Q3 2024 Financial Report

CMG

Contents

CEO Letter to Shareholders

February 7, 2024

Dear fellow shareholders,

The last quarter breezed by, marked not by strategic announcements, but by working to delve deep into our businesses. As I draft this letter, we have completed a significant milestone - 90 days since the acquisition of Bluware. It has been an enriching experience collaborating with the new management team, shaping a long-term strategic plan, and formulating a robust GTM (Go-to-Market) strategy for both the software and services divisions.

In the realm of mergers and acquisitions, surprises are inevitable despite rigorous due diligence. For me, a strong fundamental pillar of any acquisition lies in the strength of its product, technology, and people. Is the product built on a scalable tech stack, minimizing the need for extensive refactoring and substantial capital investment to scale? Does the product address 80% of the identified market needs? Is the team invigorated and excited about the changes brought by the new ownership? I am pleased to affirm a resounding "yes" to these questions. However, acknowledging imperfections, we understand that more hard work is required to execute plans, be it in sales, GTM strategy, or challenging the leadership team and setting stretch goals for the company.

On the CMG front, our focus has been on deepening our connections with customers, intensifying efforts on key account renewals, constructing a robust pipeline for FY25, and continuously evaluating our organizational structure and design. Personally, I take great satisfaction in investing efforts to propel the business to its next inflection point—whether it involves launching a new product, completing an existing one, or challenging the status quo of our processes and designs. I firmly believe that when things start to feel easy or comfortable, it's a signal to break away and introduce changes that make us even stronger. Comfort often breeds complacency, and I see change as an opportunity for continuous improvement and growth.

A guiding principle that resonates with me is a quote from a past leader: "Bring yourself to a 1% improved version every day, and you will witness a 37x improvement in one year." Consistent atomic changes drive mega results. Our goal at CMG remains to foster long-term, sustained, and durable growth, constructing a moat around our business through a robust product and a high-touch customer success model.

Speaking of changes, this quarter, in addition to reporting the consolidated CMG Group, we made changes to our financial reporting to reflect our evolving business strategy and present the first full quarter of performance from Bluware. We are now reporting two operating segments, CMG, which has a 40+ year history in simulation and now Bluware (BHV), which is the business of Bluware-Headwave Ventures Inc. that we recently acquired. This allows our stakeholders to understand the performance of our existing CMG business and our acquisitions independently. It mirrors how I think about the business and evaluate the progress of our CMG 4.0 Strategy.

Operating Segments

CMG

CMG has a multi-decade history of industry leadership and strong profitability which we intend to preserve. Since CMG first pioneered the concept of reservoir simulation, not only has the competitive landscape changed but we have seen seismic shifts in things like user interfaces, the shift to cloud, computing power, modernized workflows, and machine learning/AI. These are opportunities that require investments in R&D, product development, sales and marketing, all of which have been a focus of our CMG 4.0 Strategy. My expectation is that as a result, CMG (excluding Bluware) has the potential to achieve sustained annual growth rates while targeting annual Adjusted EBITDA as a % of CMG total revenue of greater than 40%. Preserving and growing free cash flow generation will be another critical measure of success as we look to fund future growth through acquisitions.

BHV (Bluware)

Turning to acquisitions and Bluware specifically, it is easy to point out the difficulty in acquiring businesses with similar margin profiles to CMG. As we make acquisitions, we are investing in opportunities to expand our product portfolio with differentiated software that we believe we can improve operationally (using our CMG playbook). Over time, these companies should contribute meaningfully to revenue growth and have the potential to achieve margin profiles near to the core CMG simulation business. In the short term, we expect the increased revenue will come at a cost to the consolidated profitability margins (CMG and Bluware combined) but that the tradeoff is a path to higher absolute earnings and cash flow.

Our new reporting structure allows us to closely monitor our progress in both aspects of the business.

Solid Financial Performance

CMG Group third quarter revenue increased by 70%, of which 12% was organic growth (CMG) and 58% inorganic (BHV). CMG Group achieved Adjusted EBITDA as a % of total revenue of 38%, a decrease from 49% in the prior year. This was expected post-acquisition of Bluware.

In the third quarter, CMG delivered 12% growth in total revenue compared to the same quarter of last year, driven by a 13% increase in annuity/maintenance revenue, which represents our recurring revenue stream. Adjusted EBITDA as a % of CMG total revenue for the quarter was strong at 44% but declined from 49% in the prior year period. Year-to-date, we have demonstrated outstanding growth. In the first nine months of FY 2024, excluding any contribution from the Bluware acquisition, total revenue grew by 21% year over year. Our growth is evidence of industry momentum and the many positive changes we've made within the organization, including our ability to attract new customers, but I want to be clear that this would be a high bar to set as a sustainable, multi-year trend.

Looking at the quarterly and year-to-date expenses, you will notice that they are trending higher versus last fiscal year which is something we monitor closely. Outside of stock-based compensation, which has had a significant impact this year, we are seeing increases which are consistent with the objectives we have laid out in our CMG 4.0 Strategy; headcount increases, acquisition related costs, commission costs driven by higher revenue, and depreciation and amortization which has increased due to the intellectual property asset we acquired from Bluware.

We are now heading into the final quarter of our fiscal year, and our biggest contract renewal period. Despite having very high contract renewal rates, there are ebbs and flows in our business and as we saw the ebbs earlier this year, we are not immune to some flows. We have worked diligently this year to attract new customers and while I had the privilege of celebrating one of these wins in my Q2 letter, I must also take ownership of attrition when it happens. Going into Q4, I lost a Canadian contract renewal with a global customer as they centralized operations outside of the country. I take attrition seriously and while some may be unavoidable, it presents an opportunity to improve our sales efforts going forward.

Energy transition represented 22% of CMG software revenue this quarter and we continue to see strong demand globally. We are encouraged by the recent announcements of the Canadian and Alberta governments regarding incentives for carbon capture and storage (CCS). Similar incentives in other jurisdictions have had a positive impact however we remain cautious at this stage as it is difficult to quantify the immediate effect on our energy transition business in Canada.

Finally, I will reiterate my comments from last quarter regarding spending throughout the second half of the year. We continue to invest to support our growth, with some strategic hiring, including consulting and R&D. We also expect that, based on our performance year to date, our new sales compensation plan, which is structured with variable compensation tied to growth, will increase costs as we approach the end of our fiscal year.

Bluware (BHV) added 58% revenue growth to our third quarter, of which 26% was software revenue and 32% was professional services. As our focus is growing the software component of BHV, I encourage you to read the detailed reporting in our MD&A under Operations by Reportable Segment which explains how Bluware software revenue is impacted by timing. Specifically, there is an annuity license fee component that is recognized on delivery of software license while a maintenance portion is recognized over the license term, typically twelve months. You will see that in this quarter we recognized $3.8 million in annuity license fee which was a result of contract renewals. The associated maintenance portion of these contracts will be recognized over twelve months. As a result of this reporting, software revenue and Bluware profitability will be lumpy and will be best analyzed on an annual basis. We currently anticipate that contract renewals will trend similarly to CMG with Q3 and Q4 of our fiscal year representing the highest proportion of renewals.

Calendar Year End

At CMG, one of our guiding principles is the fusion of hard work with the camaraderie of a professional sports team. We celebrate victories and acknowledge setbacks, yet our unwavering confidence in clinching the championship remains our north star. This steadfast belief is a constant reminder to the team, an ethos that we hold dear.

I express my deep gratitude to the dedicated members of our team, who consistently rise to the challenge as I urge them to surpass their own expectations. While our pursuit of excellence is relentless, we also recognize the importance of rest and rejuvenation. This past holiday season provided a well-deserved break. Personally, it afforded me the opportunity to indulge in my passion for reading.

As an avid reader, I find inspiration from the stories of both successful and less successful leaders. During this holiday period, one particular paragraph in the book CEO Excellence (by Carolyn Dewar, Scott Keller and Vikram Malhotra) resonated strongly with me: "Don't make it about you". Every CEO should introspect and ask, "What do you want to be remembered for - as a great person or as a person who made the company great?". To truly make the company great, one must prioritize the company above oneself. Ajay Banga's wisdom, quoted from the book, encapsulates this idea: "CEOs like us, who aren't founders, are stewards of the system in a ship sailing through the sea. You have to make sure that the boat doesn't sink while you are there and that it picks up a couple of extra sails and some new engine technology. You make the boat work better. But you don't brand the boat with your name and call it your boat".

My overarching goal remains resolute: the efficient deployment of your capital with a deep commitment to sustained excellence in execution. While we acknowledge that we are a work in progress, it's heartening to reflect on the considerable distance both myself and CMG have traveled. We are far from perfection, but the journey has been significant, and there's plenty more ahead. We remain dedicated to evolving and progressing.

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 International Financial Reporting Standards ("IFRS"), including the financial measure "Adjusted EBITDA as a % of total revenue" 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 7, 2024, 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, 2023.

THIRD QUARTER HIGHLIGHTS

- Our third quarter results represent the first full quarter of operations following the acquisition of BHV, which contributed $11.2 million to total revenue and $1.7 million to net income;
- Generated total revenue of $33.0 million in the third quarter of fiscal 2024 compared to $19.4 million in the prior year's quarter, an increase of 70% with 58% contributed by BHV and 12% by CMG;
- Adjusted EBITDA as a % of total revenue was 38%, compared to 49% in the same period of last fiscal year with BHV achieving 27% and CMG achieving 44%;
- Recognition of annuity license fee from BHV had a positive impact on total revenue and adjusted EBITDA (see under "Commentary on Quarterly Performance" and "Software License Revenue" headings for further description);
- Reported free cash flow of $7.7 million, representing $0.09 per share;
- Subsequent to quarter-end, declared a quarterly cash dividend of $0.05 per share to be paid on March 15, 2024 to all shareholders on record at the close of business on March 7, 2024.

THIRD QUARTER CONSOLIDATED FINANCIAL HIGHLIGHTS

	Three months ended December 31				Nine months ended December 31			
($ thousands, except per share data)	**2023**	2022	$ change	% change	**2023**	2022	$ change	% change
Annuity/maintenance licenses	**18,814**	15,533	3,281	21%	**51,869**	43,887	7,982	18%
Annuity license fee	**3,846**	-	3,846	100%	**4,004**	-	4,004	100%
Perpetual licenses	**584**	518	66	13%	**3,609**	1,684	1,925	114%
Professional services	**9,763**	3,341	6,422	192%	**16,906**	8,010	8,896	111%
Total revenue	**33,007**	19,392	13,615	70%	**76,388**	53,581	22,807	43%
Operating profit	**8,217**	8,435	(218)	(3%)	**25,707**	18,951	6,756	36%
Net income	**5,610**	6,348	(738)	(12%)	**19,030**	14,571	4,459	31%
Earnings per share – basic	**0.07**	0.08	(0.01)	(13%)	**0.24**	0.18	0.06	33%
Funds flow from operations per share – basic	**0.10**	0.10	-	-	**0.34**	0.22	0.12	55%
Free cash flow per share – basic (1)	**0.09**	0.09	-	-	**0.32**	0.20	0.12	60%

(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 7, 2024, should be read in conjunction with CMG Group's unaudited condensed consolidated interim financial statements (the "Financial Statements") and accompanying notes for the three and nine months ended December 31, 2023 and 2022, the Company's most recent annual consolidated financial statements as at and for the year ended March 31, 2023, and Annual Information Form dated May 24, 2023 ("AIF"), which are available under CMG Group's issuer profile at www.sedarplus.ca.

The Financial Statements have been prepared in accordance with International Financial Reporting Standards ("IFRS"). The Financial Statements are presented in Canadian dollars.

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.

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

FORWARD-LOOKING INFORMATION

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

With respect to forward-looking information contained in this MD&A, we have made assumptions regarding, among other things:

- future software license sales;
- mix of revenues and potential variances from period to period;
- ability of CMG operating segment to maintain Adjusted EBITDA as a % of CMG total revenue in excess of 40%;
- allocation of purchase price for completed acquisitions;
- acquisition-related expenses, including the potential for further performance-based earnout;
- goodwill impairment tests and the possibility of future impairment adjustments;
- amortization of intangible assets and stock-based compensation;
- the continued financing by and participation of CMG’s CoFlow partner and it being completed in a timely manner, associated costs and future revenue;
- the Company’s ability to increase or sustain its revenue in a volatile oil price environment;
- the Company’s ability to pay dividends;
- ability to enter into additional software license agreements;
- ability to continue current research and new product development;
- ability to capture market share in energy transition;
- ability to recruit and retain qualified staff;
- ability to recognize financial results of acquiring BHV; and
- 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
- The Company's 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. We provide cutting-edge technologies that support critical field development decisions for upstream planning and energy transition strategies. The Company has a diverse customer base of international oil companies in approximately 60 countries. The Company also provides professional services consisting of highly specialized support, consulting, training, and contract research activities. CMG Group has sales and technical support services based in Calgary, Houston, Oxford, Dubai, Bogota, Rio de Janeiro, Bengaluru, Kuala Lumpur and Oslo. Our Common Shares are listed on the Toronto Stock Exchange ("TSX") and trade under the symbol "CMG". CMG Group and its subsidiaries include the following; Computer Modelling Group Inc., CMG Middle East FZ LLC, CMGL Services Corporation Inc., CMG Europe Ltd., and CMG Collaboration Centre India Private Ltd., (together referred to as "CMG"), and CMG Holdings (USA) Inc., Bluware-Headwave Ventures Inc., Bluware Inc., Hue AS, and Kalkulo AS (together referred to as "BHV" or "Bluware"). CMG and BHV have been identified as the Company's two operating segments.

BUSINESS OVERVIEW

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 CMG Group's 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, leveraging 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.

CMG Group is recognizing the positive impact of this strategy demonstrated by the ninth consecutive quarter of year-over-year revenue increases. The Company sees mergers and acquisitions ("M&A") as a growth accelerator and maintains a robust and dynamic pipeline of opportunities, investing in both engagement and outreach while continuously evaluating value creation opportunities through inorganic growth.

ADDITIONAL IFRS MEASURE

Funds flow from operations is an additional IFRS measure that the Company presents in its consolidated statements of cash flows. Funds flow from operations is calculated as cash flows provided by operating activities adjusted for changes in non-cash working capital. 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.

NON-IFRS FINANCIAL MEASURES AND RECONCILIATION OF NON-IFRS MEASURES

Certain financial measures in this MD&A – namely, Adjusted EBITDA, free cash flow, adjusted total operating expenses, direct employee costs, adjusted direct employee costs, other corporate costs, adjusted other corporate costs, adjusted operating profit, and adjusted net income – 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 as a % of Total Revenue

Adjusted EBITDA and Adjusted EBITDA as a % of total revenue refers to net income before adjusting for depreciation and amortization expense, interest income, interest expense, and income and other taxes, stock-based compensation, restructuring charges, foreign exchange gains and losses, interest expense on lease liabilities, repayment of lease obligations, asset impairments, acquisition related costs and other expenses directly related to business combinations, including compensation expenses. 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 as a % total revenue 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 as a % of total revenue is a more accurate measurement of the Company's operating performance and our ability to generate operating earnings as compared to EBITDA and EBITDA as a % of total revenue.

	Three months ended December 31				Nine months ended December 31			
($ thousands, except per share data)	**2023**	2022	$ change	% change	**2023**	2022	$ change	% change
Net income	**5,610**	6,348	(738)	(12%)	**19,030**	14,571	4,459	31%
Add (deduct):								
Depreciation and amortization [(1)]	**1,555**	864	691	80%	**3,537**	2,732	805	29%
Stock-based compensation	**2,974**	1,094	1,880	172%	**5,370**	1,596	3,774	236%
Acquisition related expenses	**696**	-	696	100%	**1,269**	-	1,269	100%
Restructuring charges	**-**	-	-	0%	**-**	3,943	(3,943)	(100%)
Income and other tax expense	**2,507**	2,002	505	25%	**7,028**	4,950	2,078	42%
Interest income	**(986)**	(548)	(438)	80%	**(2,438)**	(1,105)	(1,333)	121%
Foreign exchange loss (gain)	**642**	151	491	325%	**693**	(923)	1,616	(175%)
Repayment of lease liabilities	**(364)**	(413)	49	(12%)	**(1,188)**	(1,055)	(133)	13%
Adjusted EBITDA	**12,634**	9,498	3,136	33%	**33,301**	24,709	8,592	35%
Adjusted EBITDA as a % of total revenue	**38%**	49%			**44%**	46%		

Adjusted EBITDA as a percentage of total revenue for the three and nine months ended December 31, 2023, was 38% and 44%, respectively, down from 49% and 46% during the prior year comparative periods primarily due to an increase in operating expenses partially offset by an increase in total revenue. Adjusted EBITDA for the three and nine months ended December 31, 2023, was impacted by the acquisition of BHV. See under "Revenues by Reportable Segment" heading for further discussion.

Free Cash Flow

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 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.

Free Cash Flow Reconciliation to Funds Flow from Operations

	Fiscal 2022	Fiscal 2023						**Fiscal 2024**
($ thousands, unless otherwise stated)	Q4	Q1	Q2	Q3	Q4	Q1	Q2	**Q3**
Funds flow from operations	7,105	4,558	4,974	8,169	7,656	7,920	11,491	**8,477**
Capital expenditures	(62)	-	(130)	(211)	(1,707)	(45)	(51)	**(459)**
Repayment of lease liabilities	(459)	(303)	(339)	(413)	(553)	(412)	(412)	**(364)**
Free cash flow	6,584	4,255	4,505	7,545	5,396	7,463	11,028	**7,654**
Weighted average shares – basic (thousands)	80,335	80,335	80,412	80,511	80,603	80,685	80,834	**81,067**
Free cash flow per share – basic	0.08	0.05	0.06	0.09	0.07	0.09	0.14	**0.09**

Direct Employee and Other Corporate Costs

Direct employee costs include salaries, bonuses, stock-based compensation, benefits, commission expenses, and professional development. Other corporate costs include facility-related expenses, corporate reporting, professional services, marketing and promotion, computer expenses, travel, other office-related expenses and acquisition-related costs and other expenses directly related to business combinations, including compensation expenses, employee severances and other exit costs. Direct employee costs and 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.

QUARTERLY PERFORMANCE

	Fiscal 2022(2)	Fiscal 2023(3)				**Fiscal 2024(4)**		
($ thousands, unless otherwise stated)	Q4	Q1	Q2	Q3	Q4	Q1	Q2	**Q3**
Annuity/maintenance license	14,306	13,529	14,825	15,533	15,803	15,607	17,610	**18,814**
Annuity license fee	-	-	-	-	-	-	-	**3,846**
Perpetual license	2,351	386	780	518	1,556	1,849	1,176	**584**
Total software license revenue	16,657	13,915	15,605	16,051	17,359	17,456	18,786	**23,244**
Professional services revenue	2,137	2,192	2,477	3,341	2,906	3,292	3,847	**9,763**
Total revenue	18,794	16,107	18,082	19,392	20,265	20,748	22,633	**33,007**
Operating profit	7,312	4,961	5,555	8,435	6,909	9,764	7,726	**8,217**
Operating profit (%)	39%	31%	31%	43%	34%	47%	34%	**25%**
Profit before income and other taxes	6,563	5,182	5,989	8,350	7,127	9,148	8,793	**8,117**
Income and other taxes	1,611	1,369	1,579	2,002	1,901	2,244	2,277	**2,507**
Net income for the period	4,952	3,813	4,410	6,348	5,226	6,904	6,516	**5,610**
Adjusted EBITDA(1)	7,879	6,775	8,435	9,498	8,520	9,948	10,718	**12,634**
Cash dividends declared and paid	4,016	4,017	4,025	4,025	4,032	4,039	4,043	**4,059**
Funds flow from operations	7,105	4,558	4,974	8,169	7,656	7,920	11,491	**8,477**
Free cash flow(1)	6,584	4,255	4,505	7,545	5,396	7,463	11,028	**7,654**
Per share amounts – ($/share)								
Earnings per share (EPS) – basic	0.06	0.05	0.05	0.08	0.07	0.09	0.08	**0.07**
Earnings per share (EPS) – diluted	0.06	0.05	0.05	0.08	0.06	0.08	0.08	**0.07**
Cash dividends declared and paid	0.05	0.05	0.05	0.05	0.05	0.05	0.05	**0.05**
Funds flow from operations per share – basic	0.09	0.06	0.06	0.10	0.09	0.10	0.14	**0.10**
Free cash flow per share – basic(1)	0.08	0.05	0.06	0.09	0.07	0.09	0.14	**0.09**

(1) This is a non-IFRS financial measure. See the "Non-IFRS Financial Measures" section.
(2) Q4 of fiscal 2022 includes $0.8 million of annuity/maintenance revenue that pertains to usage of CMG's products in prior quarters.
(3) Q1, Q2, Q3, and Q4 of fiscal 2023 include $0.2 million, $0.3 million, $0.3 million, and $0.4 million, respectively, of annuity/maintenance revenue that pertains to usage of CMG's products in prior quarters.
(4) Q1, Q2, and Q3 of fiscal 2024 include $0.1 million, $0.4 million, and $0.2 million, respectively, of annuity/maintenance revenue that pertains to usage of CMG's products in prior quarters.

COMMENTARY ON QUARTERLY PERFORMANCE

For the Three Months Ended ***For the Nine Months Ended***

December 31, 2023 and compared to the same period of the previous fiscal year, when appropriate:

For the Three Months Ended

- Annuity/maintenance license revenue increased by 21%;
- Annuity license fees have increased by 100% or $3.8 million as a result of a full quarter of BHV operations;
- Total revenue increased by 70%;
- Total operating expenses increased by 99%. Adjusted for acquisition related expenses in the current quarter and restructuring charges in the prior year's third quarter, operating expenses increased by 92%, primarily due to a combination of higher stock-based compensation expense, direct employee costs, professional service costs and office-related costs;
- Quarterly adjusted EBITDA as a % of total revenue was 38%, decreasing from 49% in the comparative quarter,

For the Nine Months Ended

- Annuity/maintenance license revenue increased by 18%;
- Annuity license fees have increased by 100% or $4.0 million as a result of a full quarter of BHV operations;
- Total revenue increased by 43%;
- Total operating expenses increased by 35%. Adjusted for acquisition related expenses in the current year and restructuring charges in the prior year, operating expenses increased by 51% from the comparative period in the prior year, primarily due to a combination of higher stock-based compensation expense, direct employee costs, professional services, travel-related and office-related costs;
- Year-to-date adjusted EBITDA as a % of total revenue was 44%, decreasing from 46% in the comparative period,

with CMG achieving 44% and BHV achieving 27% in the current quarter;
- Basic EPS of $0.07, down $0.01 per share from the comparative quarter in the prior fiscal year;
- Achieved free cash flow per share of $0.09;
- Declared and paid a dividend of $0.05 per share.

with CMG achieving 47% and BHV achieving 27% in the current quarter;
- Basic EPS of $0.24, up $0.06 per share from the comparative period in the prior fiscal year;
- Achieved free cash flow per share of $0.32;
- Declared and paid dividends of $0.15 per share.

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 CMG Group's 2023 financial report and in the "Risk Factors" section of our Annual Information Form dated May 24, 2023, which is available under the Company's profile on SEDAR at www.sedarplus.ca.

CONSOLIDATED FINANCIAL RESULTS

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

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

REVENUES

Software License Revenue

Our customers have two alternatives for licensing our software:

Annuity license agreements, which include a term-based software license bundled with maintenance. These agreements provide customers with rights to use the software for a fixed term, typically one year, but could be shorter or longer, and include maintenance consisting of customer support and unspecified upgrades. Annuity license agreements are issued by both CMG and BHV. Each entity allocates 50% of annuity license agreement to software license and 50% to maintenance. Both CMG and BHV recognize the maintenance component of annuity license agreements on a straight-line basis over the license period. This revenue component is recorded under "Annuity/maintenance license revenue".

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

- CMG – Software annuity license revenue is recognized ratably over the term of the agreement and included in "Annuity/maintenance license" revenue. Please see Note 3 (b) in the annual financial statements for a more complete description.
- BHV – Software annuity license revenue is recognized upfront when the software license is delivered to the customer. 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 a fiscal year.

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

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

Perpetual license agreements are entered into by CMG. BHV historically offered perpetual licenses and recognizes maintenance revenue from legacy perpetual licenses. Perpetual licenses are no longer sold by BHV. Perpetual license sales are variable and unpredictable in nature as the purchase decision and its timing fluctuate with the customers' needs and budgets. We generally invoice our customers for the full amount of their agreement at the time that they contract with us, with payment generally due within a period of 30 days. 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.

We categorize software license revenue under three revenue streams:

- Annuity/maintenance license revenue – includes annuity/maintenance license fees charged for the use of the Company's software products, which is generally for a term of one year or less. Annuity agreements include a term-based software license bundled with maintenance. The maintenance component of an annuity contract includes customer support and unspecified software upgrades. This revenue category also includes maintenance agreements whereby maintenance licenses are purchased by customers who own a perpetual license. Annuity/maintenance license fees have historically had a high renewal rate and, accordingly, provide a recurring revenue stream. Annuity/maintenance license fees in this revenue category are recognized over the license term.

- Annuity license fee – includes annuity license fees charged for the use of BHV's software products, which is generally for a term of one year or less. The total annual contract of the annuity license fee is allocated 50% to the standalone annuity license fee (included in this revenue category) and 50% to maintenance (included in "Annuity/maintenance license revenue" and recognized over the license term.) The annuity license fee is recognized in revenue when the software license is delivered to the customer. 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 quarter.

- Perpetual license revenue – 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. Perpetual license sales are variable and unpredictable in nature as the purchase decision and its timing fluctuate with the customers' needs and budgets due to the location where sales are generated. For this reason, even though we expect to achieve a certain level of perpetual sales on an annual basis, we expect to observe fluctuations in the quarterly perpetual revenue amounts throughout the fiscal year. The majority of CMG's customers who have acquired perpetual software licenses subsequently purchase our maintenance package (recognized under "annuity/maintenance revenue stream") to ensure ongoing product support and access to current versions of CMG's software. In our experience, the majority of perpetual sales are generated in South America and the Eastern Hemisphere, as North American customers usually prefer annuity licenses to perpetual purchases.

Refer to the Q3 2024 condensed consolidated interim financial statements note 2(d) "Revenue Recognition" for further explanation of the Company's judgements and estimates related to BHV's revenue recognition.

Professional Services

Professional services revenue consists of specialized consulting, training, and contract research and development activities. The majority of BHV professional services relate to one customer contract which makes up majority of BHV's professional services revenue. Professional services revenue is recognized over time, based on hours incurred.

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.

Software License Revenue

($ thousands)	Three months ended December 31 2023	2022	$ change	% change	Nine months ended December 31 2023	2022	$ change	% change
Annuity/maintenance license	**18,814**	15,533	3,281	21%	**51,869**	43,887	7,982	18%
Annuity license fee	**3,846**	-	3,846	100%	**4,004**	-	4,004	100%
Perpetual license	**584**	518	66	13%	**3,609**	1,684	1,925	114%
Total software license revenue	**23,244**	16,051	7,193	45%	**59,482**	45,571	13,911	31%
Annuity/maintenance as a % of total software license revenue	**81%**	97%			**87%**	96%		
Annuity license fee as a % of total software license revenue	**16%**	0%			**7%**	0%		
Perpetual license as a % of total software license revenue	**3%**	3%			**6%**	4%		

Total software license revenue for the three months ended December 31, 2023, increased by 45%, compared to the same period of the previous fiscal year, of which 31% is due to BHV acquisition and 14% due to increases in annuity/maintenance and perpetual license revenue of CMG. Total software license revenue for the nine months ended December 31, 2023, increased by 31%, compared to the same period of the previous fiscal year, of which 11% is due to BHV acquisition and 20% due to increases in annuity/maintenance and perpetual license revenue of CMG.

Annuity/maintenance license revenue increased by 21% during the three months ended December 31, 2023, compared to the same period of the previous fiscal year, of which 8% is due to BHV acquisition and 13% due to annuity/ maintenance license revenue increase of CMG. Annuity/maintenance license revenue increased by 18% during the nine months ended December 31, 2023, compared to the same period in the previous fiscal year, of which 3% is due to BHV acquisition and 15% due to increases in annuity/ maintenance license revenue of CMG.

CMG's annuity/maintenance license revenue increases during both three and nine months ended December 31, 2023, were a result of increases in all regions, supported by license fee increases, increased the license usage by existing customers and addition of new customers. We continue to see a strong contribution to revenue from CMG energy transition customers and estimate during the three and nine months ended December 31, 2023, 22% of total software license revenue is related to energy transition.

Annuity license fee revenue relates to BHV (see under "Software License Revenue" heading for further description.) This revenue stream is expected to fluctuate quarterly depending on the timing of contract renewals as the annuity license fees are recognized in revenue when the software license is delivered. Historically, a majority of contracts renew during the third and fourth quarters.

Perpetual license revenue increased by 13% during the three months ended December 31, 2023, compared to the same period of the previous fiscal year, due to perpetual license sales generated in Canada during the quarter. During the nine months ended December 31, 2023, compared to the same period of the previous fiscal year, perpetual license revenue increased by 114% due to increases in all regions.

We can observe from the tables below that the change in the exchange rate used to convert US dollar denominated revenue to Canadian dollars had a positive impact on reported annuity/maintenance license revenue during the three and nine months ended December 31, 2023, compared to the same periods of the previous fiscal year.

Three months ended December 31, ($ thousands)	2022	Incremental License Growth/(Decrease)	Acquired	FX Impact	2023
Annuity/maintenance license	15,533	3,038	-	243	**18,814**
Annuity license fee	-	-	3,846	-	**3,846**
Perpetual license	518	66	-	-	**584**
Total software license revenue	16,051	3,104	3,846	243	**23,244**

Nine months ended December 31, ($ thousands)	2022	Incremental License Growth/(Decrease)	Acquired	FX Impact	2023
Annuity/maintenance license	43,887	6,240	-	1,742	**51,869**
Annuity license fee	-	-	4,004	-	**4,004**
Perpetual license	1,684	1,867	-	58	**3,609**
Total software license revenue	45,571	8,107	4,004	1,800	**59,482**

Software Revenue by Geographic Region

	Three months ended December 31				Nine months ended December 31			
($ thousands)	**2023**	2022	$ change	% change	**2023**	2022	$ change	% change
Annuity/maintenance license								
Canada	**3,339**	3,268	71	2%	**9,898**	9,399	499	5%
United States	**4,698**	4,061	637	16%	**13,499**	11,115	2,384	21%
South America	**2,504**	2,247	257	11%	**6,784**	5,840	944	16%
Eastern Hemisphere(1)	**8,273**	5,957	2,316	39%	**21,688**	17,533	4,155	24%
	18,814	15,533	3,281	21%	**51,869**	43,887	7,982	18%
Annuity license fee								
Canada	**-**	-	-	0%	**-**	-	-	0%
United States	**547**	-	547	100%	**579**	-	579	100%
South America	**-**	-	-	0%	**19**	-	19	100%
Eastern Hemisphere(1)	**3,299**	-	3,299	100%	**3,406**	-	3,406	100%
	3,846	-	3,846	100%	**4,004**	-	4,004	100%
Perpetual license								
Canada	**155**	-	155	100%	**270**	-	270	100%
United States	**-**	-	-	0%	**233**	157	76	48%
South America	**-**	-	-	0%	**324**	-	324	100%
Eastern Hemisphere	**429**	518	(89)	(17%)	**2,782**	1,527	1,255	82%
	584	518	66	13%	**3,609**	1,684	1,925	114%
Total software license revenue								
Canada	**3,494**	3,268	226	7%	**10,168**	9,399	769	8%
United States	**5,245**	4,061	1,184	29%	**14,311**	11,272	3,039	27%
South America	**2,504**	2,247	257	11%	**7,127**	5,840	1,287	22%
Eastern Hemisphere(1)	**12,001**	6,475	5,526	85%	**27,876**	19,060	8,816	46%
	23,244	16,051	7,193	44%	**59,482**	45,571	13,911	31%

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

During the three and nine months ended December 31, 2023, compared to the same periods of the previous fiscal year, total software license revenue increased in all regions.

The Canadian region (representing 17% of year-to-date total software license revenue) experienced increases of 2% and 5% in annuity/maintenance license revenue during the three and nine months ended December 31, 2023, respectively, compared to the same periods in the previous fiscal year, mainly due to license fee increases and increased licensing by existing customers. Perpetual license revenue increased by 100% for both the three and nine months ended December 31, 2023, due to a license sale recorded in the third quarter of the current fiscal year. BHV has no customers domiciled in Canada and therefore no revenue contribution to this region.

The United States (representing 24% of year-to-date total software license revenue) experienced increases of 16% and 21% in annuity/maintenance license revenue during the three and nine months ended December 31, 2023, respectively, compared to the same periods in the previous fiscal year. BHV made up 6% and 2% of the increase in annuity/maintenance license revenue for the three and nine months ended December 31, 2023, respectively. CMG increased by 10% and 19% for the three and nine months ended December 31, 2023, respectively, compared to the same periods of the previous fiscal year, due to new customers, increased license fees, and increased licensing by existing customers. Annuity license fee revenue increased by 100% for the three and nine months ended December 31, 2023 as a result of the acquisition of BHV. There were no perpetual license sales in the current quarter. Perpetual license revenue increased by 48% for the nine months ended December 31, 2023 due to a new customer license purchase in the first quarter in CMG.

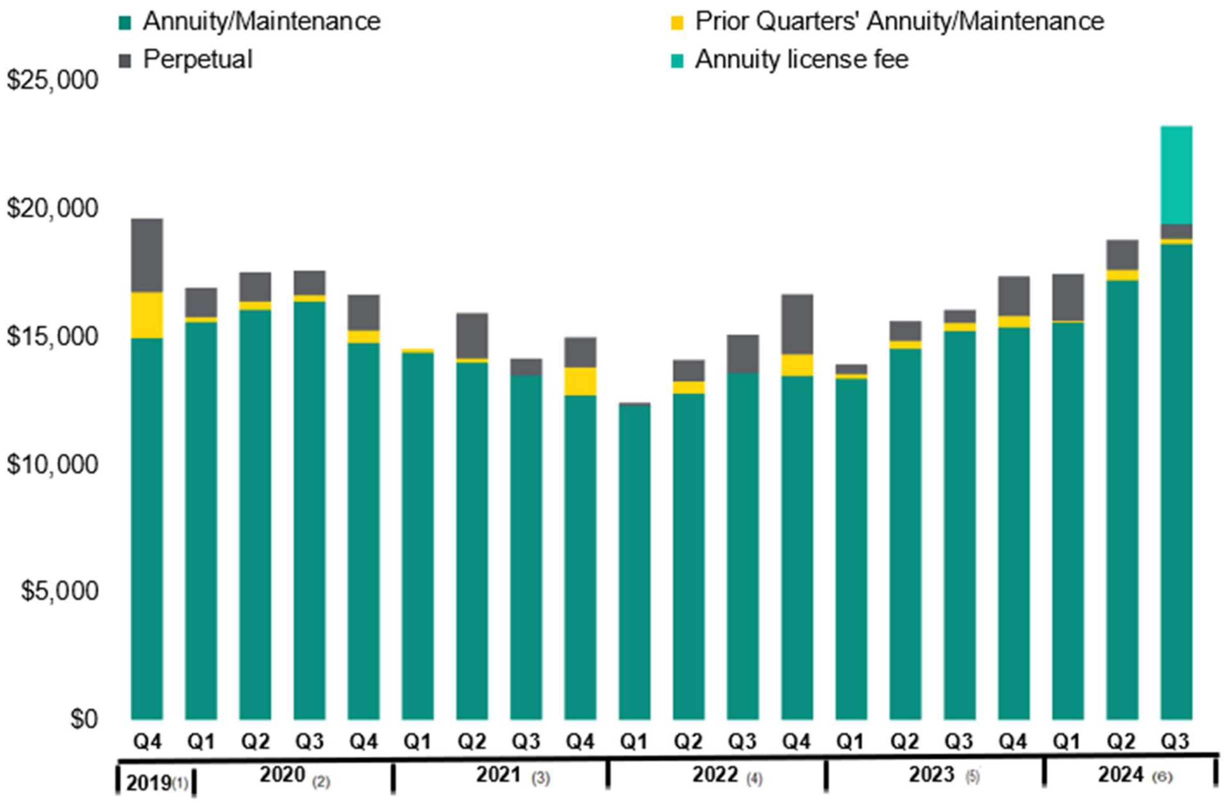
South America (representing 12% of year-to-date total software license revenue) experienced increases of 11% and 16% in annuity/maintenance license revenue during the three and nine months ended December 31, 2023, respectively, compared to the same periods in the previous fiscal year. BHV made up 8% and 3% of the increase in annuity/maintenance license revenue for the three and nine months ended December 31, 2023, respectively. CMG increased by 3% and 13% for the three and nine months ended December 31, 2023, respectively, compared to the same periods of the previous fiscal year, due to increased licensing by existing customers and increased license fees. Annuity license fee revenue increased by 100% for the three and nine months ended December 31, 2023 as a result of the acquisition of BHV. While there were no perpetual license sales in the current quarter, perpetual license revenue increased by 100% for the nine months ended December 31, 2023, due to a new customer license purchase earlier in the year in CMG.

The Eastern Hemisphere (representing 47% of year-to-date total software license revenue) experienced increases of 39% and 24% in annuity/maintenance license revenue during the three and nine months ended December 31, 2023, respectively, compared to the same periods in the previous fiscal year. BHV made up 13% and 4% of the increase in annuity/maintenance license revenue for the three and nine months ended December 31, 2023, respectively. CMG increased by 26% and 19% for the three and nine months ended December 31, 2023, respectively. compared to the same periods of the previous fiscal year, due to increased license fees and licensing by existing customers. Annuity license fee revenue has increased by 100% for the three and nine months ended December 31, 2023, as a result of the acquisition of BHV. While perpetual license revenue decreased by 17% for the three months ended December 31, 2023, it increased by 82% in the nine months ended December 31, 2023, compared to the same periods of the previous fiscal year, primarily due to new perpetual license sales in Asia relating to energy transition.

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

CMG Group Quarterly Software License Revenue

($ thousands)



(1) Q4 of fiscal 2019 includes $1.8 million in revenue that pertains to usage of CMG's products in prior quarters.
(2) Q1, Q2, Q3 and Q4 of fiscal 2020 include $0.2 million, $0.3 million, $0.2 million, and $0.5 million, respectively, in revenue that pertains to usage of CMG's products in prior quarters.
(3) Q1, Q2, Q3 and Q4 of fiscal 2021 include $0.2 million, $0.2 million, $nil, and $1.1 million, respectively, in revenue that pertains to usage of CMG's products in prior quarters.
(4) Q1, Q2, Q3 and Q4 of fiscal 2022 include $nil, $0.5 million, $nil, and $0.8 million, respectively, in revenue that pertains to usage of CMG's products in prior quarters.
(5) Q1, Q2, Q3 and Q4 of fiscal 2023 includes $0.2 million, $0.3 million, $0.3 million, and $0.4 million, respectively, in revenue that pertains to usage of CMG's products in prior quarters.
(6) Q1, Q2, and Q3 of fiscal 2024 include $0.1 million, $0.4 million, and $0.2 million, respectively, in revenue that pertains to usage of CMG's products in prior quarters.

Deferred Revenue

($ thousands)	**Fiscal 2024**	Fiscal 2023	Fiscal 2022	$ change	% change
Deferred revenue at:					
Q1 (June 30)	**26,616**	24,409		2,207	9%
Q2 (September 30)	**32,339**	24,164		8,175	34%
Q3 (December 31)	**27,089**(1)	26,717		372	1%
Q4 (March 31)		34,797	30,454	4,343	14%

(1) BHV represents approximately $1.4 million and $3.5 million respectively of the deferred revenue balance as at Q2 2024 and Q3 2024.

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

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

The deferred revenue balance at the end of Q3 of fiscal 2024 was 1% higher than in Q3 of fiscal 2023. The BHV acquisition contributed to a 13% increase, while CMG experienced a 12% decrease. CMG's deferred revenue balance was negatively impacted by timing differences. Without the negative timing impact, we would have seen positive growth in deferred revenue.

Professional Services Revenue

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

Professional services revenue for the three and nine months ended December 31, 2023 was $9.8 million and $16.9 million which represents increases of 192% and 111%, respectively, compared to the same periods of the previous fiscal year. The acquisition of BHV contributed 185% and 82% of the increase, respectively, for the three and nine months ended December 31, 2023.The remaining increases are due to increased CMG professional services revenue from consulting projects as a result of expanded services to address customer demand.

COST OF REVENUE

Cost of revenue primarily consists of direct employee costs, external consultants and 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 CMG adds headcount to support increased demand for our software and consulting services.

	Three months ended December 31				Nine months ended December 31			
($ thousands)	**2023**	2022	$ change	% change	**2023**	2022	$ change	% change
Cost of revenue	**6,356**	1,695	4,661	275%	**10,754**	5,116	5,638	110%

Cost of revenue increased by 275% and 110% for the three and nine months ended December 31, 2023, respectively, compared to the same periods of the previous fiscal year of which the acquisition of BHV contributed 240% and 84% of the increases, respectively. The remaining increases of 35% and 26% for the three and nine months ended December 31, 2023, respectively, related to CMG's increased headcount and headcount-related costs, including an increase in stock-based compensation expense.

OPERATING EXPENSES

Sales and Marketing

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

General and Administrative

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

	Three months ended December 31				Nine months ended December 31			
($ thousands)	**2023**	2022	$ change	% change	**2023**	2022	$ change	% change
Sales and marketing	**4,857**	2,480	2,377	96%	**10,596**	6,674	3,922	59%
Research and development	**7,253**	4,096	3,157	77%	**16,072**	13,268	2,804	21%
General and administrative	**6,324**	2,686	3,638	135%	**13,259**	9,572	3,687	39%
Total operating expenses	**18,434**	9,262	9,172	99%	**39,927**	29,514	10,413	35%
Direct employee costs(1)	**12,074**	6,834	5,240	77%	**26,770**	22,586	4,184	19%
Other corporate costs(1)	**6,360**	2,428	3,932	162%	**13,157**	6,928	6,229	90%
	18,434	9,262	9,172	99%	**39,927**	29,514	10,413	35%

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

Adjusted total operating expenses, adjusted direct employee costs and adjusted other corporate costs 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. Restructuring charges and acquisition-related costs are excluded from total operating expenses. Management believes that analyzing the Company's expenses exclusive of these items illustrates underlying trends in our costs and provides better comparability between periods.

The below table provides a reconciliation of total operating expenses to adjusted total operating expenses, direct employee costs to adjusted direct employee costs and other corporate costs to adjusted other corporate costs:

	Three months ended December 31				Nine months ended December 31			
($ thousands)	**2023**	2022	$ change	% change	**2023**	2022	$ change	% change
Total operating expenses	**18,434**	9,262	9,172	99%	**39,927**	29,514	10,413	35%
Acquisition-related costs	**(696)**	-	(696)	(100%)	**(1,269)**	-	(1,269)	(100%)
Restructuring charge	**-**	-	-	0%	**-**	(3,943)	3,943	100%
Adjusted total operating expenses	**17,738**	9,262	8,476	92%	**38,658**	25,571	13,087	51%
Direct employee costs	**12,074**	6,834	5,240	77%	**26,770**	22,586	4,184	19%
Restructuring charge	**-**	-	-	0%	**-**	(3,771)	3,771	100%
Adjusted direct employee costs	**12,074**	6,834	5,240	77%	**26,770**	18,815	7,955	42%
Other corporate costs	**6,360**	2,428	3,932	162%	**13,157**	6,928	6,229	19%
Acquisition-related costs	**(696)**	-	(696)	(100%)	**(1,269)**	-	(1,269)	(100%)
Restructuring charge	**-**	-	-	0%	**-**	(172)	172	100%
Adjusted other corporate costs	**5,664**	2,428	3,236	133%	**11,888**	6,756	5,132	76%

Total operating expenses for the three and nine months ended December 31, 2023, increased by 99% and 35%, respectively, compared to the same periods of the previous fiscal year. Adjusted total operating expenses increased by 92% and 51% for the three and nine months ended December 31, 2023, respectively, compared to the same periods of the previous fiscal year. The acquisition of BHV contributed to 46% and 17% of the increase in total adjusted operating costs for the three and nine months ended December 31, 2023, respectively, compared to the same periods of the previous fiscal year. CMG's total adjusted operating expenses increased by 46% and 34% for the three and nine months ended December 31, 2023, respectively, compared to the same periods of the previous fiscal year, due to an increase in both direct employee costs and other corporate costs.

Direct Employee Costs

As a technology company, the Company's largest investment is its people, and approximately 67% of total operating expenses relate to direct employee costs during the nine months ended December 31, 2023. At December 31, 2023, CMG Group's full-time equivalent staff complement was 290 employees and consultants (CMG – 186; BHV – 104); (December 31, 2022 – CMG - 164).

In May 2022, Ryan Schneider stepped down as the Company's President and CEO and Pramod Jain was appointed CEO. This change resulted in a one-time restructuring cost of $1.6 million during the first quarter of the previous fiscal year. During the second quarter of the previous fiscal year, the Company restructured primarily its Calgary office, resulting in additional restructuring costs of $2.3 million bringing the total restructuring charges for the nine months ended December 31, 2022 to $3.9 million.

For the three and nine months ended December 31, 2023, adjusted direct employee costs increased by 77% and 42%, respectively, compared to the same periods of the previous fiscal year. For the three and nine months ended December 31, 2023, BHV contributed 38% and 15%, respectively, of the increase in adjusted direct employee costs. CMG increased by 39% and 27% for the three and nine months ended December 31, 2023, respectively, compared to the same periods of the previous fiscal year. More than 60% of the increase in CMG is due to the increase in stock-based compensation expense as a result of the increases in share price in the current quarter and year-over-year and the remaining increase is primarily due to an increase in headcount and compensation.

Other Corporate Costs

For the three and nine months ended December 31, 2023, adjusted other corporate costs increased by 133% and 76%, respectively, compared to the same periods of the previous fiscal year. For the three and nine months ended December 31, 2023, BHV contributed 69% and 25%, respectively, of the increase in total adjusted other corporate costs. CMG increased by 64% and 51%, for the three and nine months ended December 31, 2023, respectively, compared to the same periods of the previous fiscal year. About half of the increase in CMG during the quarter is due to increased amortization as a result of the BHV acquisition, and the remaining increase is due to a combination of agent commissions and other office and corporate related costs. The year-to-date increase in costs in CMG is primarily due to increased depreciation and amortization due to BHV acquisition, increased agent commissions, and increased other office and corporate related costs.

Research and Development

	Three months ended December 31				Nine months ended December 31			
($ thousands)	**2023**	2022	$ change	% change	**2023**	2022	$ change	% change
Research and development, net of government grants	**7,350**	4,214	3,136	74%	**16,376**	13,786	2,590	19%
SR&ED credits	**(97)**	(118)	21	(18%)	**(304)**	(518)	214	(41%)
Research and development	**7,253**	4,096	3,157	77%	**16,072**	13,268	2,804	21%
Research and development as a % of total revenue	**22%**	21%			**21%**	25%		
Research and development, net of government grants								

Research and development costs for the three and nine months ended December 31, 2023, increased by 77% and 21%, respectively, compared to the same periods of the previous fiscal year. For the three and nine months ended December 31, 2023, BHV contributed to 47% and 15% of the increase in research and development, respectively. CMG increased by 30% and 6% for the three and nine months ended December 31, 2023, respectively, compared to the same periods of the previous fiscal year primarily due to increased headcount and headcount related costs, increased other corporate costs, which includes amortization and depreciation, partially offset by lower SR&ED credits.

CMG works closely with its customers to provide solutions to complex problems related to proven and new advanced recovery processes through investment in research and development. At CMG research and development costs include $2.2 million and $5.8 million of costs for CoFlow for the three and nine months ended December 31, 2023, respectively, slightly higher than $1.7 million and $5.5 million in the same periods of the previous fiscal year.

Depreciation and Amortization

Depreciation of property and equipment and amortization of intangible assets allocated to:

($ thousands)	Three months ended December 31				Nine months ended December 31			
	2023	2022	$ change	% change	**2023**	2022	$ change	% change
Cost of revenue	**120**	54	66	122%	**329**	277	52	19%
Sales and marketing	**114**	138	(24)	(17%)	**335**	346	(11)	(3%)
Research and development[(1)]	**1,044**	538	506	94%	**2,240**	1,746	494	28%
General and administrative	**277**	135	142	105%	**633**	364	269	74%
Total depreciation and amortization	**1,555**	865	690	80%	**3,537**	2,733	804	29%

(1) Amortization of intangible assets for the three months and nine months ended December 31, 2023, is $0.6 million and $0.8 million respectively (December 31, 2022, three and nine months ended – nil) allocated to the research and development department.

Depreciation for the three and nine months ended December 31, 2023, increased by 80% and 29%, respectively, compared to the same periods of the previous fiscal year. The increase is due to the amortization of BHV's intellectual property acquired by CMG.

FINANCE INCOME AND COSTS

($ thousands)	Three months ended December 31				Nine months ended December 31			
	2023	2022	$ change	% change	**2023**	2022	$ change	% change
Interest income	**986**	548	438	80%	**2,438**	1,105	1,333	121%
Foreign exchange gain	**-**	-	-	0%	**-**	923	(923)	(100%)
Total finance income	**986**	548	438	80%	**2,438**	2,028	410	30%
Interest expense on lease liability	**(444)**	(482)	38	(8%)	**(1,394)**	(1,458)	64	(4%)
Foreign exchange loss	**(642)**	(151)	(491)	325%	**(693)**	-	(693)	100%
Total finance costs	**(1,086)**	(633)	(453)	72%	**(2,087)**	(1,458)	(629)	57%

Interest income for the three and nine months ended December 31, 2023, was 80% and 121% higher, respectively, compared to the same periods of the previous fiscal year, primarily due to higher interest rates. Interest income is primarily generated by CMG.

Interest expense on the lease liabilities for the three and nine months ended December 31, 2023, was consistent with the prior comparative period.

The Company is impacted by foreign exchange fluctuations, as 73% of our revenue for the nine months ended December 31, 2023 (2022 – 70%) is denominated in US dollars, whereas only 34% (2022 – 22%) of our total costs are denominated in US dollars.

The following chart shows the exchange rates used to translate the Company's US dollar-denominated working capital at December 31, 2023, 2022 and 2021 and the average exchange rate used to translate income statement expense items during the three and nine months ended December 31, 2023, 2022 and 2021:

CDN$ to US$	At June 30	At September 30	At December 31	Nine month trailing average
2021	0.8068	0.7849	0.7888	0.8015
2022	0.7744	0.7302	0.7370	0.7581
2023	**0.7545**	**0.7364**	**0.7547**	**0.7411**

CMG Group recorded a foreign exchange loss of $0.6 million and $0.7 million for the three and nine months ended December 31, 2023, respectively, due to a weakening of the US dollar, which negatively affected the valuation of the US dollar – denominated portion of the Company's working capital.

INCOME AND OTHER TAXES

CMG Group's effective tax rate for the three months ended December 31, 2023, is 27.0% (2022 – 25.4%), whereas the Canadian statutory tax rate for the Company's 2024 fiscal year is 23% (December 31, 2022 – 23%). The difference between the effective rate and the statutory rate is primarily due to the non-tax deductibility of stock-based compensation expense and the benefit of certain foreign withholding taxes being realized only as a tax deduction as opposed to a tax credit.

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.

OPERATING PROFIT AND NET INCOME

	Three months ended December 31				Nine months ended December 31			
($ thousands)	**2023**	2022	$ change	% change	**2023**	2022	$ change	% change
Total revenue	**33,007**	19,392	13,615	70%	**76,388**	53,581	22,807	43%
Cost of revenue	**(6,356)**	(1,695)	(4,661)	275%	**(10,754)**	(5,116)	(5,638)	110%
Operating expenses	**(18,434)**	(9,262)	(9,172)	99%	**(39,927)**	(29,514)	(10,413)	35%
Operating profit	**8,217**	8,435	(218)	(3%)	**25,707**	18,951	6,756	36%
Operating profit as a % of revenue	**25%**	43%			**34%**	35%		
Net income	**5,610**	6,348	(738)	(12%)	**19,030**	14,571	4,459	31%
Net income as a % of total revenue	**17%**	33%			**25%**	27%		
Basic earnings per share ($/share)	**0.07**	0.08	(0.01)	(13%)	**0.24**	0.18	0.06	33%

Adjusted operating profit and adjusted net income 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 and acquisition-related expenses. Adjusted net income is calculated as net income excluding tax-affected restructuring charges and tax-affected 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.

The following table provides a reconciliation of operating profit to adjusted operating profit and net income to adjusted net income:

	Three months ended December 31		Nine months ended December 31	
($ thousands)	**2023**	2022	**2023**	2022
Operating profit	**8,217**	8,435	**25,707**	18,951
Acquisition related expenses	**696**	-	**1,269**	-
Restructuring charge	**-**	-	**-**	3,943
Adjusted operating profit	**8,913**	8,435	**26,976**	22,894
Adjusted operating profit as a % of revenue	**27%**	43%	**35%**	43%
Net income	**5,610**	6,348	**19,030**	14,571
Acquisition related expenses	**696**	-	**1,269**	-
Restructuring charge	**-**	-	**-**	3,943
Tax impact of adjusting items	**(160)**	-	**(292)**	(907)
Adjusted net income	**6,146**	6,348	**20,007**	17,607
Adjusted net income as a % of total revenue	**19%**	33%	**26%**	33%

Operating profit as a percentage of total revenue for the three months ended December 31, 2023, was 25%, down from 43% in the comparative quarter. Adjusted operating profit was 27%, down from 43% in the comparative quarter. Current quarter includes BHV's adjusted operating profit as a percentage of revenue at 26% and CMG's adjusted operating profit as a percentage of revenue at 28%. CMG's adjusted operating profit as a percentage of revenue decreased from 43% recorded in the same quarter of the previous fiscal year, due to an increase in direct employee costs driven by the increase in stock-based compensation, other corporate costs inclusive of the increase in amortization expense as a result of BHV acquisition, partially offset by an increase in revenue.

Operating profit as a percentage of total revenue for the nine months ended December 31, 2023, was 34%, slightly down from 35% in the comparative quarter. Adjusted operating profit was 35%, down from 43% in the comparative quarter. Current year-to-date quarter includes BHV's adjusted operating profit as a percentage of revenue at 26% and CMG's adjusted operating profit as a percentage of revenue at 37%. CMG's adjusted operating profit as a percentage of revenue decreased from 43% recorded in the same period of the previous fiscal year, due to the same reasons that affected the quarterly comparison as explained above.

Net income as a percentage of total revenue for the three months ended December 31, 2023, was 17%, down from 33% in the comparative quarter. Adjusted net income as a percentage of total revenue was 19% in the current quarter, down from 33% in the comparative quarter, primarily due to the same factors impacting adjusted operating profit, as well as increased foreign exchange losses in the current quarter relative to the comparative quarter as a result of the impact of weakening US dollar on the Company's earnings, partially offset by increased interest income in the current quarter.

Net income as a percentage of total revenue for the nine months ended December 31, 2023, was 25%, down from 27% in the comparative period. Adjusted net income as a percentage of total revenue was 26% in the current period, down from 33% in the comparative period, primarily due to the same factors impacting adjusted operating profit, as well as increased foreign exchange losses in the current year-to-date period, compared to the prior year's year-to-date period which experienced foreign exchange gains.

SEGMENTED FINANCIAL RESULTS

OPERATIONS BY REPORTABLE SEGMENT

CMG	Three months ended December 31				Nine months ended December 31			
($ thousands)	**2023**	2022	$ change	% change	**2023**	2022	$ change	% change
Total revenues	**21,803**	19,392	2,411	12%	**64,620**	53,581	11,039	21%
Cost of revenues	**2,288**	1,695	593	35%	**6,464**	5,116	1,348	26%
Operating expenses	**13,606**	9,262	4,344	47%	**34,912**	29,514	5,398	18%
Operating profit	**5,909**	8,435	(2,526)	(30%)	**23,244**	18,951	4,293	23%
Adjusted EBITDA:								
Net Income	**3,918**	6,348	(2,430)	(38%)	**17,245**	14,571	2,674	18%
Add (deduct):								
Depreciation and amortization	**1,449**	865	584	68%	**3,424**	2,732	692	25%
Stock-based compensation	**2,974**	1,093	1,881	172%	**5,370**	1,596	3,774	236%
Acquisition related expenses	**146**	-	146	100%	**719**	-	719	100%
Restructuring charges	**-**	-	-	0%	**-**	3,943	(3,943)	(100%)
Income and other tax expense	**1,805**	2,002	(197)	(10%)	**6,288**	4,950	1,338	27%
Interest income	**(982)**	(548)	(434)	79%	**(2,434)**	(1,105)	(1,329)	120%
Foreign exchange loss (gain)	**701**	151	550	364%	**752**	(923)	1,675	(181%)
Repayment of lease liabilities	**(428)**	(413)	(15)	4%	**(1,248)**	(1,055)	(193)	18%
Adjusted EBITDA(1)	**9,583**	9,498	85	1%	**30,116**	24,709	5,407	22%
Adjusted EBITDA as a % CMG total revenue(1)	**44%**	49%			**47%**	46%		

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

CMG experienced increases in revenue for the three and nine months ended December 31, 2023, with increases of $2.4 million or 12% and $11.0 million or 21%, respectively. This consistent growth demonstrates CMG's ability to capture new customers and grow existing customers' revenue through increased license contracts and pricing.

Cost of revenues has increased for the three and nine months ended December 31, 2023, by 35% and 26%, respectively, primarily as a result of increased headcount and headcount related costs to support increased professional services revenue growth.

Operating expenses have increased for the three and nine months ended December 31, 2023, by 47% and 18%, respectively, primarily as a result of acquisition-related expenses, and increases in stock-based compensation, headcount and headcount related costs, agent commissions, depreciation and amortization expenses, and other corporate costs.

CMG adjusted EBITDA as a percentage of CMG total revenue is 44% for the three months ended December 31, 2023, compared to 49% in the prior year comparative quarter, primarily due to an increase in operating expenses as a result of an increase in headcount and headcount related costs and other corporate costs. Adjusted EBITDA as a percentage of total revenue for the nine months ended December 31, 2023, for CMG was 47% which is relatively consistent with the prior year.

BHV ($ thousands)	Three months ended December 31 2023	2022	$ change	% change	Nine months ended December 31 2023	2022	$ change	% change
Total revenues	**11,204**	-	11,204	100%	**11,768**	-	11,768	100%
Cost of revenues	**4,068**	-	4,068	100%	**4,290**	-	4,290	100%
Operating expenses	**4,828**	-	4,828	100%	**5,015**	-	5,015	100%
Operating profit	**2,308**	-	2,308	100%	**2,463**	-	2,463	100%
Adjusted EBITDA:								
Net Income	**1,692**	-	1,692	100%	**1,785**	-	1,785	100%
Depreciation and amortization	**106**	-	106	100%	**113**	-	113	100%
Acquisition related expenses	**550**	-	550	100%	**550**	-	550	100%
Income and other tax expense	**702**	-	702	100%	**740**	-	740	100%
Interest income	**(4)**	-	(4)	100%	**(4)**	-	(4)	100%
Foreign exchange loss (gain)	**(59)**	-	(59)	100%	**(59)**	-	(59)	100%
Repayment of lease liabilities	**64**	-	64	100%	**60**	-	60	100%
Adjusted EBITDA(1)	**3,051**	-	3,051	100%	**3,185**	-	3,185	100%
Adjusted EBITDA as a % of BHV total revenue(1)	**27%**	-			**27%**	-		

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

BHVs revenue for the three and nine months ended December 31, 2023, is comprised of 55% professional services revenue, which is primarily driven by a contract with one customer. BHVs software license revenue for the three and nine months ended December 31, 2023, was supported by contract renewals.

BHVs cost of revenues consist mainly of headcount and headcount related costs incurred to support professional services revenue.

Operating expenses for BHV are primarily comprised of headcount and headcount related costs, office related costs and professional services costs.

BHV adjusted EBITDA as a percentage of BHV revenue is 27% for both the three and nine months ended December 31, 2023, respectively. The recognition of the annual license fee revenue in connection to third quarter contract renewals had a positive effect on adjusted EBITDA. We expect that adjusted EBITDA will fluctuate on a quarterly basis as a result of annual license fee revenue recognition which is skewed towards the last two quarters of the fiscal year.

REVENUES BY REPORTABLE SEGMENT

Revenues	Three months ended December 31				Nine months ended December 31			
($ thousands)	**2023**	2022	$ change	% change	**2023**	2022	$ change	% change
Software license revenue								
CMG	**18,209**	16,051	2,158	13%	**54,282**	45,571	8,711	19%
BHV	**5,035**	-	5,035	100%	**5,200**	-	5,200	100%
Professional services revenue								
CMG	**3,594**	3,341	253	8%	**10,338**	8,010	2,328	29%
BHV	**6,169**	-	6,169	100%	**6,568**	-	6,568	100%
Total revenue	**33,007**	19,392	13,615	70%	**76,388**	53,581	22,807	43%
Total CMG revenue	**21,803**	19,392	2,411	12%	**64,620**	53,581	11,039	21%
Total BHV revenue	**11,204**	-	11,204	100%	**11,768**	-	11,768	100%
Software license revenue as a % of total revenue	**70%**	83%			**78%**	85%		
Professional services revenue as a % of total revenue	**30%**	17%			**22%**	15%		

Total revenue for the three and nine months ended December 31, 2023, increased by 70% and 43%, respectively, over the comparable periods of the previous fiscal year, due to increases in both software license revenue and professional services revenue. During the three months ended December 31, 2023, 58% of the increase is due to BHV acquisition and 12% due to the increase in total revenue of CMG. During the nine months ended December 31, 2023, 22% of the increase is due to BHV acquisition and 21% due to the increase in total revenue of CMG. CMG's software license revenue increased by 13% and 19% during the three and nine months ended December 31, 2023, due to increased license sales to new and existing customers, and increased license pricing. BHV software license revenue was supported by contract renewals in the quarter.

For the three and nine months ended December 31, 2023, approximately 55% of BHV's revenues are from professional services, as compared to CMG in which professional services made up 16%. CMG professional services revenue increased by 8% and 29% for the three and nine months ended December 31, 2023, respectively as a result of increased revenue from consulting projects due to expanded services to address customer demand.

LIQUIDITY AND CAPITAL RESOURCES

	Three months ended December 31				Nine months December 31			
($ thousands)	**2023**	2022	$ change	% change	**2023**	2022	$ change	% change
Cash, beginning of period	**48,225**	56,859	(8,634)	(15%)	**66,850**	59,660	7,190	12%
Cash provided by (used in):								
Operating activities	**443**	7,657	(7,214)	(94%)	**14,668**	13,255	1,412	11%
Financing activities	**(2,640)**	(4,419)	1,779	(40%)	**(12,344)**	(12,688)	344	(3%)
Investing activities	**(819)**	(211)	(608)	288%	**(23,965)**	(341)	(23,624)	6928%
Effect of foreign exchange on cash	**(26)**	-	(26)	100%	**(26)**	-	(26)	100%
Cash, end of period	**45,183**	59,886	(14,703)	(25%)	**45,183**	59,886	(14,703)	(25%)

At December 31, 2023, CMG Group had $45.2 million in cash, no borrowings and access to approximately $2.0 million under a line of credit with its principal banker. The Company's primary non-operating use of cash is for the acquisition of BHV and dividend payments. Management believes that the Company has sufficient capital resources to meet its operating and capital expenditure needs.

During the nine months ended December 31, 2023, 18.6 million shares of the Company's public float were traded on the TSX. As at December 31, 2023, the Company's market capitalization based upon its December 31, 2023 closing price of $10.13 was $822.4 million.

OPERATING ACTIVITIES

Cash provided by operating activities decreased by $7.2 million during the three months ended December 31, 2023, compared to the same period of the previous fiscal year. Funds flow from operations increased by $0.3 million from the comparative quarter, primarily as a result of non-cash add-backs to net income. The increase in funds flow from operations was offset by $8.0 million of changes in non-cash working capital, primarily driven by the timing of when sales are recorded and when the resulting receivables are collected and the change in the deferred revenue balance.

Cash provided by operating activities increased by $1.4 million during the nine months ended December 31, 2023, compared to the same period of the previous fiscal year. Funds flow from operations increased by $10.2 million from the comparative quarter, primarily as a result of an increase in net income of $4.5 million, an increase in non-cash add-backs related to deferred income tax recovery of $3.1 million, and an increase in stock-based compensation of $1.8 million. The increase in funds flow from operations was partially offset by $13.2 million of changes in non-cash working capital, primarily driven by the timing of when sales are recorded and when the resulting receivables are collected and the change in the deferred revenue balance.

FINANCING ACTIVITIES

Cash used in financing activities decreased by 40% during the three months ended December 31, 2023, compared to the same period of the previous fiscal year. The decrease in cash used in financing activities is primarily attributable to proceeds received from the issuance of common shares related to option exercises during the quarter. In the three months ended December 31, 2023 and 2022, CMG Group paid $4.0 million in dividends, representing a payment of a quarterly dividend of $0.05 per share on the Company's common shares.

Cash used in financing activities decreased by 3% during the nine months ended December 31, 2023, compared to the same period in the previous fiscal year. The decrease is primarily attributable to the repayment of the acquired line of credit from BHV, offset by the proceeds from the issuance of common shares related to option exercises. In the nine months ended December

31, 2023 and 2022, CMG paid dividends of $12.1 million and $12.1 million respectively, representing a quarterly dividend of $0.05 per share on the Company's common shares.

On February 7, 2024, CMG Group announced the payment of a quarterly dividend of $0.05 per share on the Company's common shares. The dividend will be paid on March 15, 2024, to shareholders of record at the close of business on March 7, 2024. Decisions with respect to dividend payments are made by the Board of Directors on a quarterly basis and take into account market conditions and the financial performance of the Company.

INVESTING ACTIVITIES

The Company's investing activities consist of capital asset additions and the acquisition of BHV, all of which are funded internally. For the three and nine months ended December 31, 2023, cash used in investing activities increased by $0.6 million and $23.6 million, respectively, mainly due to the acquisition of BHV completed in the previous quarter. For the three and nine months ended December 31, 2023, the corporate acquisition costs, net of cash acquired, were $0.2 million and ($22.9) million, respectively. For the three months ended December 31, 2023, the slight change was primarily due to an increase in property and equipment additions, offset by purchase price adjustments. The significant increase for the nine months ended December 31, 2023, was primarily due to the increase in property and equipment additions, as well as the acquisition of BHV.

During the three and nine months ended December 31, 2023, the Company's capital asset additions of $0.5 million and $0.6 million, respectively, were primarily composed of computer equipment and infrastructure which was consistent with the same periods of the previous fiscal year. Our capital budget for fiscal 2024 is $1.5 million.

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.

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, 2023

(thousands of $)	Undiscounted lease liability payments	Operating costs and short-term leases	Total commitments
Less than one year	4,595	1,193	5,788
Between one and five years	13,921	4,332	18,253
More than five years	33,515	9,296	42,811
	52,031	14,821	66,852

BUSINESS RISKS, CRITICAL ACCOUNTING ESTIMATES AND JUDGMENTS

In addition to the factors detailed in CMG Group's 2023 Financial Report, we have identified the following risk factor as a result of the acquisition of BHV:

We may not be able to realize the potential benefit of our acquisition and such acquisitions could post risks to our business.
We acquire businesses and technology to support our long-term strategic direction.

Each acquisition that we complete may present risks, including: challenges in achieving our strategic goals and initiatives; failing to achieve anticipated growth projections, revenue increases or cost savings; increased reliance on cash funding of the parent company to achieve results; failure to develop new products and services that utilize the technologies and resources of the companies; disruption of our ongoing business and diversion of management's attention to transition or integration issues; liabilities that were not identified during the acquisition process; the loss of our key employees, customers, and partners or those of the acquired companies or businesses; and cybersecurity and data privacy risks.

Future acquisitions may involve the expenditure of significant cash resources; the incurrence of debt, which increases interest expense and leverage; or the issuance of equity, which could be dilutive to shareholders and may decrease earnings per share. We allocate a portion of the purchase price to goodwill and intangible assets. If we do not realize all the economic benefits of an acquisition, there could be an impairment of goodwill or intangible assets. Furthermore, impairment charges are generally not tax-deductible and will result in an increased effective income tax rate in the period the impairment is recorded. If we do not achieve the anticipated benefits of our acquisitions as rapidly or to the extent anticipated by our management or financial and industry analysts, there could be a significant adverse effect on our share price, business and consolidated financial statements.

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 7, 2024 (thousands)	
Common shares	81,235
Stock options	4,555
Restricted share units(1)	388
Performance share units(1)	117

(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 7, 2024, CMG Group could reserve up to 8,123,500 common shares for issuance under its security-based compensation plans.

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. These controls and procedures were reviewed and the effectiveness of their design and operation was evaluated in fiscal 2023 in accordance with the COSO control framework (2013). The evaluation confirmed the effectiveness of DC&P and ICFR at March 31, 2023. During the 2024 fiscal year, we continue to monitor and review our controls and procedures.

During the nine months ended December 31, 2023, there have been no significant changes to the Company's ICFR that have materially affected, or are reasonably likely to materially affect, the Company's ICFR, except for the matter described below.

On September 25, 2023, we completed the acquisition of BHV, a privately held software and services company headquartered in Houston, Texas. BHV's operations have been included in the consolidated financial statements of CMG Group since September 25, 2023. However, we have not had sufficient time to appropriately determine and assess the extent of DC&P and ICFR previously used by BHV and integrate them with those of CMG Group. As a result, the certifying officers have limited the scope of their design of DC&P and ICFR to exclude any applicable controls, policies and procedures of BHV (as permitted by applicable securities laws in Canada).

Amounts in respect of BHV included in CMG Group's condensed consolidated statement of financial position as at December 31, 2023, are as follows:

(thousands)	
Current Assets	13,976
Total Assets	22,330
Current Liabilities	8,571
Total Liabilities	9,354

With respect to BHV's revenue and profit for the period included in the consolidated financial statements of CMG Group, refer to Note 4 within the Condensed Consolidated Interim Financial Statements as at and for the three and nine months ended December 31, 2023.

Condensed Consolidated Statements of Financial Position

UNAUDITED (thousands of Canadian $)	December 31, 2023	March 31, 2023
Assets		
Current assets:		
Cash	**45,183**	66,850
Restricted cash	**158**	-
Trade and other receivables	**32,090**	23,910
Prepaid expenses	**1,652**	1,060
Prepaid income taxes (note 10)	**2,858**	444
	81,941	92,264
Intangible assets	**24,347**	1,321
Right-of-use assets	**30,008**	30,733
Property and equipment	**10,072**	10,366
Goodwill (note 3)	**3,787**	-
Deferred tax asset (note 10)	**-**	2,444
Total assets	**150,155**	137,128
Liabilities and shareholders' equity		
Current liabilities:		
Trade payables and accrued liabilities	**13,329**	9,883
Income taxes payable (note 10)	**1,027**	33
Acquisition holdback payable (note 3)	**2,283**	-
Deferred revenue (note 5)	**27,089**	34,797
Lease liabilities (note 6)	**2,738**	1,829
	46,466	46,542
Lease liabilities (note 6)	**35,017**	36,151
Stock-based compensation liabilities (note 11(c))	**2,706**	1,985
Acquisition earnout (note 3)	**1,470**	-
Other long-term liabilities	**261**	-
Deferred tax liabilities (note 10)	**1,113**	-
Total liabilities	**87,033**	84,678
Shareholders' equity:		
Share capital (note 11(b))	**85,925**	81,820
Contributed surplus	**15,596**	15,471
Cumulative translation adjustment	**(448)**	-
Deficit	**(37,951)**	(44,841)
Total shareholders' equity	**63,122**	52,450
Total liabilities and shareholders' equity	**150,155**	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 2023	Three months ended December 31 2022 (note 2(e))	Nine months ended December 31 2023	Nine months ended December 31 2022 (note 2(e))
Revenue (note 7)	**33,007**	19,392	**76,388**	53,581
Cost of revenue	**6,356**	1,695	**10,754**	5,116
Gross profit	**26,651**	17,697	**65,634**	48,465
Operating expenses				
Sales and marketing	**4,857**	2,480	**10,596**	6,674
Research and development (note 8)	**7,253**	4,096	**16,072**	13,268
General and administrative	**6,324**	2,686	**13,259**	9,572
	18,434	9,262	**39,927**	29,514
Operating profit	**8,217**	8,435	**25,707**	18,951
Finance income (note 9)	**986**	548	**2,438**	2,028
Finance costs (note 9)	**(1,086)**	(633)	**(2,087)**	(1,458)
Profit before income and other taxes	**8,117**	8,350	**26,058**	19,521
Income and other taxes (note 10)	**2,507**	2,002	**7,028**	4,950
Net income for the period	**5,610**	6,348	**19,030**	14,571
Other comprehensive income:				
Foreign currency translation adjustment	**(453)**	-	**(449)**	-
Other comprehensive income	**(453)**	-	**(449)**	-
Total comprehensive income	**5,157**	6,348	**18,581**	14,571
Net income per share – basic (note 11(d))	**0.07**	0.08	**0.24**	0.18
Net income per share – diluted (note 11(d))	**0.07**	0.08	**0.23**	0.18
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, 2022	80,248	15,009	-	(48,539)	46,718
Comprehensive income for the period	-	-	-	14,571	14,571
Dividends paid	-	-	-	(12,067)	(12,067)
Shares issued on redemption of restricted share units (note 11(b))	309	-	-	-	309
Shares issued on exercise of stock options	523	(89)	-	-	434
Stock-based compensation:					
Current period expense (note 11(c))	-	518	-	-	518
Balance, December 31, 2022	81,080	15,438	-	(46,035)	50,483
Balance, April 1, 2023	**81,820**	**15,471**	**-**	**(44,841)**	**52,450**
Net income for the period	**-**	**-**	**-**	**19,030**	**19,030**
Foreign currency translation adjustment	**-**	**-**	**(448)**	**-**	**(448)**
Dividends paid	**-**	**-**	**-**	**(12,140)**	**(12,140)**
Shares issued on exercise of stock options	**3,477**	**(481)**	**-**	**-**	**2,996**
Shares issued on redemption of restricted share units (note 11(b))	**358**	**-**	**-**	**-**	**358**
Shares issued on redemption of performance share units (note 11(b))	**270**	**-**	**-**	**-**	**270**
Stock-based compensation:					
Current period expense (note 11(c))	**-**	**606**	**-**	**-**	**606**
Balance, December 31, 2023	**85,925**	**15,596**	**(448)**	**(37,951)**	**63,122**

See accompanying notes to condensed consolidated interim financial statements.

Condensed Consolidated Statements of Cash Flows

	Three months ended December 31		Nine months ended December 31	
UNAUDITED (thousands of Canadian $)	**2023**	2022	**2023**	2022
Operating activities				
Net income	**5,610**	6,348	**19,030**	14,571
Adjustments for:				
Depreciation and amortization of property, equipment, right-of use assets	**890**	864	**2,686**	2,732
Amortization of intangible assets	**665**	-	**851**	-
Deferred income tax expense (recovery) (note 10)	**1,104**	(145)	**3,082**	(64)
Stock-based compensation (note 11(c))	**513**	1,102	**2,222**	462
Foreign exchange and other non-cash items	**(305)**	-	**17**	-
Funds flow from operations	**8,477**	8,169	**27,888**	17,701
Movement in non-cash working capital:				
Trade and other receivables	**(5,413)**	(4,872)	**(2,112)**	(1,048)
Trade payables and accrued liabilities	**2,413**	649	**24**	27
Prepaid expenses and other assets	**(639)**	1	**(349)**	(421)
Income taxes receivable (payable)	**(181)**	1,157	**(1,432)**	733
Deferred revenue	**(4,214)**	2,553	**(9,351)**	(3,737)
Change in non-cash working capital	**(8,034)**	(512)	**(13,220)**	(4,446)
Net cash provided by operating activities	**443**	7,657	**14,668**	13,255
Financing activities				
Repayment of acquired line of credit	**-**	-	**(2,012)**	-
Proceeds from issuance of common shares	**1,783**	19	**2,996**	434
Repayment of lease liabilities (note 6)	**(364)**	(413)	**(1,188)**	(1,055)
Dividends paid	**(4,059)**	(4,025)	**(12,140)**	(12,067)
Net cash used in financing activities	**(2,640)**	(4,419)	**(12,344)**	(12,688)
Investing activities				
Corporate acquisition, net of cash acquired (note 3)	**157**	-	**(22,893)**	-
Change in non-cash working capital	**(517)**	-	**(517)**	-
Property and equipment additions	**(459)**	(211)	**(555)**	(341)
Net cash used in investing activities	**(819)**	(211)	**(23,965)**	(341)
Increase (decrease) in cash	**(3,016)**	3,027	**(21,641)**	226
Effect of foreign exchange on cash	**(26)**	-	**(26)**	-
Cash, beginning of period	**48,225**	56,859	**66,850**	59,660
Cash, end of period	**45,183**	59,886	**45,183**	59,886
Supplementary cash flow information				
Interest received (note 9)	**986**	548	**2,438**	1,105
Interest paid (notes 6 and 9)	**444**	482	**1,394**	1,458
Income taxes paid	**1,071**	1,732	**5,429**	4,615

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, 2023 and 2022.

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 condensed consolidated interim financial statements as at and for the three and nine months ended December 31, 2023, comprise CMG Group and its subsidiaries: Computer Modelling Group Inc., CMG Middle East FZ LLC, CMGL Services Corporation Inc., CMG Europe Ltd., and CMG Collaboration Centre India Private Ltd., (together referred to as "CMG"), and CMG Holdings (USA), Inc., Bluware-Headwave Ventures Inc., Bluware Inc., Hue AS, and Kalkulo AS (together referred to as "BHV"). The Company is a global software and consulting technology company engaged in both the development and licensing of reservoir simulation and seismic interpretation software. The Company also provides professional services consisting of highly specialized support, consulting, training, and contract research activities.

2. Basis of Preparation:

(a) Statement of Compliance:

These condensed consolidated interim financial statements have been prepared in accordance with International Accounting Standard ("IAS") 34 Interim Financial Reporting as issued by the International Accounting Standards Board ("IASB"). Accordingly, they do not include all of the information required for full annual financial statements and should be read in conjunction with the Company's most recent annual consolidated financial statements as at and for the year ended March 31, 2023, which have been prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB").

These unaudited condensed consolidated interim financial statements as at and for the three and nine months ended December 31, 2023, were authorized for issuance by the Board of Directors on February 7, 2024.

(b) Basis of Measurement:

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

(c) Functional and Presentation Currency:

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

(d) Use of Estimates, Judgments and Assumptions:

The preparation of financial statements in conformity with IFRS requires management to make judgments, estimates and assumptions that affect the application of accounting policies, the reported amounts of assets and liabilities and the disclosure of contingent assets and liabilities 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 accounting policies are consistent with those used in the preparation of the 2023 annual financial statements. As a result of the BHV acquisition, significant accounting policies implemented by management in the preparation of these condensed interim consolidated 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 BHV revenue is described below:

Type of products /service	Nature, timing of satisfaction of performance obligations, significant contract terms
Annuity license fee revenue Annuity maintenance revenue	BHV enters into contracts that include combinations of software product licenses, upgrades, maintenance and support which are accounted for as separate performance obligations with differing revenue recognition patterns. Annuity agreements include a term-based software license, a single performance obligation and upgrades, maintenance and support services (“maintenance”) as a single performance obligation. We allocate the transaction price based on the standalone selling prices (“SSP”) 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 contract is recognized on a straight-line basis over the term of the contract, as the Company satisfies the maintenance performance obligation over time. Since BHV does not sell term-based annuity licenses individually without maintenance, all term-based licenses include the rights to a term software license and maintenance and there is no comparable product in the market. Therefore, there is no observable SSP for term-based annuity licenses. The Company 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 software license to be recognized upfront at the start of the license period. This determination considers the value relationship for the Company’s products between maintenance and the term-based software license, the economic life of products, the frequency of product upgrades, and software renewal rates.

Intangible Assets

Intangible assets consist of intellectual property, goodwill, customer relationships and trade name/trademarks.

Acquired intangible assets – The Company uses the income approach to value acquired technology, customer relationships and trade name/trademarks. The income approach is a valuation technique that calculates the estimated fair value of an intangible asset based on the estimated future cash flows that the asset can be expected to generate over its remaining useful life.

The Company utilizes the discounted cash flow methodology which is a form of the income approach that begins with a forecast of the annual cash flows that a market participant would expect the subject intangible asset to generate over a discrete projection period. The forecasted cash flows for each of the years in the discrete projection period are then converted to their present value equivalent using a rate of return appropriate for the risk of achieving the intangible assets' projected cash flows, again, from a market participant perspective. The present value of the forecasted cash flows is then added to the present value of the residual value of the intangible asset (if any) at the end of the discrete projection period to arrive at a conclusion with respect to the estimated fair value of the subject intangible assets.

The Company specifically uses the relief-from-royalty method to value trade name/trademarks and the multiple period excess earnings to value customer relationships and intellectual property.

Amortization is recognized in profit or loss on a straight-line basis over the estimated useful lives of intangible assets, other than goodwill, from the date that they are acquired and available for use, since this most closely reflects the expected usage and pattern of consumption of the future economic benefits embodied in the asset. To determine the useful life of the technology assets, the Company considers the length of time over which it expects to earn or recover the majority of the present value of the forecasted cash flows of the related intangible assets. Amortization methods, useful lives, and the residual values are reviewed annually or more frequently if events or changes in circumstances indicate impairment.

The estimated useful lives for the current and comparative periods are as follows:

Trade name and trademarks	10 years
Customer Relationships	10 years
Intellectual Property	10 years

Goodwill

The Company accounts for business combinations using the acquisition method. The excess of the purchase price over the fair value of the identifiable net assets represents goodwill and is allocated to the cash generating units (CGUs) expected to benefit from the business combination. Goodwill has an indefinite useful life and is not subject to amortization. After initial recognition, goodwill is measured at cost less any accumulated impairment losses. The carrying value is subject to impairment testing at least once a year, or more frequently if events or changes in circumstances indicate the carrying amount maybe impaired. An impairment loss is recognized if the carrying amount of a CGU exceeds its estimated recoverable amount. As a result, any impairment losses are a result of management’s best estimates of expected cash flows at a specific point in time. These estimates are subject to measurement uncertainty as they are dependent on factors outside of management’s control. In addition, by their nature, impairment tests involve a significant degree of judgment as expectations concerning future cash flows and the selection of appropriate market inputs are subject to considerable risks and uncertainties.

Determination of Cash Generating Units (CGUs)

A CGU is the lowest group of assets that generate identifiable cash inflows that are largely independent of the cash inflows of other assets or groups of assets. The allocation of assets into CGUs require judgment and interpretations with respect to the existence of active markets, integration between assets, and the way in which management monitors the operations.

(e) Change in Presentation of Operating Expenses:

Prior to April 1, 2023, CMG classified costs related to software licenses and professional services (including costs associated with customer support and training, and consulting services) under sales and marketing expenses, and costs related to public cloud hosting services under research and development expenses in the statement of operations. In order to better align with industry peers for comparability purposes, the Company has changed the presentation of the direct costs to deliver professional services and software licenses as a cost of revenue. Cost of revenue includes direct employee, external consultant and overhead costs associated with customer support, training, consulting, and public cloud hosting applications. The change in presentation had no effect on the reported results of operations. The comparative period has been updated to reflect this presentation change.

Three months ended December 31,

(thousands of $)

	As presented December 31, 2022	Reclassification in Presentation	Restated December 31, 2022
Cost of revenue	-	1,695	**1,695**
Sales and marketing	4,111	(1,631)	**2,480**
Research and development	4,160	(64)	**4,096**

Nine months ended December 31,

(thousands of $)

	As presented December 31, 2022	Reclassification in Presentation	Restated December 31, 2022
Cost of revenue	-	5,116	**5,116**
Sales and marketing	11,574	(4,900)	**6,674**
Research and development	13,484	(216)	**13,268**

3. Acquisitions:

Bluware-Headwave Ventures Inc. Acquisition:

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

There is an earnout provision of up to US$8.0 million payable if certain revenue thresholds related to key contracts of BHV are met during the 18-month period after closing. Payments pursuant to the earnout will be settled in cash no later than 90 days following March 25, 2025. The earnout is treated as contingent consideration, measured at a fair value of $1.5 million and is considered a long-term liability in the condensed consolidated interim statement of financial position. The fair value of the contingent consideration will be assessed for remeasurement at each reporting period end until the earnout period expires. At December 31, 2023, there were no changes to the fair value measurement of contingent consideration. As part of the acquisition, $1.2 million is payable to employees of BHV of which $0.4 million is payable after three months, $0.5 million is payable at the end of the holdback period and $0.3 million is payable at the end of the earnout period, all of which are accounted for as post-combination remuneration and accrued as the service is provided. For the three and nine months ended December 31, 2023, $0.6 million of post-combination remuneration was recognized within general and administrative expenses.

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 condensed consolidated interim financial statements from the date of the acquisition.

Goodwill of $3.8 million recognized in connection with this acquisition is primarily attributable to CMG Group's best practices to improve the operations of the BHV, opportunities for BHV to increase sales to new customers and margins on revenue as the business expands, and other intangible assets that do not qualify for separate recognition including the assembled workforce. Goodwill is not expected to be deductible for income tax purposes.

Due to the timing and the 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 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 assets and liabilities becomes available.

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

(thousands of $)	
Cash	**1,203**
Net working capital, excluding deferred revenue	**2,637**
Right-of-use assets	**1,332**
Lease liabilities	**(1,327)**
Deferred revenue	**(1,413)**
Line of credit(1)	**(2,012)**
Other assets and liabilities	**249**
Intangible assets: technology	**20,338**
Intangible assets: customer relationships	**2,349**
Intangible assets: trade name and trademarks	**1,176**
Deferred tax liability	**(463)**
Net assets acquired	**24,069**
Goodwill	**3,787**
Total purchase consideration	**27,856**

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

These condensed consolidated interim financial statements include the results of BHV, Bluware Inc., Hue AS, and Kalkulo AS for the period following closing of the transaction on September 25, 2023. If the acquisition would have occurred on April 1, 2023, management estimates that the proforma revenues and net income before taxes would have increased by $11.2 million and $1.7 million and $26.9 million and $4.0 million, respectively, for the three and nine months ended December 31, 2023, due to the seasonality of BHV's revenue contract renewals. 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, 2023, the Company incurred $0.7 million of transaction costs, including consulting, legal, travel and professional services related to the acquisition of BHV within general and administrative expenses. Including the above $0.6 million of post-combination remuneration, CMG Group incurred acquisition costs of $1.3 million for the nine months ended December 31, 2023.

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. As a result of CMG Group's acquisition of BHV on September 25, 2023, the Company's operations are now organized into two reportable operating segments represented by CMG, the development and licensing of reservoir simulation software, and BHV, the development and licensing of seismic interpretation software.

Three months ended December 31						
	CMG		BHV		CMG Group	
($ thousands)	**2023**	2022	**2023**	2022	**2023**	2022
Revenue	**21,803**	19,392	**11,204**	-	**33,007**	19,392
Cost of revenue	**2,288**	1,695	**4,068**	-	**6,356**	1,695
Gross profit	**19,515**	17,697	**7,136**	-	**26,551**	17,697
Operating expenses						
Sales and marketing	**4,379**	2,480	**478**	-	**4,857**	2,480
Research and development	**5,337**	4,096	**1,916**	-	**7,253**	4,096
General and administrative	**3,890**	2,686	**2,434**	-	**6,324**	2,686
	13,606	9,262	**4,828**		**18,434**	9,262
Operating profit	**5,909**	8,435	**2,308**	-	**8,217**	8,435
Net finance income (cost)	**(186)**	(85)	**86**	-	**(100)**	(85)
Profit before income and other taxes	**5,723**	8,350	**2,394**	-	**8,117**	8,350
Income and other taxes	**1,805**	2,002	**702**	-	**2,507**	2,002
Net income for the period	**3,918**	6,348	**1,692**	-	**5,610**	6,348

Nine months ended December 31						
	CMG		BHV		CMG Group	
($ thousands)	**2023**	2022	**2023**	2022	**2023**	2022
Revenue	**64,620**	53,581	**11,768**	-	**76,388**	53,581
Cost of revenue	**6,464**	5,116	**4,290**	-	**10,754**	5,116
Gross profit	**58,156**	48,465	**7,478**	-	**65,634**	48,465
Operating expenses						
Sales and marketing	**10,096**	6,674	**500**	-	**10,596**	6,674
Research and development	**14,040**	13,268	**2,032**	-	**16,072**	13,268
General and administrative	**10,776**	9,572	**2,483**	-	**13,259**	9,572
	34,912	29,514	**5,015**		**39,927**	29,514
Operating profit	**23,244**	18,951	**2,463**	-	**25,707**	18,951
Net finance income (cost)	**289**	570	**62**	-	**351**	570
Profit before income and other taxes	**23,533**	19,521	**2,525**	-	**26,058**	19,521
Income and other taxes	**6,288**	4,950	**740**	-	**7,028**	4,950
Net income for the period	**17,245**	14,571	**1,785**	-	**19,030**	14,571

Non-current assets include property, equipment, intangible and right-of-use assets 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, 2023**	March 31, 2023
Canada	**59,529**	41,835
United States	**4,695**	345
South America	**99**	148
Eastern Hemisphere[1]	**104**	92
	64,427	42,420

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

Depreciation and amortization expense are primarily related to property and equipment, right-of-use and intangible assets. Depreciation and amortization expense for the three months and nine months ended December 31, 2023, includes recognized depreciation expense on right-of-use assets of $0.6 million and $1.8 million, respectively, (three and nine months ended December 31, 2022 - $0.6 million and $1.8 million, respectively).

5. Deferred Revenue:

The following table presents changes in the deferred revenue balance:

(thousands of $)	**December 31, 2023**	March 31, 2023
Balance, beginning of year	**34,797**	30,454
Acquired deferred revenue (note 3)	**1,413**	-
Invoiced during the period, excluding amounts recognized as revenue during the period	**28,594**	33,533
Recognition of deferred revenue included in the balance of acquired deferred revenue	**(5,104)**	-
Recognition of deferred revenue included in the balance at the beginning of the period	**(32,611)**	(29,190)
Balance, end of period	**27,089**	34,797

6. Lease Liabilities:

The Company's leases are for office space in Canada, United States, and Colombia, 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, 2023**	March 31, 2023
Balance, beginning of year	**37,980**	39,588
Acquired lease liabilities (note 3)	**1,327**	-
Interest on lease liabilities (note 9)	**1,394**	1,931
Lease payments	**(2,946)**	(3,539)
Balance, end of period	**37,755**	37,980
Current	**2,738**	1,829
Long-term	**35,017**	36,151

The following table presents contractual undiscounted payments for lease liabilities as at December 31, 2023:

(thousands of $)	
Less than one year	4,595
Between one and five years	13,921
More than five years	33,515
Total undiscounted payments	**52,031**

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					**2023**					**2022**
($ thousands)	Canada	United States	South America	Eastern Hemisphere (1)	**Total**	Canada	United States	South America	Eastern Hemisphere (1)	**Total**
CMG										
Annuity/maintenance	3,339	4,455	2,323	7,508	**17,625**	3,268	4,061	2,247	5,957	**15,533**
Perpetual license	155	-	-	429	**584**	-	-	-	518	**518**
Total software revenue	3,494	4,455	2,323	7,937	**18,209**	3,268	4,061	2,247	6,475	**16,051**
Professional services	2,424	347	647	176	**3,594**	2,924	135	72	210	**3,341**
Total CMG revenue	**5,918**	**4,802**	**2,970**	**8,113**	**21,803**	6,192	4,196	2,319	6,685	**19,392**
BHV										
Annuity maintenance	-	243	181	765	**1,189**	-	-	-	-	**-**
Annuity license fee	-	547	-	3,299	**3,846**	-	-	-	-	**-**
Total software revenue	-	790	181	4,064	**5,035**	-	-	-	-	**-**
Professional services	-	5,147	-	1,022	**6,169**	-	-	-	-	**-**
Total BHV revenue	**-**	**5,937**	**181**	**5,086**	**11,204**	-	-	-	-	**-**
Total revenue	5,918	10,739	3,151	13,199	**33,007**	-	-	-	-	**19,392**

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

Nine months ended December 31					2023					2022
($ thousands)	Canada	United States	South America	Eastern Hemisphere [(1)]	**Total**	Canada	United States	South America	Eastern Hemisphere [(1)]	**Total**
CMG										
Annuity/maintenance	9,898	13,250	6,603	20,922	**50,673**	9,399	11,115	5,840	17,533	**43,887**
Perpetual license	270	233	324	2,782	**3,609**	-	157	-	1,527	**1,684**
Total software revenue	10,168	13,483	6,927	23,704	**54,282**	9,399	11,272	5,840	19,060	**45,571**
Professional services	7,000	836	1,594	908	**10,338**	7,101	279	136	494	**8,010**
Total CMG revenue	**17,168**	**14,319**	**8,521**	**24,612**	**64,620**	16,500	11,551	5,976	19,554	**53,581**
BHV										
Annuity maintenance	-	249	181	766	**1,196**	-	-	-	-	**-**
Annuity license fee	-	579	19	3,406	**4,004**	-	-	-	-	**-**
Total software revenue	-	828	200	4,172	**5,200**	-	-	-	-	**-**
Professional services	-	5,509	-	1,059	**6,568**	-	-	-	-	**-**
Total BHV revenue	**-**	**6,337**	**200**	**5,231**	**11,768**	-	-	-	-	**-**
Total revenue	17,168	20,656	8,721	29,843	**76,388**	-	-	-	-	**53,581**

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

The amount of revenue recognized during the nine months ended December 31, 2023 from performance obligations satisfied (or partially satisfied) in previous periods is $1.4 million (nine months ended December 31, 2022 – $2.0 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, 2023**	March 31, 2023
Receivables	**29,087**	22,901
Contract assets	**2,102**	462

During the nine months ended December 31, 2023, one customer comprised 18.3% of the Company’s total revenue (nine months ended December 31, 2022 – one customer, 12.4%).

8. Research and Development Costs:

	Three months ended December 31,		Nine months ended December 31,	
(thousands of $)	**2023**	2022	**2023**	2022
Research and development, net of government grants	**7,350**	4,214	**16,376**	13,786
Scientific research and experimental development (“SR&ED”) investment tax credits	**(97)**	(118)	**(304)**	(518)
	7,253	4,096	**16,072**	13,268

9. Finance Income and Finance Costs:

	Three months ended December 31,		Nine months ended December 31,	
(thousands of $)	**2023**	2022	**2023**	2022
Interest income	**986**	548	**2,438**	1,105
Foreign exchange gain	**-**	-	**-**	923
Finance income	**986**	548	**2,438**	2,028

Net foreign exchange loss	**(642)**	(151)	**(693)**	-
Interest expense on lease liabilities (note 6)	**(444)**	(482)	**(1,394)**	(1,458)
Finance costs	**(1,086)**	(633)	**(2,087)**	(1,458)

10. Income and Other Taxes:

The major components of income tax expense are as follows:

Nine months ended December 31, (thousands of $)	**2023**	2022
Current year income tax expense	**3,111**	4,714
Adjustment for prior year	**139**	50
Current year income taxes	**3,250**	4,764
Deferred tax expense (recovery)	**3,082**	(64)
Foreign withholding and other taxes	**696**	250
	7,028	4,950

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)	**2023**	2022
Combined statutory tax rate	**23.00%**	23.00%
Expected income tax	**5,993**	4,490
Non-deductible costs	**365**	321
Withholding taxes	**474**	180
Effect of tax rates in foreign jurisdictions	**(83)**	(11)
Adjustment for prior year	**139**	50
Other	**140**	(80)
	7,028	4,950

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

(thousands of $)	**December 31, 2023**	March 31, 2023
Other current liabilities	**286**	-
Right-of-use assets	**1,701**	1,653
Stock-based compensation liability	**1,264**	1,041
Property and equipment	**(106)**	70
Intangible Assets	**(4,189)**	(150)
SR&ED investment tax credits	**(69)**	(170)
Net deferred tax asset (liability)	**(1,113)**	2,444

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

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

11. Share Capital:

(a) Authorized:

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

(b) Issued:

(thousands of shares)	Common shares
Balance, April 1, 2022	80,335
Issued on redemption of restricted share units	67
Issued on exercise of stock options	109
Balance, December 31, 2022	80,511
Balance, April 1, 2023	**80,637**
Issued on redemption of performance share units	**15**
Issued on redemption of restricted share units	**53**
Issued for cash on exercise of stock options	**477**
Balance, December 31, 2023	**81,182**

(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 $)	**2023**	2022	**2023**	2022
Equity-settled plans	**252**	220	**606**	518
Cash-settled plans	**2,722**	874	**4,764**	1,078
Total stock-based compensation expense	**2,974**	1,094	**5,370**	1,596

Liability Recognized for Stock-Based Compensation[(1)]

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

(thousands of $)	**December 31, 2023**	March 31, 2023
SARs	**1,123**	931
RSUs	**1,692**	1,975
PSUs	**458**	437
DSUs	**2,224**	1,184
Total stock-based compensation liability	**5,497**	4,527
Current, recorded within trade payables and accrued liabilities	**2,791**	2,542
Long-term	**2,706**	1,985

(1) The intrinsic value of the vested awards at December 31, 2023 is $2.9 million.

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, 2023, the Company may reserve up to 8,118,200 common shares for issuance under its security-based compensation plans.

(i) Stock Option Plan

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

The following table outlines changes in stock options:

	Nine months ended December 31, 2023		Year ended March 31, 2023	
	Number of Options (thousands)	**Weighted Average Exercise Price ($/share)**	Number of Options (thousands)	Weighted Average Exercise Price ($/share)
Outstanding at beginning of period	**5,017**	**5.21**	3,680	6.38
Granted[(1)]	**376**	**8.52**	3,196	4.86
Exercised	**(477)**	**6.28**	(236)	4.52
Forfeited/expired	**(308)**	**7.90**	(1,623)	7.30
Outstanding at end of period	**4,608**	**5.18**	5,017	5.21
Options exercisable at end of period	**1,338**	**5.08**	1,573	6.14

(1) 2,525,000 stock options granted during the year ended March 31, 2023 are exercisable when specified share price targets are achieved.

The range of exercise prices of stock options outstanding and exercisable at December 31, 2023 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	740	2.9	4.14	381	3.98
4.63 to 4.87	1,800	3.4	4.74	-	-
4.88 to 5.04	667	3.7	5.00	234	5.00
5.05 to 5.88	707	2.6	5.24	407	5.08
5.89 to 9.20	694	2.9	7.58	316	6.47
	4,608	**3.1**	**5.18**	**1,338**	**5.08**

The fair value of stock options was estimated using the Black Scholes pricing model under the following assumptions:

	Year ended March 31, 2023
Fair value at grant date ($/option)	0.10 to 1.37
Share price at grant date ($/share)	4.49 to 5.45
Risk-free interest rate (%)	2.55 to 3.76
Estimated hold period prior to exercise (years)	3 to 5
Volatility in the price of common shares (%)	39 to 45
Dividend yield per common share (%)	3.91 to 4.45

(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. Fifty percent of SARs vest on the first year anniversary from the grant date and then 25% vest on each of the second and third year anniversary dates. SARs have a five-year life.

The following table outlines changes in SARs:

	Nine months ended December 31, 2023		Year ended March 31, 2023	
	Number of SARs (thousands)	**Weighted Average Exercise Price ($/SAR)**	Number of SARs (thousands)	Weighted Average Exercise Price ($/SAR)
Outstanding at beginning of period	**957**	**6.47**	1,395	7.11
Granted	**131**	**8.52**	304	6.25
Exercised	**(345)**	**5.99**	(23)	5.42
Forfeited/expired	**(180)**	**8.88**	(719)	7.64
Outstanding at end of period	**563**	**6.50**	957	6.47
SARs exercisable at end of period	**138**	**5.25**	544	7.04

(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. PSUs cliff-vest at the end of three years, with the vesting multiplier ranging from 0.0 to 2.0 contingent upon achieving certain corporate performance criteria. RSUs vest annually over a three-year period. Upon vesting, PSUs and RSUs can be exchanged for common shares of the Company or surrendered for cash at the option of the holder. As such, the Company accounts for PSUs and RSUs as cash-settled awards and recognizes a liability for potential cash settlements.

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. As such, the Company accounts for PSUs and RSUs issued under the International Employees PSU & RSU Plan as cash-settled awards and recognizes a liability for potential cash settlements.

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, 2023**			Year ended March 31, 2023
	RSUs	**PSUs**	**DSUs**	RSUs	PSUs	DSUs
Outstanding at beginning of period	**542**	**68**	**163**	722	165	123
Granted	**156**	**86**	**56**	305	3	82
Exercised	**(240)**	**(38)**	**-**	(273)	-	(42)
Forfeited/expired	**(58)**	**-**	**-**	(212)	(100)	-
Outstanding at end of period	**400**	**116**	**219**	542	68	163

(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)			**2023**			2022
	Earnings ($)	**Weighted average shares outstanding**	**Earnings per share ($/share)**	Earnings ($)	Weighted average shares outstanding	Earnings per share ($/share)
Basic	**5,610**	**81,067**	**0.07**	6,348	80,511	0.08
Dilutive effect of share-based awards		**2,312**			414	
Diluted	**5,610**	**83,379**	**0.07**	6,348	80,925	0.08

Nine months ended December 31, (thousands except per share amounts)	**2023**			2022		
	Earnings ($)	**Weighted average shares outstanding**	**Earnings per share ($/share)**	Earnings ($)	Weighted average shares outstanding	Earnings per share ($/share)
Basic	**19,030**	**80,863**	**0.24**	14,571	80,419	0.18
Dilutive effect of share-based awards		**2,115**			523	
Diluted	**19,030**	**82,978**	**0.23**	14,571	80,942	0.18

During the three and nine months ended December 31, 2023, 41,000 and 239,000 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, 2022 – 82,000 and 174,000 awards, respectively).

12. Financial Instruments and Risk Management:

Financial assets include cash, restricted cash and trade and other receivables which are classified as and measured at amortized cost, which approximates their fair values.

Financial liabilities include trade payables and accrued liabilities, acquisition holdback payable, and other long-term liabilities which are classified as other financial liabilities and are measured at amortized cost, which approximates their fair values. The acquisition earnout liability is classified as long-term and recorded at an estimated fair value of $1.5 million as at December 31, 2023 ($nil – March 31, 2023). Adjustments to the estimated fair value will be recorded in the statement of operations and comprehensive income.

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 and nine months ended December 31, 2023, CMG recorded professional services revenue of $1.9 million and $5.7 million, respectively (three and nine months ended December 31, 2022 – $1.9 million and $5.9 million, respectively), and CoFlow costs of $2.2 million and $5.8 million, respectively, to research and development expenses (three and nine months ended December 31, 2022 – $1.7 million and $5.5 million).

(b) Commitments:

The Company’s non-lease commitments include operating cost commitments and short-term office leases:

(thousands of $)	December 31, 2023
Less than one year	1,193
Between one and five years	4,332
More than five years	9,296
	14,821

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, 2023, $1.3 million (December 31, 2022 – $1.1 million) had been reserved on this line of credit for letters of credit supporting performance bonds.

15. Subsequent Event:

On February 7, 2024, the Board of Directors declared a quarterly cash dividend of $0.05 per share on its common shares, payable on March 15, 2024 to all shareholders of record at the close of business on March 7, 2024.

Corporate Information

Directors

Christine (Tina) M. Antony (4)

Judith J. Athaide (3)

John E. Billowits (4)

Kenneth M. Dedeluk (5)

Christopher L. Fong (2) (4)

Pramod Jain

Peter H. Kinash (1)

Mark R. Miller
Chairman of the Board

Kiren Singh(2)

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

Officers

Pramod Jain
Chief Executive Officer

Sandra Balic
Vice President,
Finance and Chief Financial Officer

John Mortimer
Chief Technology Officer

Sheldon Harbinson
Vice President
Americas

R. David Hicks
Vice President,
Eastern Hemisphere

Anjani Kumar
Vice President,
Customer Success and Consulting

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Transfer Agent

Olympia Trust Company

Stock Exchange Listing

Toronto Stock Exchange: **CMG**