserve recovery.

Integrated decision making is not unique to the energy industry. It was evident in my previous career in travel technology, and it has been on clear display in the past few months as holiday travel was upended by weather and airline disruptions.

For airlines, sorting out the crew, the aircraft, and the passengers needs to be done simultaneously to recover schedules quickly and efficiently. In reality, this is a problem with almost infinite variables, and it

is incredibly difficult to solve. As a result, the problems are solved independent of one another and, as is evident to anyone who tried to travel over the holidays, are inefficient, costly and time consuming.

At the most senior executive level, the benefit of removing silos to optimize decision making is clear. The energy industry today is limiting its potential by engaging in siloed decision making. Having used advanced physics, mathematics, chemistry and high-performance computing for decades to address the unknown risks and mysteries of subsurface reservoirs, the industry must now embrace technology to break down barriers amongst functional groups and share decision making.

Connecting sub-surface expertise and understanding with the surface and production engineering has the potential to achieve yet another level of optimization to drive profitable, sustainable and critical resource development. Key development choices are improved by the ability of multiple disciplines to efficiently understand the end-to-end system from subsurface realizations through surface constraints. This is the vision of CoFlow, as a comprehensive platform of both surface and subsurface simulation. Our strategic partners in the development of CoFlow have embraced the benefits of this new approach.

This technology is a true differentiator for CMG, but not without risk. Developing our organizational sales strategy to properly educate the market will be critical in the successful commercialization of this tool, and our expectation is that, of all our growth initiatives, CoFlow will require the most time to execute.

CMG 4.0: CMG Collaboration Centre (C3)

For the past several days I have been in India, wrapping up CMG's participation in [India Energy Week](#). The event connected the global energy community for innovation, ideas and investment and I was both honored and excited to have joined our team for the occasion.

As the world's third largest energy consumer with increasing energy needs, India is projected to experience the largest increase in energy demand of any country over the next two decades. Amid the vision to become self-reliant and increase domestic production of oil and gas with a parallel focus on energy transition, CMG has the cutting-edge specialized software and technical expertise to support these goals.

To this end, I am also excited to share that we opened a new CMG Collaboration Centre in Bengaluru, India, which we are calling C3. This new Centre is a component of the CMG 4.0 strategy focused on driving organic growth. As we transform CMG to a market-focused product organization, we require product strategy that builds on our leadership in reservoir simulation while meeting the evolving demand for simplified, fit-for-purpose applications and workflows. This Centre will leverage over 15 years of collaboration with educational institutions in the country to expand specific research and development capabilities, to support our core team based in Calgary, and advance our product development.

In addition, with over a third of our business regularly derived from the Eastern Hemisphere, C3 will have a team that is focused and dedicated to supporting our sales efforts in the region with both consulting and customer care capabilities and marketing efforts.

CMG 4.0: Organic and Inorganic Growth

Our commitment to leadership in energy transition, R&D and product development, and a long-term vision with CoFlow can drive organic growth within the context of strong industry trends.

Equally important, we continue to build a pipeline of opportunities for our inorganic growth strategy. We are evaluating where we can efficiently deploy capital to accelerate growth. This includes solutions within

or as an extension to our core competencies to increase the value we deliver or technology acquisitions that serve as an entry into adjacent markets.

I look forward to continuing to provide updates on our progress as we execute on our CMG 4.0 strategy.

Sincerely,



Pramod Jain
Chief Executive Officer