CEO Letter to Shareholders

November 12, 2024

Dear Fellow Shareholders,

Each quarter I aim to share with you the most recent developments and progress. This quarter marks one full year of Bluware under CMG's ownership and to keep the big picture in mind, I want to comment on how our acquisition strategy has contributed to the overall performance of CMG Group. In the trailing twelve-month period (ended September 30, 2024), we have significantly bolstered our financial performance. Our revenue has increased by $42.3 million, or 51% and even though we are still early in the commercial transformation of Bluware, Adjusted EBITDA has increased by $3.1 million, or 8%. Bluware also started us on a promising path towards developing an open ecosystem of upstream products for the industry, based on the most advanced science-backed technologies. This underscores the value of our acquisition approach to not only accelerate financial growth but also to broaden our capabilities, allowing us to offer a more comprehensive suite of solutions to our customers. I have more conviction than ever in the value creation potential of our strategy as we continue to execute.

Q2 2025

In November of 2022, I wrote my first letter to shareholders and shared how my career has been guided by the principle of "extreme ownership" so I will be the first to say that, on the surface, a 1% total revenue increase in the CMG operating segment was modest given our performance over the last two years. I own that performance, and while it is just one quarter, I will explain why I have not lost enthusiasm for what we are building and the long-term opportunity in front of us.

CMG has significant potential for long-term growth supported by new customer growth, increasing share of wallet, modest price increases and ensuring strong renewals. Demonstrating profitable growth with strong margins and healthy Free Cash Flow conversion is a priority as it ensures flexibility for our M&A strategy and provides a benchmark to the incoming lower margin businesses (acquisitions).

In the CMG operating segment, I am very pleased to share that we secured a sizeable new, multi-year contract for both our core oil and gas simulation and energy transition, evidencing our strong market position. The timing of the contract was after the end of the quarter which means that for reporting purposes, it did not offset a decline in annuity/maintenance ("A/M") revenue for Q2 but will be recorded starting in Q3. The decline in A/M revenue was largely due to a contract that didn't renew, and which included a portion of short-term licenses. That particular contract had a moderate impact on the quarter. While it is not unusual to have small fluctuation in renewals, I committed to being fully transparent with our shareholders and to presenting a balanced view of wins and losses when I call them out. I am very proud of the team for a multi-year A/M contract covering both core and energy transition, but any loss still stings.

The percentage of software revenue attributable to energy transition was 19% in the quarter, compared to 22% in the prior year period. This fluctuation is reasonable given what we know about how energy transition projects, CCS in particular, have varying demands for simulation depending on the stage of the projects. From a trend perspective, on a year-to-date basis, energy transition represented 24% of software revenue this year compared to 22% in the first half of fiscal 2024, evidencing ongoing growth.

Looking forward, I am paying close attention to renewal season in Q4 of this year. As is typical for CMG, we renew a large volume of contracts in the fourth quarter and this year, several multi-year contracts are up for renewal. From my recent customer conversations, I know that the industry continues to weigh the trade-offs of speed, price, and accuracy. Pressures remain and ensuring that we are strategic about how we approach pricing and bundling to deliver the best value for our customers will be critical to achieving our growth objective. As I said last quarter, “effortless is a myth”. We will have to work hard and with diligence to maintain our competitive edge.

We continue to successfully manage the CMG operating segment for strong profitability as evidenced by the sequential increase in Adjusted EBITDA Margin to 45%, from 42% in the first quarter of the year. Free Cash Flow per share of $0.07 was lower than the prior year reflecting the performance of Bluware in the current quarter. Free Cash Flow per share was consistent with the Q1 of this year.

Second quarter performance for BHV was in line with expectation. As we enter Q3 and Q4, we anticipate most of our contract renewals will occur, leading to an expected higher revenue in the coming two quarters (a reminder that 50% of the contract value of the renewals is recognized, from an accounting perspective, at the time of signing).

Solutions

Over the past several months, I traveled extensively and engaged with our customers. These meetings are always insightful and what stood out to me is that I have never encountered a brand as strong as CMG in my career. Our customers consistently emphasize that no other company matches CMG in terms of the scientific integrity of our products and the quality of our service. While other simulators are used, CMG is often regarded as the “North Star” – the most trusted technology, backed by solid math and physics. This is a significant advantage.

To remain the most trusted and sought-after solutions provider, we must continue to be responsive to the market and that is evident in the shift in our approach to product development. In September, we launched Focus CCS, a purpose-driven simulation tool designed to accelerate the preliminary selection and validation process for CO_2 storage sites. I’m pleased to report it is receiving strong market interest.

Beyond meeting a specific market need, Focus CCS represents a significant process innovation for CMG. Leveraging our new R&D talent at our C3 Center in India, we created an intuitive interface and guided workflows to enhance user experience and with a focus on API integration that lays the foundation for future product innovation and faster launches.

Think of it like building with LEGO blocks: by breaking down core services into modular components, we can construct solutions of varying sizes and complexities.

Last week, we announced a partnership with NVIDIA, marking a significant step forward for CMG and underscoring our commitment to evolving our solutions. As I mentioned, speed is crucial to our customers. Advances in high-performance computing, AI, and machine learning will profoundly impact the industry, and we are prioritizing our position to innovate during these transformative times. We look forward to close collaboration with NVIDIA.

Acquisition Strategy

With the recent acquisition of Sharp Reflections, we have invested additional capital, at our target IRR rate, and have expanded our seismic interpretation capabilities. These are concrete steps towards our vision of bringing together an open ecosystem of new and innovative technologies to disrupt the upstream workflow. This expansion is not about ad-hoc additions but a strategic selection of companies that enhance critical functions in the upstream workflow, making the whole greater than the sum of its parts. Integrating these technologies to provide users with a single version of the truth, breaking down silos, and simplifying access to answers is crucial.

As we refine our acquisition processes and approach, it is clear to me that there are many strong opportunities that align with our IRR hurdle rate and vision. To ensure we maintain the financial flexibility to take advantage of our pipeline, we have begun to evaluate various credit facility options to supplement our Free Cash Flow. Leverage can be an effective tool but, in my career, I have also seen what happens when it goes unchecked. My priority is to deploy our Free Cash Flow primarily and to potentially use leverage strategically to supplement on an as needed basis. Most importantly, I want to reassure our shareholders that I believe in maintaining a strong balance sheet and that financial leverage should be used carefully and opportunistically to enhance shareholder value without taking on undue risk.

In Closing

The cricket analogies resonate for me, so I'll close with yet another. Cricket is a game of patience and strategy, much like our corporate journey. While the scoreboard might show our performance in short bursts, akin to quarterly reports, it's the cumulative runs over the entire match that determine the outcome. Just as a cricket team invests in training and refining their techniques to build a solid foundation for future matches, we are investing in our product and processes to ensure sustainable growth. Acquiring new businesses is like adding skilled players to our team, making us stronger and more versatile. Together, these efforts ensure that we're not just playing for the next over, but for the entire match.

I continue to be honored to have the opportunity to lead CMG through this transformative time.

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 November 12, 2024, accessible on SEDAR+ (www.sedarplus.ca) and our website (www.cmgl.ca/investors/financial-reports).

Computer Modelling Group Ltd. announces its second quarter results for the three and six months ended September 30, 2024.

SECOND QUARTER 2025 CONSOLIDATED HIGHLIGHTS

Select financial highlights

- Closed the Company's second major acquisition, Sharp Reflections GmbH ("SR" or "Sharp"), on November 12, 2024;
- Generated total revenue of $29.5 million in the second quarter of fiscal 2025, compared to $22.6 million in the prior year's quarter, reflecting a 1% increase in CMG's revenue and a 29% contribution from BHV;
- Operating profit increased to $8.4 million, an increase of 9% from the same period of the previous fiscal year, primarily due to a decrease in stock-based compensation in the quarter as a result of the decrease in share price. Adjusted operating profit decreased by 8% from the same period of the previous fiscal year, with CMG contributing to 6% and BHV contributing to 2% of the decrease;
- Adjusted EBITDA Margin was 34%, compared to 47% in the same period of the previous fiscal year with CMG generating 45% and BHV generating (2%) in Adjusted EBITDA Margin;
- Net income during the period was $3.8 million, a 42% decrease compared to the prior year's quarter, primarily due to a change in the fair value of contingent consideration and FX loss incurred in the current year's quarter, partially offset by increased operating profit;
- Earnings per share was $0.05, a 38% decrease compared to the prior year's quarter;
- Reported Free Cash Flow of $0.07 per share, a decrease of 50%, primarily due to BHV generating negative cash flows.

SECOND QUARTER YEAR TO DATE 2025 CONSOLIDATED HIGHLIGHTS

Select financial highlights

- Closed the Company's second major acquisition, Sharp Reflections GmbH ("SR" or "Sharp"), on November 12, 2024;
- Generated total revenue of $60.0 million for the second quarter fiscal 2025 year-to-date period, compared to $43.4 million in the prior year-to-date period, reflecting a 6% increase in CMG's revenue and a 32% contribution from BHV;
- Operating profit decreased to $14.1 million, a decrease of 19% from the same year-to-date period of the previous fiscal year, primarily due to increased stock-based compensation as a result of an increase in share price, as well as increased operating expenses from having a full quarter of Bluware operating expenses as compared to 5 days in the previous fiscal year-to-date period. Adjusted operating profit decreased by 6% from the same period of the previous fiscal year, with CMG contributing to 4% and BHV contributing to 2% of the decrease;
- Adjusted EBITDA Margin was 32%, compared to 48% in the same period of the previous fiscal year with CMG generating 43% and BHV generating (3%) in Adjusted EBITDA Margin;
- Net income during the period was $7.7 million, a 42% decrease compared to the prior year-to-date period;
- Earnings per share was $0.09, a 47% decrease compared to the prior year-to-date period;
- Reported Free Cash Flow of $0.14 per share, a decrease of 39%, primarily due to BHV generating negative cash flows.

Second Quarter Overview

In the second quarter, total revenue grew by 30% from the prior fiscal year to $29.5 million, reflecting the acquisition of Bluware ("BHV") which contributed 29%, and growth within the CMG operating segment of 1%. Adjusted EBITDA Margin was 34% compared to 47% in the prior year period, reflecting the acquisition of BHV which currently operates at a lower margin than CMG, and a decline in Adjusted EBITDA compared to the prior year period in the CMG operating segment, discussed below. Net income for the quarter declined to $3.8 million from $6.5 million in the prior year period, significantly impacted by a change in the fair value of contingent consideration relating to the acquisition of Bluware and foreign exchange losses. Free Cash Flow declined from $0.14 per share in the prior period to $0.07 per share, impacted by the lower Free Cash Flow generation at BHV resulting from seasonality associated with revenue recognition. Free Cash Flow per share remained constant from the first quarter of 2025. At September 30, 2024, the cash balance was $61.4 million. The effective tax rate for the quarter increased due to the non-deductibility of the change in fair value of the acquisition earnout.

In the CMG operating segment, total revenue was up 1%, however, annuity/maintenance ("A/M") revenue declined compared to the second quarter of 2024. Delays occurred in the closing of a sizeable new contract which would have been accretive to A/M revenue in the second quarter. This was completed after quarter-end and is expected to be recorded starting in the third quarter. Given the timing of the new contract, it did not offset a combination of variability in short-term contracts and the non-renewal of one contract in the US which led to the modest decline.

By geography, total software revenue grew in the Eastern Hemisphere due to strong perpetual licenses, offset primarily by lower annuity/maintenance licenses in South America and the US, as mentioned above.

Software revenue attributable to energy transition was 19% in the quarter, compared to 22% in the comparable prior year period and 28% in the first quarter of this year. From a trend perspective, on a year-to-date basis, software revenue attributable to energy transition was 24% compared to 22% in the same period of the previous year, evidence of ongoing demand. CMG operating segment operating profit in the second quarter increased to $8.8 million, from $7.6 million in the prior year period, driven by a reduction in stock-based compensation expense due to lower share price, partially offset by increased expenses including headcount and headcount related costs, increased amortization of acquired IP, and other corporate costs. Sequentially from Q1 2025, CMG operating segment Adjusted Operating Profit increased by 3%. CMG operating segment Adjusted EBITDA Margin in the quarter decreased to 45% from 48% in the prior fiscal year, due primarily to higher expenses described above, but represented a small sequential increase from 42% in the first quarter of 2025. Maintaining our customary high renewal rates in the fourth quarter will be critical to achieving our revenue and profitability objectives.

In the BHV operating segment, total software revenue and professional services revenue were materially unchanged from the first quarter of 2025. A small decrease in operating expenses resulted in an Adjusted EBITDA and Adjusted EBITDA Margin of ($0.1 million), or (2%), a slight improvement from ($0.3 million) and (4%) respectively compared to the first quarter of this year. We do not expect material growth in professional services revenue throughout the balance of the year, however software revenue is expected to increase in the second half of 2025, compared to the first half of 2025, as we begin contract renewals in these quarters. The impact of this revenue recognition is expected to drive a commensurate increase in profitability. This pattern of revenue recognition and profitability aligns with our reporting since acquiring BHV. We would continue to encourage shareholders to evaluate BHV operating segment profitability on a full-year basis.

SUMMARY OF FINANCIAL PERFORMANCE

	CMG		BHV		Consolidated	
Three months ended September 30, ($ thousands, except per share data)	**2024**	2023	**2024**	2023	**2024**	2023
Annuity/maintenance licenses	**16,794**	17,441	**1,508**	169	**18,302**	17,610
Annuity license fee	**-**	-	**71**	-	**71**	-
Perpetual licenses	**2,149**	1,176	**-**	-	**2,149**	1,176
Total software license revenue	**18,943**	18,617	**1,579**	169	**20,522**	18,786
Professional services	**3,382**	3,452	**5,563**	395	**8,945**	3,847
Total revenue	**22,325**	22,069	**7,142**	564	**29,467**	22,633
Total revenue growth	**1%**	*22%*	**1166%**		**30%**	*25%*
Annuity/maintenance licenses growth	**(4%)**	*18%*	**792%**		**4%**	*19%*
Cost of revenue	**2,332**	2,271	**3,360**	222	**5,692**	2,493
Operating expenses						
Sales & marketing	**3,363**	3,362	**866**	22	**4,229**	3,384
Research and development	**4,463**	4,651	**1,965**	116	**6,428**	4,767
General & administrative	**3,389**	4,214	**1,299**	49	**4,688**	4,263
Operating expenses	**11,215**	12,227	**4,130**	187	**15,345**	12,414
Operating profit	**8,778**	7,571	**(348)**	155	**8,430**	7,726
Operating Margin	***39%***	*34%*	***(5%)***	*27%*	***29%***	*34%*
Acquisition related expenses	**395**	573	**181**	-	**576**	573
Amortization of acquired intangible assets	**575**	124	**89**	5	**664**	129
Stock-based compensation	**232**	2,291	**-**	-	**232**	2,291
Adjusted operating profit (1)	**9,980**	10,559	**(78)**	160	**9,902**	10,719
Adjusted Operating Margin (1)	***45%***	*48%*	***(1%)***	*28%*	***34%***	*47%*
Net income (loss)	**4,630**	6,423	**(867)**	93	**3,763**	6,516
Adjusted EBITDA (1)	**10,069**	10,584	**(132)**	134	**9,937**	10,718
Adjusted EBITDA Margin (1)	***45%***	*48%*	***(2%)***	*24%*	***34%***	*47%*
Earnings per share – basic					**0.05**	0.08
Free Cash Flow per share – basic (1)					**0.07**	0.14

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

	CMG		BHV		Consolidated	
Six months ended September 30, ($ thousands, except per share data)	**2024**	2023	**2024**	2023	**2024**	2023
Annuity/maintenance licenses	**34,551**	33,048	**3,086**	169	**37,637**	33,217
Annuity license fee	**-**	-	**249**	-	**249**	-
Perpetual licenses	**4,259**	3,025	**-**	-	**4,259**	3,025
Total software license revenue	**38,810**	36,073	**3,335**	169	**42,145**	36,242
Professional services	**6,662**	6,744	**11,183**	395	**17,845**	7,139
Total revenue	**45,472**	42,817	**14,518**	564	**59,990**	43,381
Total revenue growth	***6%***	*25%*	***2474%***		***38%***	*27%*
Annuity/maintenance licenses growth	***5%***	*17%*	***1726%***		***13%***	*17%*
Cost of revenue	**4,952**	4,176	**6,932**	222	**11,884**	4,398
Operating expenses						
Sales & marketing	**7,504**	5,717	**1,656**	22	**9,160**	5,739
Research and development	**10,514**	8,703	**4,159**	116	**14,673**	8,819
General & administrative	**7,533**	6,886	**2,644**	49	**10,177**	6,935
Operating expenses	**25,551**	21,306	**8,459**	187	**34,010**	21,493
Operating profit	**14,969**	17,335	**(873)**	155	**14,096**	17,490
Operating Margin	***33%***	*40%*	***(6%)***	*27%*	***23%***	*40%*
Acquisition related expenses	**395**	573	**369**	-	**764**	573
Amortization of acquired intangible assets	**1,151**	181	**178**	5	**1,329**	186
Stock-based compensation	**3,138**	2,395	**-**	-	**3,138**	2,395
Adjusted operating profit (1)	**19,653**	20,484	**(325)**	160	**19,327**	20,644
Adjusted Operating Margin (1)	***43%***	*48%*	***(2%)***	*28%*	***32%***	*48%*
Net income (loss)	**9,995**	13,327	**(2,268)**	93	**7,727**	13,420
Adjusted EBITDA (1)	**19,771**	20,532	**(397)**	134	**19,374**	20,666
Adjusted EBITDA Margin (1)	***43%***	*48%*	***(3%)***	*24%*	***32%***	*48%*
Earnings per share – basic					**0.09**	0.17
Free Cash Flow per share – basic (1)					**0.14**	0.23

(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 November 12, 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 six months ended September 30, 2024 and 2023 and CMG Group's Annual Information Form dated May 22, 2024 ("AIF"), which are available under CMG Group's SEDAR+ profile at www.sedarplus.ca.

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

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

This MD&A was reviewed and approved by the Audit Committee and Board of Directors and is effective November 12, 2024.

FORWARD-LOOKING INFORMATION

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

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

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

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

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

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

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

CORPORATE PROFILE

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

BUSINESS OVERVIEW

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

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

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

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

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

Significant Events

Acquisition of Sharp Reflections GmbH

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

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

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

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

Refer to note 15 (b) in the condensed consolidated interim financial statements for additional information.

Business Model

Our customers have two alternatives for licensing our software:

Annuity License Agreements

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

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

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

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

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

Perpetual License Agreements

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

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

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

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

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

NON-IFRS FINANCIAL AND SUPPLEMENTARY FINANCIAL MEASURES

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

Adjusted EBITDA and Adjusted EBITDA Margin

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

	CMG		**BHV**		**Consolidated**	
Three months ended September 30, ($ thousands)	**2024**	2023	**2024**	2023	**2024**	2023
Net income (loss)	**4,630**	6,423	**(867)**	93	**3,763**	6,516
Add (deduct):						
Depreciation and amortization	**1,539**	1,014	**408**	7	**1,947**	1,021
Stock-based compensation	**232**	2,291	**-**	-	**232**	2,291
Acquisition related expenses	**395**	573	**181**	-	**576**	573
Loss on contingent consideration	**2,112**	-	**-**	-	**2,112**	-
Income and other tax expense	**1,802**	2,239	**442**	38	**2,244**	2,277
Interest income	**(680)**	(692)	**(81)**	-	**(761)**	(692)
Foreign exchange loss (gain)	**453**	(856)	**140**	-	**593**	(856)
Repayment of lease liabilities	**(414)**	(408)	**(355)**	(4)	**(769)**	(412)
Adjusted EBITDA (1)	**10,069**	10,584	**(132)**	134	**9,937**	10,718
Adjusted EBITDA Margin (1)	***45%***	*48%*	***(2%)***	*24%*	***34%***	*47%*

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

	CMG		BHV		Consolidated	
Six months ended September 30, ($ thousands)	**2024**	2023	**2024**	2023	**2024**	2023
Net income (loss)	**9,995**	13,327	**(2,268)**	93	**7,727**	13,420
Add (deduct):						
Depreciation and amortization	**3,037**	1,975	**793**	7	**3,830**	1,982
Stock-based compensation	**3,138**	2,395	**-**	-	**3,138**	2,395
Acquisition related expenses	**395**	573	**369**	-	**764**	573
Loss on contingent consideration	**1,913**	-	**-**	-	**1,913**	-
Income and other tax expense	**3,416**	4,483	**1,316**	38	**4,732**	4,521
Interest income	**(1,460)**	(1,452)	**(179)**	-	**(1,639)**	(1,452)
Foreign exchange loss (gain)	**198**	51	**223**	-	**421**	51
Repayment of lease liabilities	**(861)**	(820)	**(651)**	(4)	**(1,512)**	(824)
Adjusted EBITDA (1)	**19,771**	20,532	**(397)**	134	**19,374**	20,666
Adjusted EBITDA Margin (1)	***43%***	*48%*	***(3%)***	*24%*	***32%***	*48%*

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

Adjusted EBITDA Margin was 34% and 32% for both the three and six months ended September 30, 2024, respectively, a decrease from 47% and 48%, respectively for the three and six months ended September 30, 2023.

CMG's Adjusted EBITDA Margin is 45% and 43% for the three and six months ended September 30, 2024, respectively, compared to 48% for both the three and six months ended September 30, 2023, primarily due to an increase in operating expenses as a result of an increase in headcount and headcount related costs and other corporate costs. Refer to the "Operating Expenses" section of this MD&A for further detail on the increase in operating expenses by category.

BHV's Adjusted EBITDA Margin for the three and six months ended September 30, 2024, is (2%) and (3%), respectively, compared to 24% for the three and six months ended September 30, 2023. Contract renewals at BHV typically occur in the third and fourth quarters, resulting in Adjusted EBITDA fluctuation on a quarterly basis. As a result of annuity license fee revenue recognition being skewed towards the last two quarters of the fiscal year, Adjusted EBITDA is expected to be lower in the first and second quarters of the fiscal year.

Free Cash Flow Reconciliation to Funds Flow from Operations

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

	Fiscal 2023		Fiscal 2024					**Fiscal 2025**
($ thousands, unless otherwise stated)	Q3	Q4	Q1	Q2	Q3	Q4	Q1	**Q2**
Funds flow from operations	8,169	7,656	7,920	11,491	8,477	10,367	6,515	**7,101**
Capital expenditures(1)	(211)	(1,707)	(45)	(51)	(459)	(95)	(93)	**(236)**
Repayment of lease liabilities	(413)	(553)	(412)	(412)	(728)	(803)	(743)	**(769)**
Free Cash Flow	7,545	5,396	7,463	11,028	7,290	9,469	5,679	**6,096**
Weighted average shares – basic (thousands)	80,511	80,603	80,685	80,834	81,067	81,314	81,476	**81,887**
Free Cash Flow per share - basic	0.09	0.07	0.09	0.14	0.09	0.12	0.07	**0.07**

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

Free Cash Flow per share has decreased by 50% and 39%, respectively, for the three and six months ended September 30, 2024, compared to the same periods of the previous fiscal year. The decrease in Free Cash Flow is primarily a result of negative cash flow generated in the BHV segment, which primarily relates to reduced net income in the period due to revenue recognition being skewed towards the third and fourth quarters of the fiscal year. Additionally, the repayment of lease liabilities has increased compared to the prior year comparative quarter as a result of the acquisition of BHV, resulting in a further decrease in free cash flow for the three and six months ended September 30, 2024, compared to the same periods of the previous fiscal year.

Adjusted operating expenses, direct employee and other corporate costs

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

Adjusted Operating Profit and Adjusted Operating Profit Margin

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

	CMG		BHV		Consolidated	
Three months ended September 30, ($ thousands)	**2024**	2023	**2024**	2023	**2024**	2023
Operating profit	**8,778**	7,571	**(348)**	155	**8,430**	7,726
Add:						
Acquisition related expenses	**395**	573	**181**	-	**576**	573
Amortization of acquired intangible assets	**575**	124	**89**	5	**664**	129
Stock-based compensation	**232**	2,291	**-**	-	**232**	2,291
Adjusted operating profit (1)	**9,980**	10,559	**(78)**	160	**9,902**	10,719
Adjusted Operating Margin (1)	***45%***	*48%*	***(1%)***	*28%*	***34%***	*47%*

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

	CMG		BHV		Consolidated	
Six months ended September 30, ($ thousands)	**2024**	2023	**2024**	2023	**2024**	2023
Operating profit	**14,969**	17,335	**(873)**	155	**14,096**	17,490
Add:						
Acquisition related expenses	**395**	573	**369**	-	**764**	573
Amortization of acquired intangible assets	**1,151**	181	**178**	5	**1,329**	186
Stock-based compensation	**3,138**	2,395	**-**	-	**3,138**	2,395
Adjusted operating profit (1)	**19,653**	20,484	**(326)**	160	**19,327**	20,644
Adjusted Operating Margin (1)	***43%***	*48%*	***(2%)***	*28%*	***32%***	*48%*

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

SUMMARY OF CONSOLIDATED FINANCIAL RESULTS

	Three months ended September 30,			Six months ended September 30,		
($ thousands)	**2024**	2023	% change	**2024**	2023	% change
Total revenue	**29,467**	22,633	30%	**59,990**	43,381	38%
Cost of revenue	**(5,692)**	(2,493)	128%	**(11,884)**	(4,398)	170%
Operating expenses	**(15,345)**	(12,414)	24%	**(34,010)**	(21,493)	58%
Operating profit	**8,430**	7,726	9%	**14,096**	17,490	(19%)
Finance income (cost)	**(311)**	1,067	(129%)	**276**	451	(39%)
Change in fair value of contingent consideration	**(2,112)**	-	100%	**(1,913)**	-	100%
Income taxes	**(2,244)**	(2,277)	(1%)	**(4,732)**	(4,521)	5%
Net income	**3,763**	6,516	(42%)	**7,727**	13,420	(42%)

REVENUE

Software License Revenue

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

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

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

Software License Revenue

	Three months ended September 30,			Six months ended September 30,		
($ thousands)	**2024**	2023	% change	**2024**	2023	% change
Annuity/maintenance licenses	**18,302**	17,610	4%	**37,637**	33,217	13%
Annuity license fee	**71**	-	100%	**249**	-	100%
Perpetual licenses	**2,149**	1,176	83%	**4,259**	3,025	41%
Total software license revenue	**20,522**	18,786	9%	**42,145**	36,242	16%
Professional services	**8,945**	3,847	133%	**17,845**	7,139	150%
Total revenue	**29,467**	22,633	30%	**59,990**	43,381	38%

Total software license revenue for the three months ended September 30, 2024, increased by 9%, compared to the same period of the previous fiscal year, of which 7% is due to the BHV acquisition and 2% is due to increases in CMG perpetual license revenue. Total software license revenue for the six months ended September 30, 2024 increased by 16%, compared to the same period of the previous fiscal year, of which 9% is due to BHV acquisition and 7% is due to increases in CMG annuity/maintenance and perpetual license revenue.

Annuity/Maintenance license revenue

Annuity/maintenance license revenue increased by 4% during the three months ended September 30, 2024, compared to the same period of the previous fiscal year, of which 8% is due to the BHV acquisition and is partially offset by a 4% annuity/maintenance license revenue decline of CMG. Annuity/maintenance license revenue increased by 13% during the six months ended September 30, 2024, compared to the same period in the previous fiscal year, of which 9% is due to the BHV acquisition and 4% is due to annuity/maintenance license growth of CMG. We continue to see a strong contribution to total software license revenue growth from energy transition customers and estimate during the three and six months ended September 30, 2024, that 19% and 24%, respectively, of total CMG segment software license revenue is related to energy transition.

Annuity license fee

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

Perpetual license revenue

Perpetual license revenue in CMG increased by 83% and 41% respectively during the three and six months ended September 30, 2024, compared to the same periods of the previous fiscal year, due to perpetual license sales generated in Asia during the three months, and the United States and Asia for the six months ended September 30, 2024, respectively.

Foreign Exchange Impact

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

Three months ended September 30, ($ thousands)	2023	Incremental License Growth (Decline)	Acquired	FX Impact	**2024**
Annuity/maintenance license	17,610	(771)	1,508	(45)	**18,302**
Annuity license fee	-	-	71	-	**71**
Perpetual license	1,176	971	-	2	**2,149**
Total software license revenue	18,786	200	1,579	(43)	**20,522**

Six months ended September 30, ($ thousands)	2023	Incremental License Growth (Decline)	Acquired	FX Impact	**2024**
Annuity/maintenance license	33,217	1,562	3,086	(228)	**37,637**
Annuity license fee	-	-	249	-	**249**
Perpetual license	3,025	1,218	-	16	**4,259**
Total software license revenue	36,242	2,780	3,335	(212)	**42,145**

Software Revenue by Geographic Region

($ thousands)	Three months ended September 30, 2024	2023	% change	Six months ended September 30, 2024	2023	% change
Annuity/maintenance license						
Canada	**3,249**	3,318	(2%)	**6,478**	6,559	(1%)
United States	**4,130**	4,583	(10%)	**8,748**	8,837	(1%)
South America	**2,417**	2,477	(2%)	**4,753**	4,299	11%
Eastern Hemisphere [(1)]	**8,506**	7,232	18%	**17,658**	13,522	31%
	18,302	17,610	4%	**37,637**	33,217	13%
Annuity license fee						
Canada	**-**	-	0%	**-**	-	0%
United States	**37**	-	100%	**77**	-	100%
South America	**34**	-	100%	**67**	-	100%
Eastern Hemisphere [(1)]	**-**	-	0%	**105**	-	100%
	71	-	100%	**249**	-	100%
Perpetual license						
Canada	**-**	-	0%	**-**	115	(100%)
United States	**-**	-	0%	**1,337**	233	474%
South America	**-**	324	(100%)	**-**	324	(100%)
Eastern Hemisphere [(1)]	**2,149**	852	152%	**2,922**	2,353	24%
	2,149	1,176	83%	**4,259**	3,025	41%
Total software license revenue						
Canada	**3,249**	3,318	(2%)	**6,478**	6,674	(3%)
United States	**4,167**	4,583	(9%)	**10,162**	9,070	12%
South America	**2,451**	2,801	(12%)	**4,820**	4,623	4%
Eastern Hemisphere [(1)]	**10,655**	8,084	32%	**20,685**	15,875	30%
	20,522	18,786	9%	**42,145**	36,242	16%

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

Total software license revenue increased during both the three and six months ended September 30, 2024, compared to the same periods of the previous fiscal year, with the Eastern Hemisphere driving majority of the increase.

The Canadian region (representing 15% of year-to-date total software license revenue) experienced a marginal decrease in annuity/maintenance revenue compared to the same periods in the previous fiscal year. Perpetual license revenue decreased by 100% for the six months ended September 30, 2024, compared to the same period of the previous fiscal year, due to no perpetual sales being generated in the first two quarters of fiscal 2025. 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 decreases of 10% and 1% in annuity/maintenance license revenue during the three and six months ended September 30, 2024, respectively, compared to the same periods in the previous fiscal year. BHV contributed a 5% increase in annuity/maintenance license revenue for the three and six months ended September 30, 2024. CMG annuity/maintenance license revenue decreased by 15% and 6% for the three and six months ended September 30, 2024, respectively, compared to the same periods of the previous fiscal year, primarily due to a contract not being renewed and variability associated with short-term contracts. Annuity license fee revenue increased by 100% for the three and six months ended September 30, 2024, as a result of the acquisition of BHV.

The majority of BHV software renewals occur primarily in the third and fourth quarters of the fiscal year when the majority of annuity license fee revenue is generated. Perpetual license revenue, all attributable to CMG, remained unchanged for the three months ended September 30, 2024 whereby no perpetual license sales occurred in the current year or prior year comparative period. Perpetual license revenue increased by 474% during the six months ended September 30, 2024 compared to the same period in the previous fiscal year due to new customer license sales recorded in the first quarter of fiscal 2025.

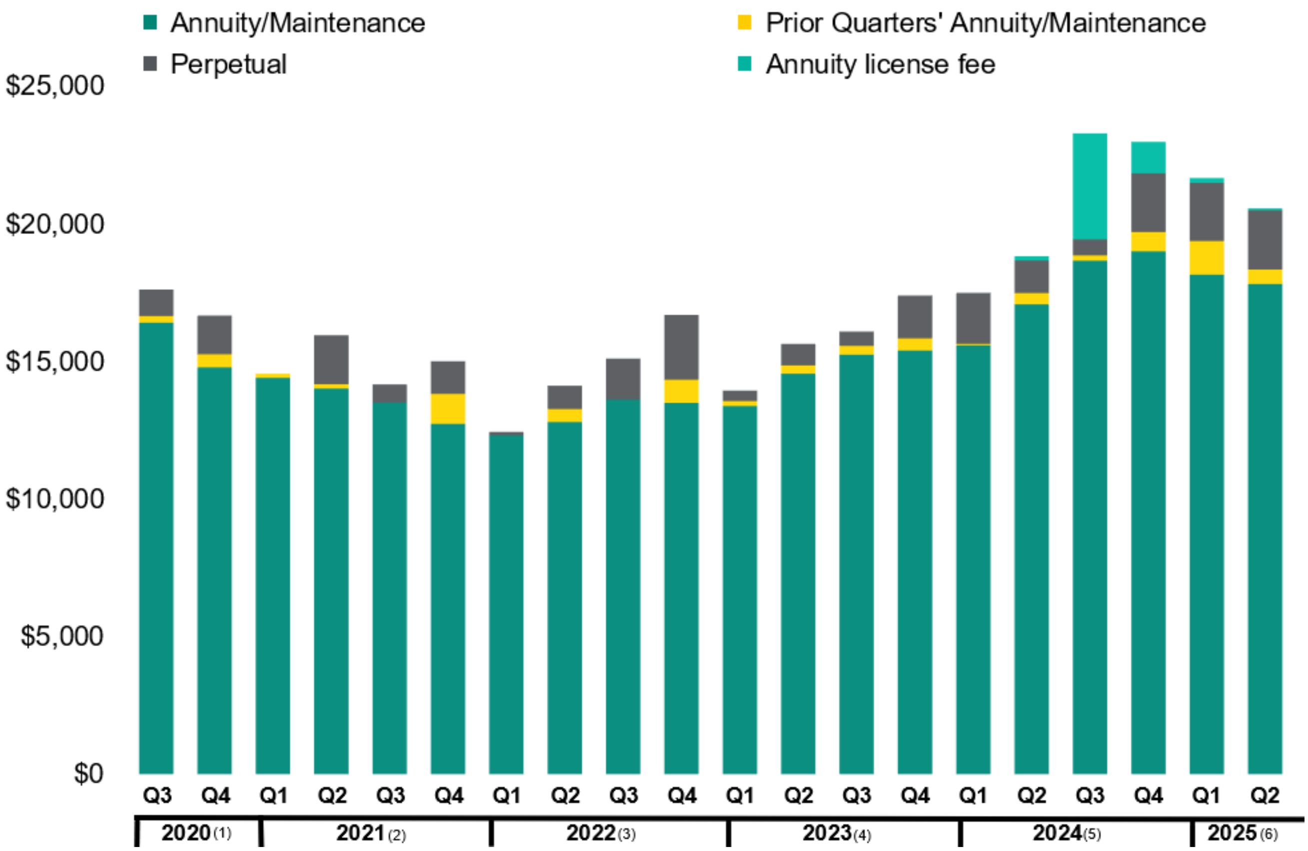
South America (representing 12% of year-to-date total software license revenue) experienced a decrease of 2% and increase of 11% in annuity/maintenance license revenue during the three and six months ended September 30, 2024, respectively, compared to the same periods in the previous fiscal year. BHV contributed 10% and 14% of the increase in annuity/maintenance license revenue for the three and six months ended September 30, 2024, respectively. CMG annuity/maintenance license revenue decreased by 12% and 3% for the three and six months ended September 30, 2024, respectively, compared to the same periods of the previous fiscal year due to delay in negotiation of renewals with some existing customers. Annuity license fee revenue increased by 100% for the three and six months ended September 30, 2024, as a result of the acquisition of BHV. There have been no perpetual license sales in the three and six months ended September 30, 2024.

The Eastern Hemisphere (representing 49% of year-to-date total software license revenue) experienced increases of 18% and 31% in annuity/maintenance license revenue during the three and six months ended September 30, 2024, respectively, compared to the same periods in the previous fiscal year. BHV contributed 12% and 14% of the increase in annuity/maintenance license revenue for the three and six months ended September 30, 2024. CMG annuity/maintenance license revenue increased by 6% and 17% for the three and six months ended September 30, 2024, respectively, compared to the same periods in the previous fiscal year, primarily due to new customers, increased license fees and revenue recognized in the current period for products provided in previous quarters primarily in Asia. Annuity license fee revenue increased by nil and 100% for both the three and six months ended September 30, 2024, respectively, as a result of the acquisition of BHV. Perpetual license sales increased by 152% and 24% for the three and six months ended September 30, 2024, respectively, compared to the same periods in the previous fiscal year, primarily due to an increase in perpetual sales in Asia. The increases in both annuity/maintenance and perpetual license revenue in Asia for the periods were largely due to licenses delivered to a customer in a prior period, for which the collection of consideration was determined to be probable in the current period due to a negotiated payment schedule which commenced during the three months ended September 30, 2024.

Consolidated Quarterly Software License Revenues

As footnoted in the Consolidated Quarterly Software License Revenue graph, during the normal course of business CMG may complete the negotiation of certain annuity/maintenance contracts and/or fulfill revenue recognition requirements within a current quarter that includes usage of CMG's products in prior quarters. This situation particularly affects contracts negotiated with countries that face increased economic and political risks, leading to the revenue recognition criteria being satisfied only when a contract has been fully executed and collection of consideration is probable. When collection of consideration is not probable, the Company recognizes revenue for consideration received only once substantially all consideration due under the contract is collected and the relevant performance obligations are fulfilled. The dollar magnitude of such contracts may be significant to the quarterly comparatives of our annuity/maintenance license revenue stream. To provide a normalized comparison, we specifically identify the revenue component where revenue recognition is satisfied in the current period for products provided in previous quarters. Please refer to the yellow bars and the footnotes in the following graph:

($ thousands)



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

Deferred Revenue

($ thousands)	Fiscal 2025	Fiscal 2024	Fiscal 2023	$ change	% change
Deferred revenue at:					
Q1 (June 30)	**30,890**	26,616		4,724	16%
Q2 (September 30)	**32,274**	32,339		(65)	0%
Q3 (December 31)		27,089	26,717	372	1%
Q4 (March 31)		41,120	34,797	6,323	18%

(1) Q1, Q2, Q3 and Q4 of fiscal 2024 include $nil, $1.4 million, $3.5 million, and $4.4 million, respectively, in deferred revenue that pertains to BHV.
(2) Q1 and Q2 of fiscal 2025 include $3.3 million and $1.9 million, respectively, in deferred revenue that pertains to BHV.

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

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

Professional Services Revenue

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

Professional services revenue for the three and six months ended September 30, 2024, was $8.9 million and $17.9 million which represents increases of 133% and 150%, respectively, compared to the same periods of the previous fiscal year. The acquisition of BHV contributed 134% and 151% of the increase for the three and six months ended September 30, 2024, respectively. CMG's professional services were relatively consistent with the same periods of the previous fiscal year.

COST OF REVENUE

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

	Three months ended September 30,			**Six months ended September 30,**		
($ thousands)	**2024**	2023	% change	**2024**	2023	% change
Cost of revenue (1) (2)	**5,692**	2,493	128%	**11,884**	4,398	170%

(1) Depreciation and amortization related to property and equipment and right of use assets is $0.1 and $0.2 million for the three and six months ended September 30, 2024, respectively, and $0.1 million and $0.2 million for the three and six months ended September 30, 2023, respectively.

(2) Stock based compensation is $0.1 million and $0.3 million for the three and six months ended September 30, 2024, respectively, and $0.3 million for the three and six months ended September 30, 2023.

Cost of revenue increased by 128% and 170% for the three and six months ended September 30, 2024, compared to the same periods of the previous fiscal year of which increases from the acquisition of BHV contributed 126% and 153%, respectively. CMG contributed to an increase of 2% and 17%, respectively, for the three and six months ended September 30, 2024, primarily due to headcount related costs and increased travel costs.

OPERATING EXPENSES

Sales and marketing

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

Research and development

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

General and administrative

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

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

	Three months ended September 30,			Six months ended September 30,		
($ thousands)	**2024**	2023	% change	**2024**	2023	% change
Sales and marketing [1][2]	**4,229**	3,384	25%	**9,160**	5,739	60%
Research and development [1][2]	**6,428**	4,767	35%	**14,673**	8,819	66%
General and administrative [1][2]	**4,688**	4,263	10%	**10,177**	6,935	47%
Operating expenses	**15,345**	12,414	24%	**34,010**	21,493	58%
% of total revenue	***52%***	*55%*		***57%***	*50%*	
Acquisition related expenses	**(576)**	(573)	1%	**(764)**	(573)	33%
Amortization of acquired intangibles	**(664)**	(129)	415%	**(1,329)**	(186)	615%
Stock-based compensation	**(156)**	(2,017)	(92%)	**(2,830)**	(2,105)	34%
Adjusted operating expenses [3]	**13,949**	9,695	44%	**29,087**	18,629	56%
% of total revenue	***47%***	*43%*		***48%***	*43%*	
Direct employee costs [3]	**9,335**	8,538	9%	**22,990**	14,696	56%
Other corporate cost [3]	**6,010**	3,876	55%	**11,020**	6,797	62%
	15,345	12,414	24%	**34,010**	21,493	58%

(1) Included in sales and marketing, research and development, and general and administrative expenses is depreciation related to property and equipment, right of use assets, and amortization of acquired intangible assets of $0.2 million, $1.1 million, $0.6 million, respectively, for the three months ended September 30, 2024 (three months ended September 30 2023, $0.1 million, $0.6 million, $0.2 million, respectively) and $0.3 million, $2.2 million, $1.2 million, respectively, for the six months ended September 30, 2024 (six months ended September 30 2023, $0.2 million, $1.2 million, $0.4 million, respectively).

(2) Included in sales and marketing, research and development, and general and administrative expenses is stock based compensation expense of ($0.1) million, $0.1 million, $0.1 million, respectively, for the three months ended September 30, 2024 (three months ended September 30, 2023, $0.3 million, $0.7 million, $1.0 million respectively) and $1.0 million, $0.7 million, $1.1 million, respectively, for the six months ended September 30, 2024 (six months ended September 30, 2023, $0.2 million, $0.8 million, $1.1 million respectively).

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

Operating expenses for the three and six months ended September 30, 2024, increased by 24% and 58% compared to the same periods of the previous fiscal year. Adjusted total operating expenses increased by 44% and 56% for the three and six months ended September 30, 2024, compared to the same periods of the previous fiscal year. The acquisition of BHV contributed 38% and 41% of the increase in total adjusted operating costs for the three and six months ended September 30, 2024, compared to the same periods of the previous fiscal year, respectively.

CMG's total adjusted operating expenses increased by 6% and 15% for the three and six months ended September 30, 2024, compared to the same periods of the previous fiscal year, respectively, primarily due to an increase in headcount and headcount related costs including variable compensation, increased professional service fees, and increased travel related to attendance at trade shows to further drive organizational success.

Sales and marketing

Sales and marketing expenses for the three and six months ended September 30, 2024, increased by 25% and 60%, respectively, compared to the same periods of the previous fiscal year. For the three and six months ended September 30, 2024, BHV contributed 25% and 28%, respectively, of the increase in sales and marketing expenses. CMG sales and marketing expenses remained consistent and increased by 32%, respectively, for the three and six months ended September 30, 2024, compared to the same periods of the previous fiscal year. Approximately 45% of the increase in sales and marketing expenses at CMG for the six months ended September 30, 2024, relates to stock-based compensation expense, and the remaining increase primarily relates to increased headcount and headcount-related costs as we grow our sales team, increased variable performance-based compensation and agent fees to support increased revenue.

Research and development

Research and development expenses for the three and six months ended September 30, 2024 increased by 35% and 66%, respectively, compared to the same periods of the previous fiscal year. For the three and six months September 30, 2024, BHV contributed 39% and 46%, respectively, of the increase in research and development expenses. CMG's research and development expenses decreased by 4% and increased by 20% for the three and six months ended September 30, 2024, respectively, compared to the same periods of the previous fiscal year. The 4% decrease in CMG's research and development expenses for the three months ended September 30, 2024 is primarily due to a reduction in stock-based compensation expenses, partially offset by increased amortization related to acquired intangible assets. The 20% increase in CMG's research and development expenses for the six months ended September 30, 2024, is due to increased amortization related to acquired intangible assets, increased headcount related costs including increased salaries, severance and variable compensation, and increased enabling technology costs to support client service initiatives.

General and administrative

General and administrative expenses for the three and six months ended September 30, 2024, increased by 10% and 47%, respectively, compared to the same periods of the previous fiscal year. For the three and six months ended September 30, 2024, BHV contributed 29% and 37%, respectively, of the increase in general and administrative expenses. CMG general and administrative expenses decreased by 19% and increased by 10% for the three and six months ended September 30, 2024, respectively, compared to the same periods of the previous fiscal year. The 19% decrease in CMG's general and administrative expenses for the three months ended September 30, 2024, is primarily due to a decrease in stock-based compensation expense. The 10% increase in CMG's general and administrative expenses for the six months ended September 30, 2024, is primarily due to an increase in headcount and headcount related costs.

Direct employee costs

As a technology company, the Company's largest investment is its people, and approximately 68% of total operating expenses relate to direct employee costs during the six months ended September 30, 2024. At September 30, 2024, CMG Group's full-time equivalent staff complement was 291 employees and consultants (CMG – 193; BHV – 98); (September 30, 2023 – CMG – 185; BHV – 111).

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

($ thousands)	Three months ended September 30, 2024	2023	% change	Six months ended September 30, 2024	2023	% change
Direct employee costs	**9,335**	8,538	9%	**22,990**	14,696	56%
Stock-based compensation	**(156)**	(2,017)	(92%)	**(2,830)**	(2,105)	34%
Adjusted direct employee costs (1)	**9,179**	6,521	41%	**20,160**	12,591	60%

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

For the three and six months ended September 30, 2024, adjusted direct employee costs increased by 41% and 60%, respectively, compared to the same periods of the previous fiscal year. For the three and six months ended September 30, 2024, BHV contributed 36% and 42%, respectively, of the increase in adjusted direct employee costs. CMG increased by 5% and 18% for the three and six months ended September 30, 2024, respectively, compared to the same periods of the previous fiscal year primarily due to salary inflation, severance, and variable compensation costs.

Other Corporate costs

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

($ thousands)	Three months ended September 30, 2024	2023	% change	Six months ended September 30, 2024	2023	% change
Other corporate costs	**6,010**	3,876	55%	**11,020**	6,797	62%
Acquisition-related costs	**(576)**	(573)	1%	**(764)**	(573)	33%
Amortization of acquired intangible assets	**(664)**	(129)	415%	**(1,329)**	(186)	615%
Adjusted other corporate costs (1)	**4,770**	3,174	50%	**8,927**	6,038	48%

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

For the three and six months ended September 30, 2024, adjusted other corporate costs increased by 50% and 48%, respectively, compared to the same periods of the previous fiscal year. For the three and six months ended September 30, 2024, BHV contributed 42% and 40%, respectively of the increase in total adjusted other corporate costs. CMG other corporate costs increased by 8% for both the three and six months ended September 30, 2024, compared to the same periods of the previous fiscal year. The increase of 8% at CMG for the three months ended September 30, 2024, compared to the same period of the previous fiscal year, primarily relates to increased travel for internal training initiatives, attendance at conferences/tradeshows, and professional services to support growth through acquisitions. The increase of 8% at CMG for the six months ended September 30, 2024 compared to the same period of the previous fiscal year, primarily relates to the same reasons that are impacting the three months, in addition to increased agent commissions and increased enabling technology costs to support client service initiatives.

FOREIGN EXCHANGE

The Company is impacted by foreign exchange fluctuations, as 79% of our revenue for the six months ended September 30, 2024 (2023 – 69%) is denominated in US dollars, whereas 53% (2023 – 27%) 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 September 30, 2024, 2023 and 2022 and the average exchange rate used to translate income statement expense items during the three months ended September 30, 2024, 2023 and 2022:

CDN$ to US$	At June 30	At September 30	Six-month trailing average
2022	0.7744	0.7302	0.7691
2023	0.7545	0.7364	0.7427
2024	**0.7310**	**0.7395**	**0.7323**

CMG Group recorded foreign exchange losses of $0.6 million and $0.4 million for the three and six months ended September 30, 2024, respectively, due to the weakening of the US dollar compared to Q1 of fiscal 2025 and Q4 of fiscal 2024, which negatively affected the valuation of the US dollar - denominated portion of the Company's working capital.

INCOME AND OTHER TAXES

Our consolidated effective tax rate for the three months ended September 30, 2024 is 38% (2023 – 25.2%), whereas the Canadian statutory tax rate for each of 2025 and 2024 fiscal years is 23%. The difference between the effective rate and the statutory rate is primarily attributed to a prior year adjustment relating to the acquisition of BHV, the non-tax deductibility of stock-based compensation expense, and the add back of the change in fair value of contingent consideration.

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

QUARTERLY PERFORMANCE

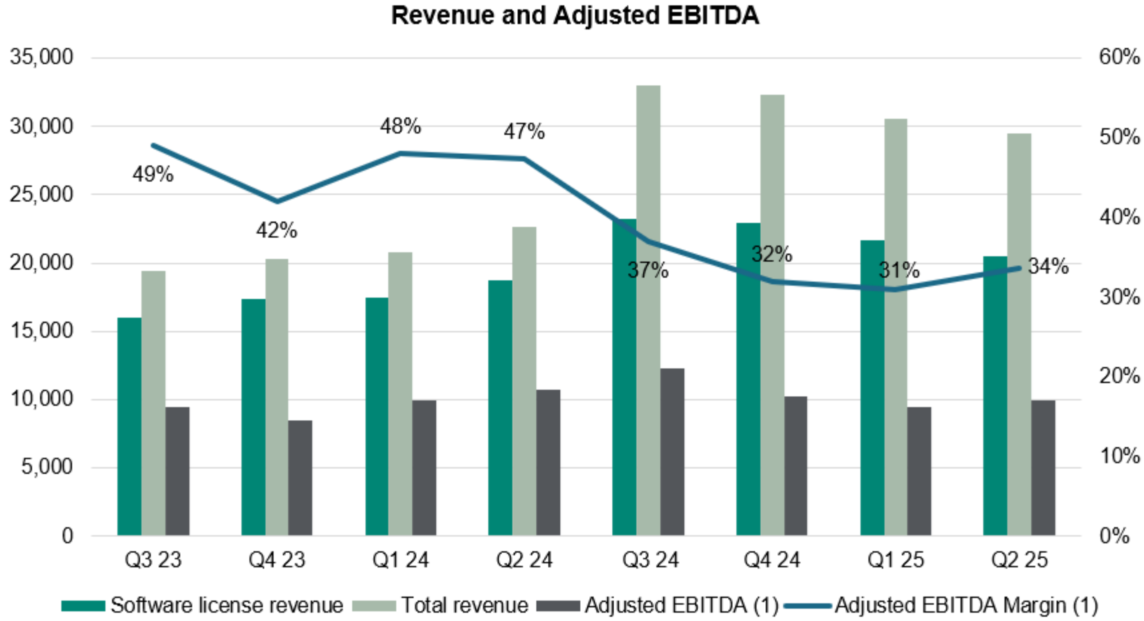
The following table summarizes selected results for the eight most recently completed quarters:

	Fiscal 2023[2]			**Fiscal 2024**[3]			**Fiscal 2025**[4]	
($ thousands, unless otherwise stated)	Q3	Q4	Q1	Q2	Q3	Q4	Q1	**Q2**
Annuity/maintenance license	15,533	15,803	15,607	17,610	18,814	19,661	19,335	**18,302**
Annuity license fee	-	-	-	-	3,846	1,142	178	**71**
Perpetual license	518	1,556	1,849	1,176	584	2,130	2,110	**2,149**
Total software license revenue	16,051	17,359	17,456	18,786	23,244	22,933	21,623	**20,522**
Professional services revenue	3,341	2,906	3,292	3,847	9,763	9,358	8,900	**8,945**
Total revenue	19,392	20,265	20,748	22,633	33,007	32,291	30,523	**29,467**
Operating profit	8,435	6,909	9,764	7,726	8,217	8,277	5,666	**8,430**
Operating profit Margin (%)	*43%*	*34%*	*47%*	*34%*	*25%*	*26%*	*19%*	***29%***
Net income for the period	6,348	5,226	6,904	6,516	5,610	7,229	3,964	**3,763**
Adjusted EBITDA [1]	9,498	8,520	9,948	10,718	12,272	10,219	9,437	**9,937**
Adjusted EBITDA Margin [1] %	*49%*	*42%*	*48%*	*47%*	*37%*	*32%*	*31%*	***34%***
Free Cash Flow [1]	7,545	5,396	7,463	11,028	7,290	9,469	5,679	**6,096**
Per share amounts – ($/share)								
Earnings per share (EPS) – basic	0.08	0.07	0.09	0.08	0.07	0.09	0.05	**0.05**
Earnings per share (EPS) – diluted	0.08	0.06	0.08	0.08	0.07	0.09	0.05	**0.05**
Cash dividends declared and paid	0.05	0.05	0.05	0.05	0.05	0.05	0.05	**0.05**
Free Cash Flow per share – basic [1]	0.09	0.07	0.09	0.14	0.09	0.12	0.07	**0.07**

(1) This is a non-IFRS financial measure. See the “Non-IFRS Financial Measures” section.
(2) Q3, and Q4 of fiscal 2023 include $0.3 million, and $0.4 million, respectively, of annuity/maintenance revenue that pertains to usage of CMG’s products in prior quarters.
(3) Q1, Q2, Q3, and Q4 of fiscal 2024 include $0.1 million, $0.4 million, $0.2 million, $0.7 million, respectively, of annuity/maintenance revenue that pertains to usage of CMG’s annuity/maintenance products in prior quarters.
(4) Q1 and Q2 of fiscal 2025 includes $1.2 million and $0.5 million, respectively, in annuity/maintenance license revenue that pertains to usage of CMG’s annuity/maintenance products in prior quarters.

The acquisition of BHV in the prior year created a new revenue stream “annuity license fee” and added incremental revenues to annuity/maintenance license revenue and professional services revenue. The above table illustrates the normal trend in annuity/maintenance license revenue from the beginning of the calendar year (which corresponds with Q4 of our fiscal year), when most renewals occur, to the end of the calendar year (which corresponds with Q3 of our fiscal year). Our fourth quarter corresponds with the beginning of the fiscal year for most oil and gas companies, representing a time when they enter a new budget year and sign/renew their contracts. A significant portion of BHV annuity license fee revenue will occur during the third and fourth quarters when the majority of renewals take place, resulting in a significant decrease in annuity license fee revenue for the three and six months ended September 30, 2024. This seasonality has a similar impact on both operating profit and net income as seen in the above table.

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



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

LIQUIDITY AND CAPITAL RESOURCES

	Three months ended September 30,			Six months ended September 30,		
($ thousands)	**2024**	2023	% change	**2024**	2023	% change
Cash, beginning of period	**69,092**	64,242	8%	**63,083**	66,850	(6%)
Cash provided by (used in):						
Operating activities	**(2,455)**	13,038	(119%)	**5,768**	14,225	(59%)
Financing activities	**(4,390)**	(5,954)	26%	**(6,960)**	(9,704)	28%
Investing activities	**(236)**	(23,101)	99%	**(329)**	(23,146)	99%
Effect of foreign exchange on cash	**(638)**	-	100%	**(189)**	-	100%
Cash, end of period	**61,373**	48,225	27%	**61,373**	48,225	27%

At September 30, 2024, CMG Group had $61.4 million in cash, no borrowings, and access to a $2.0 million line of credit with its principal banker, of which $0.7 million is available for use. The Company's primary non-operating use of cash was for dividend payments and repayment of lease liabilities. Management believes that the Company has sufficient capital resources to meet its operating and capital expenditure needs.

During the six months ended September 30, 2024, 17.3 million shares of the Company's public float were traded on the TSX. As at September 30, 2024 the Company's market capitalization based upon its September 30, 2024 closing price of $11.37 was $931.8 million.

OPERATING ACTIVITIES

Cash provided by operating activities decreased by $15.5 million during the three months ended September 30, 2024, compared to the same period of the previous fiscal year. Funds flow from operations decreased by $4.4 million from the comparative quarter, primarily due to negative funds flow from operations generated by BHV and significant cash-settled equity compensation during the period. Cash provided by operating activities was further offset by $9.6 million in non-cash working capital, primarily driven by the timing of when sales are recorded and when the resulting receivables are collected and an increase in deferred revenue.

Cash provided by operating activities decreased by $8.5 million during the six months ended September 30, 2024, compared to the same period of the previous fiscal year. Funds flow from operations decreased by $5.8 million from the comparative year-to-date period, primarily due to reduced net income. Cash provided by operating activities was further reduced by $7.8 million in non-cash working capital, primarily driven by the timing of when sales are recorded and when the resulting receivables are collected and a prior year adjustment relating to the acquisition of BHV.

FINANCING ACTIVITIES

Cash used in financing activities decreased by $1.5 million during the three months ended September 30, 2024, compared to the same period of the previous fiscal year. The decrease is primarily due to the repayment of the acquired line of credit from Bluware from the prior year that didn't recur in the current year, partially offset by an increase in repayment of lease liabilities as a result of the acquisition of BHV.

Cash used in financing activities decreased by $2.7 million during the six months ended September 30, 2024, compared to the same period of the previous fiscal year. The decrease is primarily due to the repayment of the acquired line of credit from Bluware from the prior year that didn't recur in the current year, an increase in proceeds received from the issuance of shares related to option exercises, partially offset by an increase in repayment of lease liabilities as a result of the acquisition of BHV.

On November 12, 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 December 13, 2024, to shareholders of record at the close of business on December 5, 2024. Decisions with respect to dividend payments are made by the Board of Directors on a quarterly basis and take into account market conditions and the financial performance of the Company.

INVESTING ACTIVITIES

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

COMMITMENTS, OFF BALANCE SHEET ITEMS AND TRANSACTIONS WITH RELATED PARTIES

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

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

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

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

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

(thousands of $)	Undiscounted lease liability payments	Operating costs	Total commitments
Less than one year	4,024	1,288	5,312
Between one and five years	16,286	5,246	21,532
More than five years	30,707	8,484	39,191
	51,017	15,018	66,035

OUTSTANDING SHARE DATA

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

As at November 12, 2024 (thousands)	
Common shares	81,950
Stock options	4,080
Restricted share units (1)	220
Performance share units (1)	86

(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 November 12, 2024, CMG Group could reserve up to 8,194,952 common shares for issuance under its security-based compensation plans.

BUSINESS RISKS, CRITICAL ACCOUNTING ESTIMATES AND JUDGMENTS

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

DISCLOSURE CONTROLS AND PROCEDURES AND INTERNAL CONTROL OVER FINANCIAL REPORTING

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

CMG previously excluded controls, policies and procedures from BHV acquired on September 25, 2023, from the design of DC&P and evaluation of ICFR as permitted under Section 3.3(1)(b) of NI 52-109. We completed the evaluation of design of internal controls over financial reporting of Bluware during the second quarter of fiscal 2025.

Condensed Consolidated Statements of Financial Position

UNAUDITED (thousands of Canadian $)	**September 30, 2024**	March 31, 2024 (Note 3) Restated Note 2(e)	April 1, 2023 Restated Note 2(e)
Assets			
Current assets:			
Cash	**61,373**	63,083	66,850
Restricted cash	**96**	142	-
Trade and other receivables	**34,704**	36,550	23,910
Prepaid expenses	**2,213**	2,321	1,060
Prepaid income taxes (note 10)	**986**	3,841	444
	99,372	105,937	92,264
Intangible assets	**22,354**	23,683	1,321
Right-of-use assets	**29,628**	29,072	30,733
Property and equipment	**9,496**	9,877	10,366
Goodwill (note 3)	**4,426**	4,399	-
Deferred tax asset (note 10)	**136**	-	2,444
Total assets	**165,412**	172,968	137,128
Liabilities and shareholders' equity			
Current liabilities:			
Trade payables and accrued liabilities	**13,920**	18,551	11,126
Income taxes payable (note 10)	**1,422**	2,136	33
Acquisition holdback payable (note 3)	**2,288**	2,292	-
Acquisition earnout (note 3)	**3,416**	-	-
Deferred revenue (note 5)	**32,274**	41,120	34,797
Lease liabilities (note 6)	**2,263**	2,566	1,829
	55,583	66,665	47,785
Lease liabilities (note 6)	**35,521**	34,395	36,151
Stock-based compensation liabilities (note 11(c))	**253**	624	742
Acquisition earnout (note 3)	**-**	1,503	-
Other long-term liabilities	**200**	305	-
Deferred tax liabilities (note 10)	**1,776**	1,661	-
Total liabilities	**93,333**	105,153	84,678
Shareholders' equity:			
Share capital (note 11 (b))	**91,083**	87,304	81,820
Contributed surplus	**15,892**	15,667	15,471
Cumulative translation adjustment	**343**	(367)	-
Deficit	**(35,239)**	(34,789)	(44,841)
Total shareholders' equity	**72,079**	67,815	52,450
Total liabilities and shareholders' equity	**165,412**	172,968	137,128

Subsequent event (note 15)

See accompanying notes to condensed consolidated interim financial statements.

Condensed Consolidated Statements of Operations and Comprehensive Income

UNAUDITED (thousands of Canadian $ except per share amounts)	Three months ended September 30 **2024**	2023	Six months ended September 30 **2024**	2023
Revenue (note 7)	**29,467**	22,633	**59,990**	43,381
Cost of revenue	**5,692**	2,493	**11,884**	4,398
Gross profit	**23,775**	20,140	**48,106**	38,983
Operating expenses				
Sales and marketing	**4,229**	3,384	**9,160**	5,739
Research and development (note 8)	**6,428**	4,767	**14,673**	8,819
General and administrative	**4,688**	4,263	**10,177**	6,935
	15,345	12,414	**34,010**	21,493
Operating profit	**8,430**	7,726	**14,096**	17,490
Finance income (note 9)	**761**	1,548	**1,639**	1,452
Finance costs (note 9)	**(1,072)**	(481)	**(1,363)**	(1,001)
Change in fair value of contingent consideration (note 12)	**(2,112)**	-	**(1,913)**	-
Profit before income and other taxes	**6,007**	8,793	**12,459**	17,941
Income and other taxes (note 10)	**2,244**	2,277	**4,732**	4,521
Net income for the period	**3,763**	6,516	**7,727**	13,420
Other comprehensive income:				
Foreign currency translation adjustment	**(189)**	4	**710**	4
Other comprehensive income	**(189)**	4	**710**	4
Total comprehensive income	**3,574**	6,520	**8,437**	13,424
Net income per share – basic (note 11(d))	**0.05**	0.08	**0.09**	0.17
Net income per share – diluted (note 11(d))	**0.05**	0.08	**0.09**	0.16
Dividend per share	**0.05**	0.05	**0.10**	0.10

See accompanying notes to condensed consolidated interim financial statements

Condensed Consolidated Statements of Changes in Equity

UNAUDITED (thousands of Canadian $)	Share capital	Contributed surplus	Accumulated other comprehensive income (loss)	Deficit	Total equity
Balance, April 1, 2023	81,820	15,471	-	(44,841)	52,450
Net income for the period	-	-	-	13,420	13,420
Foreign currency translation adjustment	-	-	4	-	4
Dividends paid	-	-	-	(8,081)	(8,081)
Shares issued on exercise of stock options (note 11(b))	1,426	(213)	-	-	1,213
Stock-based compensation:					
Current period expense (note 11(c))	-	354	-	-	354
Balance, September 30, 2023	83,246	15,612	4	(39,502)	59,360
Balance, April 1, 2024	**87,304**	**15,667**	**(367)**	**(34,789)**	**67,815**
Net income	**-**	**-**	**-**	**7,727**	**7,727**
Foreign currency translation adjustment	**-**	**-**	**710**	**-**	**710**
Dividends paid	**-**	**-**	**-**	**(8,177)**	**(8,177)**
Shares issued on exercise of stock options (note 11(b))	**3,193**	**(464)**	**-**	**-**	**2,729**
Shares issued on redemption of restricted share units (note 11(b))	**343**	**-**	**-**	**-**	**343**
Shares issued on redemption of performance share units (note 11(b))	**243**	**-**	**-**	**-**	**243**
Stock-based compensation:					
Current period expense (note 11(c))	**-**	**689**	**-**	**-**	**689**
Balance, September 30, 2024	**91,083**	**15,892**	**343**	**(35,239)**	**72,079**

See accompanying notes to condensed consolidated interim financial statement

Condensed Consolidated Statements of Cash Flows

UNAUDITED (thousands of Canadian $)	Three months ended September 30 2024	2023	Six months ended September 30 2024	2023
Operating activities				
Net income	**3,763**	6,516	**7,727**	13,420
Adjustments for:				
Depreciation and amortization of property, equipment, right-of use assets	**1,283**	892	**2,501**	1,796
Amortization of intangible assets	**664**	129	**1,329**	186
Deferred income tax expense (recovery) (note 10)	**575**	2,028	**(78)**	1,978
Stock-based compensation (note 11(c))	**(2,106)**	1,604	**(214)**	1,709
Foreign exchange and other non-cash items	**810**	322	**438**	322
Change in fair value of contingent consideration (note 12)	**2,112**	-	**1,913**	-
Funds flow from operations	**7,101**	11,491	**13,616**	19,411
Movement in non-cash working capital:				
Trade and other receivables	**(11,965)**	(581)	**1,846**	3,301
Trade payables and accrued liabilities	**264**	405	**(3,067)**	(2,389)
Prepaid expenses and other assets	**74**	291	**108**	290
Income taxes receivable (payable)	**687**	(1,612)	**2,111**	(1,251)
Deferred revenue	**1,384**	3,044	**(8,846)**	(5,137)
Change in non-cash working capital	**(9,556)**	1,547	**(7,848)**	(5,186)
Net cash provided by (used in) operating activities	**(2,455)**	13,038	**5,768**	14,225
Financing activities				
Repayment of acquired line of credit	**-**	(2,012)	**-**	(2,012)
Proceeds from issuance of common shares	**480**	512	**2,729**	1,213
Repayment of lease liabilities (note 6)	**(769)**	(412)	**(1,512)**	(824)
Dividends paid	**(4,101)**	(4,042)	**(8,177)**	(8,081)
Net cash used in financing activities	**(4,390)**	(5,954)	**(6,960)**	(9,704)
Investing activities				
Corporate acquisition, net of cash acquired (note 3)	**-**	(23,050)	**-**	(23,050)
Property and equipment additions	**(236)**	(51)	**(329)**	(96)
Net cash used in investing activities	**(236)**	(23,101)	**(329)**	(23,146)
Increase (decrease) in cash	**(7,081)**	(16,017)	**(1,521)**	(18,625)
Effect of foreign exchange on cash	**(638)**	-	**(189)**	-
Cash, beginning of period	**69,092**	64,242	**63,083**	66,850
Cash, end of period	**61,373**	48,225	**61,373**	48,225
Supplementary cash flow information				
Interest received (note 9)	**761**	692	**1,639**	1,452
Interest paid (notes 6 and 9)	**479**	481	**942**	950
Income taxes paid	**4,229**	2,580	**5,725**	4,358

See accompanying notes to condensed consolidated interim financial statements.

Notes to Condensed Consolidated Interim Financial Statements

For the three and six months ended September 30, 2024 and 2023.

1. Reporting Entity:

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

2. Basis of Preparation:

(a) Statement of Compliance:

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

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

These unaudited condensed consolidated interim financial statements as at and for the three and six months ended September 30, 2024, were authorized for issuance by the Board of Directors on November 12, 2024.

(b) Basis of Measurement:

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

(c) Functional and Presentation Currency:

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

(d) Use of Estimates, Judgments and Assumptions:

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

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

(e) Change in Accounting Policy:

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

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

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

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

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

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

(f) Environmental Reporting Regulations:

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

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

3. Acquisitions:

Bluware-Headwave Ventures Inc. Acquisition:

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

There is an earnout provision of up to US$8.0 million payable if certain revenue thresholds and cash collections related to key contracts of BHV are met during the 18-month period after closing. Payments pursuant to the earnout will be settled in cash no later than 90 days following March 25, 2025. The earnout is treated as contingent consideration and was valued at $1.5 million at the acquisition date using a discount rate of 15.6%. The fair value of the contingent consideration will be assessed for remeasurement at each reporting period end until the earnout period expires. The contingent consideration was remeasured to $3.4 million as of September 30, 2024.

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

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

The total consideration paid and estimates of the fair value of assets and liabilities acquired as at the date of acquisition are set forth in the table below. The purchase price equation was based on management's best estimate of the assets acquired and liabilities assumed. There were no measurement period adjustments recorded during the three months ended September 30, 2024. During the six months ended September 30, 2024, as a result of tax returns filed for BHV during the first quarter of fiscal 2025, there was a revision to Deferred tax liability, Income taxes payable, and Goodwill. The purchase price allocation is considered final.

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

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

(2) As a result of tax returns filed in Q1 2025, the estimated fair value of the deferred tax liability and income taxes payable acquired has been increased by $0.2 million and $0.5 million, respectively, during the remeasurement period. This decrease to the fair value of net assets acquired had a corresponding increase in goodwill recognized on acquisition.

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

4. Segmented Information:

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

Three months ended September 30, (thousands of $)	CMG 2024	CMG 2023	BHV (1) 2024	BHV (1) 2023	CMG Group 2024	CMG Group 2023
Revenue	**22,325**	22,069	**7,142**	564	**29,467**	22,633
Cost of revenue	**2,332**	2,271	**3,360**	222	**5,692**	2,493
Gross profit	**19,993**	19,798	**3,782**	342	**23,775**	20,140
Operating expenses						
Sales and marketing	**3,363**	3,362	**866**	22	**4,229**	3,384
Research and development	**4,463**	4,651	**1,965**	116	**6,428**	4,767
General and administrative	**3,389**	4,214	**1,299**	49	**4,688**	4,263
	11,215	12,227	**4,130**	187	**15,345**	12,414
Operating profit	**8,778**	7,571	**(348)**	155	**8,430**	7,726
Net finance income (cost)	**(234)**	1,091	**(77)**	(24)	**(311)**	1,067
Change in fair value of contingent consideration	**(2,112)**	-	**-**	-	**(2,112)**	-
Profit (loss) before income and other taxes	**6,432**	8,662	**(425)**	131	**6,007**	8,793
Income and other taxes	**1,802**	2,239	**442**	38	**2,244**	2,277
Net income (loss) for the period	**4,630**	6,423	**(867)**	93	**3,763**	6,516

(1) Q2 of fiscal 2025 includes a full period of BHV operations as compared to Q2 of fiscal 2024 which only includes 5 days as BHV was acquired September 25, 2023.

Six months ended September 30, (thousands of $)	CMG 2024	CMG 2023	BHV (1) 2024	BHV (1) 2023	CMG Group 2024	CMG Group 2023
Revenue	**45,472**	42,817	**14,518**	564	**59,990**	43,381
Cost of revenue	**4,952**	4,176	**6,932**	222	**11,884**	4,398
Gross profit	**40,520**	38,641	**7,586**	342	**48,106**	38,983
Operating expenses						
Sales and marketing	**7,504**	5,717	**1,656**	22	**9,160**	5,739
Research and development	**10,514**	8,703	**4,159**	116	**14,673**	8,819
General and administrative	**7,533**	6,886	**2,644**	49	**10,177**	6,935
	25,551	21,306	**8,459**	187	**34,010**	21,493
Operating profit	**14,969**	17,335	**(873)**	155	**14,096**	17,490
Net finance income (cost)	**355**	475	**(79)**	(24)	**276**	451
Change in fair value of contingent consideration	**(1,913)**	-	**-**	-	**(1,913)**	-
Profit (loss) before income and other taxes	**13,411**	17,810	**(952)**	131	**12,459**	17,941
Income and other taxes	**3,416**	4,483	**1,316**	38	**4,732**	4,521
Net income (loss) for the period	**9,995**	13,327	**(2,268)**	93	**7,727**	13,420

(1) Q2 year-to-date of fiscal 2025 includes two full periods of BHV operations as compared to Q2 year-to-date of fiscal 2024 which only includes 5 days as BHV was acquired September 25, 2023.

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

(thousands of $)	**September 30, 2024**	March 31, 2024
Canada	**55,607**	58,188
United States	**8,791**	4,255
South America	**358**	80
Eastern Hemisphere (1)	**1,148**	109
	65,904	62,632

(1) Includes Europe, Africa, Asia and Australia

5. Deferred Revenue:

The following table presents changes in the deferred revenue balance:

(thousands of $)	**September 30, 2024**	March 31, 2024
Balance, beginning of period	**41,120**	34,797
Acquired deferred revenue (note 4)	**-**	1,413
Invoiced during the period, excluding amounts recognized as revenue during the period	**20,138**	39,815
Recognition of deferred revenue included in the balance of acquired deferred revenue	**24**	(1,328)
Recognition of deferred revenue included in the balance at the beginning of the period	**(29,008)**	(33,577)
Balance, end of period	**32,274**	41,120

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

6. Lease Liabilities:

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

(thousands of $)	**September 30, 2024**	March 31, 2024
Balance, beginning of year	**36,961**	37,980
Additions	**2,335**	-
Acquired lease liabilities (note 3)	**-**	1,327
Interest on lease liabilities (note 9)	**942**	1,908
Lease payments	**(2,454)**	(4,254)
Balance, end of period	**37,784**	36,961
Current	**2,263**	2,566
Long-term	**35,521**	34,395

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

(thousands of $)	
Less than one year	4,024
Between one and five years	16,286
More than five years	30,707
Total undiscounted payments	**51,017**

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 September 30, (thousands of $)					**2024**					**2023**
($ thousands)	Canada	United States	South America	Eastern Hemisphere (1)	**Total**	Canada	United States	South America	Eastern Hemisphere (1)	**Total**
CMG										
Annuity/maintenance	3,249	3,874	2,144	7,527	**16,794**	3,318	4,541	2,458	7,124	**17,441**
Perpetual license	-	-	-	2,149	**2,149**	-	-	324	852	**1,176**
Total software revenue	3,249	3,874	2,144	9,676	**18,943**	3,318	4,541	2,782	7,976	**18,617**
Professional services	2,382	22	615	363	**3,382**	2,228	234	571	419	**3,452**
Total CMG revenue	**5,631**	**3,896**	**2,759**	**10,039**	**22,325**	5,546	4,775	3,353	8,395	**22,069**
BHV										
Annuity maintenance	-	256	273	979	**1,508**	-	42	19	108	**169**
Annuity license fee	-	37	34	-	**71**	-	-	-	-	**-**
Total software revenue	-	293	307	979	**1,579**	-	42	19	108	**169**
Professional services	-	4,933	-	630	**5,563**	-	358	-	37	**395**
Total BHV revenue	**-**	**5,226**	**307**	**1,609**	**7,142**	-	400	19	145	**564**
Total revenue	**5,631**	**9,122**	**3,066**	**11,648**	**29,467**	5,546	5,175	3,372	8,540	**22,633**

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

Six months ended September 30, (thousands of $)					**2024**					**2023**
($ thousands)	Canada	United States	South America	Eastern Hemisphere [(1)]	**Total**	Canada	United States	South America	Eastern Hemisphere [(1)]	**Total**
CMG										
Annuity/maintenance	6,478	8,242	4,142	15,689	**34,551**	6,559	8,795	4,280	13,414	**33,048**
Perpetual license	-	1,337	-	2,922	**4,259**	115	233	324	2,353	**3,025**
Total software revenue	6,478	9,579	4,142	18,611	**38,810**	6,674	9,028	4,604	15,767	**36,073**
Professional services	4,716	256	956	734	**6,662**	4,576	489	947	732	**6,744**
Total CMG revenue	**11,194**	**9,835**	**5,098**	**19,345**	**45,472**	11,250	9,517	5,551	16,499	**42,817**
BHV										
Annuity maintenance	-	506	611	1,969	**3,086**	-	42	19	108	**169**
Annuity license fee	-	77	67	105	**249**	-	-	-	-	**-**
Total software revenue	-	583	678	2,074	**3,335**	-	42	19	108	**169**
Professional services	-	9,734	-	1,449	**11,183**	-	358	-	37	**395**
Total BHV revenue	**-**	**10,317**	**678**	**3,523**	**14,518**	-	400	19	145	**564**
Total revenue	**11,194**	**20,152**	**5,776**	**22,868**	**59,990**	11,250	9,917	5,570	16,644	**43,381**

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

The amount of revenue recognized during the six months ended September 30, 2024 from performance obligations satisfied (or partially satisfied) in previous periods is $3.3 million (six months ended September 30, 2023 – $1.4 million).

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

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

(thousands of $)	**September 30, 2024**	March 31, 2024
Receivables	**30,035**	35,137
Contract assets	**1,055**	1,045

During the six months ended September 30, 2024, one customer comprised 25% of the Company’s total revenue (six months ended September 30, 2023 – one customer, 10.4%).

8. Research and Development Costs:

	Three months ended September 30,		**Six months ended September 30,**	
(thousands of $)	**2024**	2023	**2024**	2023
Research and development	**6,463**	4,862	**14,747**	9,026
Scientific research and experimental development (“SR&ED”) investment tax credits	**(35)**	(95)	**(74)**	(207)
	6,428	4,767	**14,673**	8,819

9. Finance Income and Finance Costs:

	Three months ended September 30,		Six months ended September 30,	
(thousands of $)	**2024**	2023	**2024**	2023
Interest income	**761**	692	**1,639**	1,452
Net foreign exchange gain	**-**	856	**-**	-
Finance income	**761**	1,548	**1,639**	1,452
Interest expense on lease liabilities (note 6)	**(479)**	(481)	**(942)**	(950)
Net foreign exchange loss	**(593)**	-	**(421)**	(51)
Finance costs	**(1,072)**	(481)	**(1,363)**	(1,001)

10. Income and Other Taxes:

The major components of income tax expense are as follows:

Six months ended September 30, (thousands of $)	**2024**	2023
Current year income tax expense	**3,286**	2,194
Adjustment for prior year	**878**	(91)
Current year income taxes	**4,164**	2,103
Deferred tax expense (recovery)	**(78)**	1,978
Foreign withholding and other taxes	**646**	440
	4,732	4,521

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:

Six months ended September 30, (thousands of $, unless otherwise stated)	**2024**	2023
Combined statutory tax rate	**23.00%**	23.00%
Expected income tax	**2,867**	4,127
Non-deductible costs	**784**	94
Withholding taxes	**200**	318
Effect of tax rates in foreign jurisdictions	**(113)**	(6)
Adjustment for prior year	**878**	(91)
Other	**116**	79
	4,732	4,521

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

(thousands of $)	**September 30, 2024**	March 31, 2024
Other current liabilities	**120**	191
Right-of-use assets	**1,793**	1,733
Stock-based compensation liability	**999**	1,342
Property and equipment	**25**	84
Intangible assets	**(5,087)**	(5,421)
Federal loss carryforward	**138**	104
Foreign income tax credit carryforward	**389**	385
SR&ED investment tax credits	**(17)**	(79)
Deferred tax asset (liability)	**(1,640)**	(1,661)
Deferred tax asset	**136**	-
Deferred tax liability	**(1,776)**	(1,661)

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

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

11. Share Capital:

(a) Authorized:

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

(b) Issued:

(thousands of shares)	Common shares
Balance, April 1, 2023	80,637
Issued on exercise of stock options	242
Balance, September 30, 2023	80,879
Balance, April 1, 2024	**81,392**
Issued on redemption of performance share units	**17**
Issued on redemption of restricted share units	**29**
Issued for cash on exercise of stock options	**511**
Balance, September 30, 2024	**81,949**

(c) Stock-Based Compensation:

Stock-Based Compensation Expense

The following table summarizes stock-based compensation expense:

(thousands of $)	Three months ended September 30, 2024	2023	Six months ended September 30, 2024	2023
Equity-settled plans	**414**	182	**689**	354
Cash-settled plans	**(182)**	2,109	**2,449**	2,041
Total stock-based compensation expense	**232**	2,291	**3,138**	2,395

Liability Recognized for Stock-Based Compensation[1]

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

(thousands of $)	September 30, 2024	March 31, 2024 [2]
SARs	**541**	1,278
RSUs	**1,523**	2,128
PSUs	**120**	519
DSUs	**2,162**	1,910
Total stock-based compensation liability	**4,346**	5,835
Current, recorded within trade payables and accrued liabilities	**4,093**	5,211
Long-term	**253**	624

(1) The intrinsic value of the vested awards at September 30, 2024 is $2.5 million.
(2) As noted in note 2(e), certain amounts were reclassified to current, from long-term for the period of March 31, 2024, due to the adoption of *Classification of Liabilities as Current or Non-current – Amendments to IAS 1*, as issued in 2020 and 2021.

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

The maximum number of common shares reserved for issuance under the Company's security-based compensation plans is limited to 10% of the issued and outstanding common shares. Based on this calculation, at September 30, 2024, the Company may reserve up to 8,194,952 common shares for issuance under its security-based compensation plans.

(i) Stock Option Plan

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

The following table outlines changes in stock options:

	Six months ended September 30, 2024		Year ended March 31, 2024	
	Number of Options (thousands)	**Weighted Average Exercise Price ($/share)**	Number of Options (thousands)	Weighted Average Exercise Price ($/share)
Outstanding at beginning of period	**4,393**	**5.17**	5,017	5.21
Granted (1)	**200**	**12.63**	376	8.52
Exercised	**(511)**	**5.31**	(687)	6.04
Forfeited/expired	**(2)**	**3.98**	(313)	7.83
Outstanding at end of period	**4,080**	**5.52**	4,393	5.17
Options exercisable at end of period	**1,725**	**5.15**	1,131	5.01

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

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

			Outstanding		Exercisable
Exercise Price ($/option)	Number of Options (thousands)	Weighted Average Remaining Contractual Life (years)	Weighted Average Exercise Price ($/option)	Number of Options (thousands)	Weighted Average Exercise Price ($/option)
3.98 to 4.62	596	2.2	4.17	420	4.04
4.63 to 4.87	1,800	2.7	4.74	500	4.74
4.88 to 5.04	615	3	5.00	349	5.00
5.05 to 5.88	465	2.3	5.32	240	5.20
5.89 to 8.51	10	1.4	6.59	10	6.59
8.52 to 12.63	594	3.4	9.91	206	8.54
	4,080	2.7	5.52	1,725	5.15

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

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

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

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

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

(ii) Share Appreciation Rights Plan

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

The following table outlines changes in SARs:

	Six months ended September 30, 2024		Year ended March 31, 2024	
	Number of SARs (thousands)	**Weighted Average Exercise Price ($/SAR)**	Number of SARs (thousands)	Weighted Average Exercise Price ($/SAR)
Outstanding at beginning of period	**563**	**6.50**	957	6.47
Granted	**-**	**-**	131	8.52
Exercised	**(229)**	**6.03**	(345)	5.99
Forfeited/expired	**(216)**	**7.39**	(180)	8.88
Outstanding at end of period	**118**	**5.75**	563	6.50
SARs exercisable at end of period	**55**	**4.47**	138	5.25

(iii) Share Unit Plans

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

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

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

Deferred Share Units (DSUs)

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

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

(thousands)	Six months ended September 30, 2024			Year ended March 31, 2024		
	RSUs	**PSUs**	**DSUs**	RSUs	PSUs	DSUs
Outstanding at beginning of period	**394**	**117**	**187**	542	68	163
Granted	**3**	**28**	**2**	158	87	57
Exercised	**(150)**	**(47)**	**-**	(240)	(38)	(33)
Forfeited/expired	**(27)**	**(12)**	**-**	(66)	-	-
Outstanding at end of period	**220**	**86**	**189**	394	117	187

(d) Earnings Per Share:

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

Three months ended September 30, (thousands except per share amounts)	**2024**			2023		
	Earnings ($)	**Weighted average shares outstanding**	**Earnings per share ($/share)**	Earnings ($)	Weighted average shares outstanding	Earnings per share ($/share)
Basic	**3,763**	**81,887**	**0.05**	6,516	80,834	0.08
Dilutive effect of share-based awards		**1,302**			1,905	
Diluted	**3,763**	**83,189**	**0.05**	6,516	82,739	0.08

Six months ended September 30, (thousands except per share amounts)	**2024**			2023		
	Earnings ($)	**Weighted average shares outstanding**	**Earnings per share ($/share)**	Earnings ($)	Weighted average shares outstanding	Earnings per share ($/share)
Basic	**7,727**	**81,688**	**0.09**	13,420	80,761	0.17
Dilutive effect of share-based awards		**1,174**			1,793	
Diluted	**7,727**	**82,862**	**0.09**	13,420	82,554	0.16

During the three and six months ended September 30, 2024 26,611 and nil awards, respectively, were excluded from the computation of the weighted average number of diluted shares outstanding because their effect was not dilutive (three and six months ended September 30, 2023 - nil awards).

12. Financial Instruments and Risk Management:

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

The acquisition earnout liability is classified as long-term and using level 3 inputs is recorded at an estimated fair value of $3.4 million as at September 30, 2024 ($1.5 million – March 31, 2024). Estimates of the fair value of contingent consideration are performed by the Company on a quarterly basis, with adjustments to the estimated fair value being recorded in the condensed consolidated statement of operations and comprehensive income. Key unobservable inputs include forecasted revenue targets and the discount rate of 12.7%. The fair value of contingent consideration is measured using a discounted cash flow analysis of expected cash flows in future periods. The estimated fair value increases as the expected cash flow increases and as the discount rate decreases and vice versa.

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

- Level 1: Quoted prices (unadjusted) in active markets for identical assets or liabilities;
- Level 2: Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly; and
- Level 3: Inputs for the asset or liability that are not based on observable market data.

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

13. Commitments:

(a) Research Commitment:

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

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

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

During the three and six months ended September 30, 2024, CMG recorded professional services revenue of $2.1 million and $4.2 million, respectively (three and six months ended September 30, 2023 - $1.9 million and $3.8 million, respectively), and CoFlow costs of $1.5 million and $3.9 million, respectively, to research and development expenses (three and six months ended September 30, 2023 -$1.9 million and $3.6 million).

(b) Commitments:

The Company's commitments include operating cost commitments:

(thousands of $)	September 30, 2024
Less than one year	1,288
Between one and five years	5,246
More than five years	8,484
	15,018

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 September 30, 2024, $1.3 million (September 30, 2023 - $1.1 million) had been reserved on this line of credit for letters of credit supporting performance bonds.

15. Subsequent Event:

(a) Dividend Declaration:

On November 12, 2024, the Board of Directors declared a quarterly cash dividend of $0.05 per share on its common shares, payable on December 13, 2024 to all shareholders of record at the close of business on December 5, 2024.

(b) Sharp Reflections GmbH Acquisition:

On November 12, 2024, CMG completed the acquisition of 100% of the outstanding shares of Sharp Reflections GmbH ("Sharp"), a software and services company specializing in seismic processing and interpretation. The acquisition of Sharp will enable us to further expand CMG Group's business in the seismic portion of the upstream energy workflow. The purchase price consideration is €25.0 million (approximately $37.0 million) plus an amount equivalent to Sharp's cash on hand immediately prior to acquisition. A payment of €22.0 million (approximately $32.6 million) was paid on closing, and €3.0 million (approximately $4.4 million) withheld. Of the withheld amount €2.2 million (approximately $3.3 million) plus Sharp's cash on hand will be withheld for approximately 60 days, and the remaining €0.8 million (approximately $1.1 million) will be withheld for a period of 18 months. These amounts will be recorded as acquisition holdback payable and long-term acquisition holdback payable.

During the three and six months ended September 30, 2024, the Company incurred $0.4 million of transaction costs, including legal, travel and professional services related to the acquisition of Sharp. These costs have been included in General and administrative expenses.

As of November 12, 2024, due to the timing and complexity of the acquisition, CMG is in the process of determining and finalizing the estimated fair value of the net assets acquired and therefore a provisional purchase price allocation is not yet completed and available to be disclosed. Revenue and profit or loss of Sharp from the closing date of November 12, 2024, and proforma disclosure showing the impact to revenue and profit or loss if Sharp were acquired on April 1, 2024, will be included in the Company's third quarter of fiscal 2025 condensed consolidated interim financial statements.