



CEO Letter to Shareholders

August 7, 2024

Dear fellow shareholders,

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

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

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

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

Coflow

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

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

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

Board

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

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

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

In closing

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

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

Sincerely,



Pramod Jain

Chief Executive Officer

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