2025 Financial Report

CMG

Contents

Annual General Meeting

When: September 4, 2025 at 10:00 a.m. (Calgary time)

Where: Virtual-only meeting (please refer to our 2025 Management Information Circular at www.cmgl.ca/investors/agm in advance of the meeting).

CEO Letter to Shareholders

May 22, 2025

Dear Fellow Shareholders,

CMG is steadily evolving into a performance-driven culture – an essential foundation for our future success. Just as our employees and executives undergo year-end reviews, so too should CMG. If we were to conduct a performance review for the organization, I believe two key themes would emerge:

1. How do we think about growth in the context of our performance this year?
2. Acquisition Strategy: Is it working and what's next?

Fiscal 2025 Performance: Organic Growth Challenged Short-Term

After two strong years of growth in our reservoir and production solutions, this year we experienced a setback. The question is why and how enduring is the impact.

Over the past two years, growth in our reservoir and production solutions has been driven by new customer acquisitions, increased share of wallet from existing clients, and expansion in Energy Transition —particularly in Carbon Capture & Storage (CCS).

Two things changed. Oil prices have declined, and while I firmly believe that during times of uncertainty the industry should lean more heavily on technology, we are not immune to the impact. Customers, especially the medium and smaller size operators, are reducing budgets leading to more scrutiny on technology spend. Add to that, many companies are reevaluating their energy transition and renewable strategies. Carbon capture and storage (CCS), which gained momentum as a result of U.S. Inflation Reduction Act (IRA) related tax incentives, has now taken a back seat and activity in the US has meaningfully pulled back.

The obvious question in investors' minds: how will we perform in a downturn? While it is impossible to say how long these cyclical and macro impacts may continue, I believe there are some fundamental differences in the market and in our organization that support a different outcome for CMG than in prior downturns.

Easy oil is gone - incremental global production is coming from areas that are harder and harder to recover. CMG has focused decades of research and developed differentiation in the market based on complex recovery. Ultimately, increased reliance on enhanced oil recovery (EOR) and unconventional methods aligns with our expertise and offering. This is CMG's specialization.

CCS has not gone away - US activity has slowed, and particularly hard hit were the new projects in early design and feasibility stage that made up a good portion of revenue growth for us in the US market. Still, other regions including Europe and Southeast Asia are steadily moving forward. We are seeing a number of approved projects moving into the build phase. As these projects are expected to be in operations for decades, so too is the need for simulation which is an integral part of ongoing monitoring. In fact, our strategic partner ABB recently secured an automation contract for a major long term CCS project in the UK, underscoring both the global relevance of CCS and the importance of strategic partnerships to CMG's long-term success.

Commercially led organization - The work we started three years ago to shift to a more commercially agile organization resulted in a more disciplined approach to sales and marketing. CMG has shifted from mainly passive order-takers to a company with a holistic view of the market and the white space in front of us. For example, we are targeting new geographies and have already increased our strategic business development focus and sales presence in the Eastern Hemisphere where National Oil Companies (NOCs) are putting a premium on superior technology to optimize increasingly complex assets.

Power of 3 - With the completion of two acquisitions, we are more diversified, and this will be a valuable driver of growth. We have evolved from a single-product company into a multi-product, best-in-class organization that not only spans the subsurface workflow - from seismic to reservoir to production simulation - but also benefits from each product bringing its own unique opportunity set to drive value and innovation.

All of this does not mean that we may not have some challenging quarters ahead of us. It does mean we are better positioned than in the past to tackle them

Outlook for Fiscal 2026: Stable Profitability Amid Shifting Revenue Dynamics

Beginning this quarter, we have consolidated our financial reporting into one segment. Going forward, we will report on organic growth and growth from acquisitions. Recurring revenue, Adjusted EBITDA, Adjusted EBITDA Margin, and Free Cash Flow per share growth will be the key indicators of the successful execution of our strategy.
We will no longer report energy transition as a percentage of software revenue as that metric was calculated on the previously reported reservoir and production solutions segment only, but we will provide qualitative commentary when it is a material driver of performance.

Excluding the impact of future acquisitions, our outlook for fiscal 2026 reflects a mix of growth opportunities and near-term headwinds. While the Sharp acquisition will contribute to overall revenue growth, we remain cautious on organic growth. Seismic solutions is well positioned for expansion, benefiting from early market adoption, strong product differentiation, and increased sales execution. Conversely, our reservoir and production solutions may remain under pressure from the same macro factors that affected recent performance.

We also expect a $6–$7 million year-over-year decline in professional services revenue - driven by the wind-down of funded CoFlow development, a reduction in non-core services at Bluware, net of increased contributions from Sharp. This decline may offset or limit our ability to show total revenue growth in fiscal 2026.

Adjusted EBITDA and margin are expected to remain relatively flat as we absorb the services revenue decline. While we will manage costs carefully, there may be a lag in realizing the full impact of our efficiency measures. We expect this to be a temporary dynamic, with no carryover effect into fiscal 2027.

Acquisitions: Significant Driver of Future Growth

We spent the last two years building out the foundation for a scalable acquisition model with the ultimate objective of consistently deploying our excess Free Cash Flow. Having completed two acquisitions and deployed 95% of our Free Cash Flow during the past two years, we believe we are at a point where we can start increasing our transaction cadence shifting our growth profile to be more materially driven by acquisitions. Our strategic objectives are twofold. First, to generate high rates of return on invested capital and second, to diversify the company in a way that strengthens our core offerings.

Taking Bluware as an example, did we meet those two objectives? First, annualized software revenue is up 50% from pre-acquisition levels and Adjusted EBITDA Margin has expanded from roughly 5% to 15%. Financially, we are on track and performing well. Second, it has elevated our role as a strategic partner - enabling us to engage directly with key executives and procurement leaders in subsurface operations, where critical purchasing decisions are made.

So where do we go from here?

Building on learnings from these first two acquisitions and with the insights gained from completing an extensive landscape exercise over the past 18 months, we have further refined our strategy.

We continue to believe that our vision of a connected ecosystem of differentiated upstream oil and gas solutions is highly relevant to customers, and it is possible to build through carefully chosen acquisitions. Bluware and Sharp are examples of the type of platform acquisitions that are a primary focus. In addition, we know that there are high-quality oil and gas businesses, extending into the midstream and downstream sectors, that could benefit from the optimization strategies we apply across our portfolio, even if they don't align with our current platform vision or go-to-market strategy. Including these standalone acquisitions broadens our investable universe and enables us to continue deploying capital at relatively predictable and attractive returns. We are also exploring differentiated, science-based, engineering focused technologies in adjacent verticals, outside the oil and gas sector.

With this framework, we are in a good position to increase our deal funnel and support a higher deal frequency. We are set up to deploy a large amount of capital during the next decade relative to our current market capitalization and that this will be a significant driver of the outcome for CMG shareholders.

In Closing

In the context of my journey with CMG, it feels like the past three years are just the start. While I acknowledge that we hit a partial setback in momentum, there are many reasons to be bullish for the long term. CMG has a healthy net cash balance. The existing business is generating attractive Free Cash Flow which has allowed us to self-fund two sizeable acquisitions. Our acquisition engine is maturing and is primed for forward momentum. Despite short-term headwinds, our mid to long-term outlook for the existing business remains solid, supported by sustained customer reliance on our solutions, which are deeply embedded in critical subsurface workflows. All of this gives me immense confidence that over time, our CMG 4.0 Strategy will create tremendous value for our customers and employees, and, as a result, significant returns for our shareholders. Thank you for being on the journey with us. I sincerely appreciate your trust and continued support and I don't take it for granted.

Sincerely,

Pramod Jain

Chief Executive Officer

This letter to shareholders forms an integral part of our Management's Discussion and Analysis ("MD&A") and includes forward-looking information and forward-looking statements (together, "Forward Looking Statements") within the meaning of applicable securities laws, and measures that do not have a standard meaning prescribed by the International Financial Reporting Standards ("IFRS"), including the financial measure "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 May 22, 2025, accessible on SEDAR+ (www.sedarplus.ca) and our website (www.cmgl.ca/investors/financial-reports).

Computer Modelling Group Ltd. announces its fourth quarter results for the three months and year ended March 31, 2025.

FOURTH QUARTER 2025 CONSOLIDATED HIGHLIGHTS

Select financial highlights

- Total revenue increased by 4% (13% Organic decline(1) and 17% growth from acquisitions) to $33.7 million;
- Recurring revenue(2) increased by 16% (7% Organic decline and 23% growth from acquisitions) to $24.2 million;
- Adjusted EBITDA(1) increased by 2% to $10.5 million;
- Adjusted EBITDA Margin(1) was 31%, compared to 32% in the comparative period;
- Earnings per share was $0.06, a 33% decrease;
- Free Cash Flow(1) decreased by 26% to $7.0 million; Free Cash flow per share decreased to $0.08 from $0.12.

FISCAL 2025 CONSOLIDATED HIGHLIGHTS

Select financial highlights

- Total revenue increased by 19% (1% Organic decline and 20% growth from acquisitions) to $129.4 million;
- Recurring revenue increased by 13% (1% Organic growth and 12% was growth from acquisitions) to $86.8 million;
- Adjusted EBITDA increased by 2% to $44.0 million;
- Adjusted EBITDA Margin was 34%, compared to 40% in the comparative period;
- Earnings per share was $0.27, a 16% decrease;
- Free Cash Flow decreased by 22% to $27.6 million; Free Cash flow per share decreased to $0.33 from $0.44.

(1) Organic growth/decline, Adjusted EBITDA, Adjusted EBITDA Margin and Free Cash Flow are not a standardized financial measures and might not be comparable to measures disclosed by other issuers. For more description see under “Non-IFRS Financial and Supplementary Financial Measures” heading.

(2) Recurring revenue includes Annuity/maintenance licenses and Annuity license fee, and excludes Perpetual licenses and Professional Services.

OVERVIEW

Macroeconomic factors and political instability, combined with a low oil price environment, resulted in challenged organic growth this year, particularly in reservoir and production solutions, where lengthened deal cycles and cautious customer spending prevailed. Despite these challenges, we continued to execute on our strategic M&A roadmap, and revenue growth during the quarter and year-to-date, was supported by meaningful contributions from acquisitions. Adjusted EBITDA increases during the quarter and year-to-date were also supported by growth from acquisitions. Free Cash Flow decreased during the quarter and year-to-date due to pressures on top-line-growth, however, during the prior year period, Free Cash Flow also benefited from the tax deduction of approximately $4.6 million as a result of the acquisition of intellectual property. We generated $27.6 million of Free Cash Flow during fiscal 2025, maintaining our strong liquidity position and enabling us to invest in strategic acquisitions.

As we look forward to fiscal 2026, excluding any impact from future acquisitions, we anticipate a reduction of between $6 - $7 million in professional services revenue compared to fiscal 2025 which may make it challenging to demonstrate total revenue growth. It is a goal of the company to shift the revenue mix towards a higher percentage of software revenue and the reduction in professional services is a natural part of the shift. Adjusted EBITDA and Adjusted EBITDA Margin may also show limited growth due to anticipated delays in cost-saving measures in taking effect, but this impact is expected to be limited to fiscal 2026.

To ensure long-term resilience, we remain committed to evolving our business model through carefully targeted strategic acquisitions. Our acquisitions to date position us well by expanding our capabilities and helping to support long-term growth by complementing our core offering.

SUMMARY OF FINANCIAL PERFORMANCE

	Three months ended March 31,			Year ended March 31,		
($ thousands, except per share data)	**2025**	2024	% change	**2025**	2024	% change
Annuity/maintenance licenses	**19,436**	19,661	(1%)	**77,525**	71,530	8%
Annuity license fee	**4,728**	1,142	314%	**9,280**	5,146	80%
Recurring revenue(1) (2)	**24,164**	20,803	16%	**86,805**	76,676	13%
Perpetual licenses	**554**	2,130	(74%)	**5,617**	5,739	(2%)
Total software license revenue	**24,718**	22,933	8%	**92,422**	82,415	12%
Professional services	**8,965**	9,358	(4%)	**37,024**	26,264	41%
Total revenue	**33,683**	32,291	4%	**129,446**	108,679	19%
Cost of revenue	**6,749**	6,470	4%	**24,940**	17,224	45%
Operating expenses						
Sales & marketing	**5,094**	4,361	17%	**18,617**	14,957	24%
Research and development	**8,129**	7,607	7%	**30,142**	23,679	27%
General & administrative	**4,876**	5,576	(13%)	**21,599**	18,835	15%
Operating expenses	**18,099**	17,544	3%	**70,358**	57,471	22%
Operating profit	**8,835**	8,277	7%	**34,148**	33,984	-%
Net income	**5,104**	7,229	(29%)	**22,437**	26,259	(15%)
Adjusted EBITDA (1)	**10,500**	10,295	2%	**44,009**	43,345	2%
Adjusted EBITDA Margin (1)	***31%***	*32%*		***34%***	*40%*	
Earnings per share – basic & diluted	**0.06**	0.09	(33%)	**0.27**	0.32	(16%)
Funds flow from operations per share - basic	**0.10**	0.13	(23%)	**0.38**	0.47	(19%)
Free Cash Flow per share – basic (1)	**0.08**	0.12	(33%)	**0.33**	0.44	(25%)

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

(2) Included in the number is a reduction of $0.5 million and $0.8 million for the three months and year ended March 31, 2025, respectively ($0.1 million and $0.2 million for the three months and year ended March 31, 2024, respectively), attributed to the amortization of a deferred revenue fair value reduction recognized on acquisition.

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 May 22, 2025, should be read in conjunction with CMG Group's annual audited consolidated financial statements (the "Financial Statements") and accompanying notes for the year ended March 31, 2025 and CMG Group's Annual Information Form dated May 22, 2025 ("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 May 22, 2025.

FORWARD-LOOKING INFORMATION

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

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

- the Company's ability to maintain and grow annual adjusted EBITDA margin;
- the ability to achieve total revenue growth on an annual basis;
- the successful allocation of purchase price for completed acquisitions and the realization of anticipated synergies and benefits from such acquisitions;
- the ability to identify, complete, and integrate future acquisitions that are accretive to software revenue and enhance or diversify the Company's software solutions;
- the continued financing by and participation of the Company's CoFlow partner, and the associated costs and future revenue related to CoFlow;
- the ability to recognize financial results of acquired businesses and assets, including the realization of anticipated growth projections, revenue increases, and cost savings;
- the ability to manage acquisition-related expenses, including the potential for further performance-based earnouts;
- the ability to avoid or manage unanticipated acquisition-related expenses, liabilities, or goodwill impairment adjustments;
- the ability to successfully execute on commercial partnerships and strategic alliances for product development, consulting projects, and sales;
- the ability to maintain and grow the Company's core business competencies in reservoir simulation and capitalize on its leadership position in complex hydrocarbon recovery techniques;
- the ability to invest in research and development initiatives that are driven by customer needs and maintain a competitive advantage for the existing software product suite;
- the ability to retain and attract qualified staff and key personnel in all relevant territories;
- the ability to manage and protect intellectual property, including acquired and internally developed technologies; and

- the ability to avoid to manage significant disruptions or information technology infrastructure, including cyber security risks.

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

BUSINESS OVERVIEW

Since its inception more than 40 years ago, CMG Group made the strategic decision to focus its research and development efforts on providing reservoir modelling 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.

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 expertise to build and optimize reservoir development plans.

In fiscal 2023, CMG Group announced a new strategy called CMG 4.0. Under this strategy the company aims to drive sustained revenue growth, both organically and by acquisition, while maintaining strong profitability.

Our growth strategy was developed around three main objectives:

- maintain and grow our core business competencies in reservoir simulation, capitalizing on our leadership position as experts in the science, technology and customer support for complex hydrocarbon recovery techniques;
- optimize and accelerate market penetration of newly acquired businesses leveraging the global reputation of CMG Group and growing portfolio of solutions
  continuous deployment of available capital into acquisitions

We are committed to the development of cutting-edge technologies that support critical field development decisions for upstream planning and energy transition strategies. To achieve these objectives, investment in research and development is important as it helps maintain our competitive advantage for our existing software product suite and advances new product development to drive organic growth. Our approach to investment in research and development is to invest in initiatives that are driven by customers' needs. Integrating new and innovative features into our existing product suite as well as developing simplified, fit-for-purpose applications is anticipated to help us to increase revenue from new and existing customers.

We pursue organic growth through direct sales using our internal sales force and are focused on enhancing our market engagement framework through the addition of a strategic marketing function and additional sales tools and training. We are also committed to partnering with industry leaders for product development, consulting projects, and sales. 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. The acquisition strategy aims to invest excess capital, at attractive after-tax rates of return, to acquire businesses that enhance and diversify our software solutions across the upstream energy workflow. The company also intends to explore opportunities to diversify further within midstream and downstream energy and adjacent industries.

The company now comprises three companies providing market-leading software solutions as described below.

Reservoir and Production Solutions: Computer Modelling Group delivers 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 of the company is developing 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.

Seismic Interpretation Solutions: Bluware (BHV): InteractivAITM is a cutting-edge deep learning seismic interpretation tool that enables geoscientists to quickly analyze vast amounts of seismic data. InteractivAI leverages Bluware's proprietary VDSTM (Volume Data Storage) data format which compresses raw and interpreted seismic data sets, making them adaptable and scalable depending on customer business needs, workflows and visualization requirements. VDSTM enables fast data access, cost-effective cloud storage, and compute-intensive workflows. FASTTM is a data streaming and transcoding tool, providing the ability to use VDSTM with existing interpretation applications to stream subsurface data from the cloud to legacy applications and workflows.

Sharp Reflections (SR): 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.

REVENUE STREAMS

Annuity/Maintenance Licenses: 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. This revenue component is recorded under “Annuity/maintenance licenses” and “Annuity license fee” revenue. For certain contracts, the total annual contract value of the annuity license fee is allocated 50% to the standalone software license fee (included in “Annuity license fee”) and 50% to maintenance (included in “Annuity/maintenance license revenue” and recognized over the license term). The annuity license fee is recognized in revenue when the software license is delivered to the customer at the start of the license term. 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, and may not be indicative of the performance in a particular reporting period. Our annuity and maintenance license agreements must be renewed upon their agreement expiry. Based on our experience, a majority of customers renew their agreements upon expiry. We also offer a public cloud solution which enables customers to securely access Company’s solutions using some of the latest and fastest hardware available in the industry optimized for maximum efficiency and faster results. This currently represents a small part of the Company’s business and is reported under “Annuity/maintenance license” revenue.

Perpetual Licenses: Perpetual license agreements grant the customer the right to use the then-current version of software and has the right to use that version in perpetuity. This revenue stream is recorded under “Perpetual licenses” revenue and is recognized at a point in time, upon delivery of the licensed product. Perpetual license sales are variable and unpredictable in nature as the purchase decision and its timing fluctuate with the customers’ needs and budgets. Customers purchasing perpetual licenses may also enter into a separate maintenance and support agreement giving them access to customer support and access to current versions of the Company’s software. The majority of customers who have acquired perpetual software licenses subsequently purchase a maintenance package which is reported under “Annuity/maintenance licenses” revenue.

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.

Professional Services: In combination with its principal business of licensing its software, the Company also provides professional services consisting of multi-disciplinary, specialized consulting, training, and contract research activities. Our training is continuous in nature, is offered worldwide, and enables our customers to become more efficient and effective users of our software which helps us in developing and maintaining long-term relationships with our customers. In our experience, consulting activities are variable in nature as both the timing and dollar magnitude of work are dependent on activities and budgets within customer companies.

SIGNIFICANT EVENTS

Acquisition of Sharp Reflections GmbH

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

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

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

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

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, adjusted operating profit margin, organic growth and recurring revenue – 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, amortization of fair value adjustments recognized on acquisition, interest income/expense, 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. 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.

	Three months ended March 31,		Year ended March 31,	
($ thousands)	**2025**	2024	**2025**	2024
Net income (loss)	**5,104**	7,229	**22,437**	26,259
Add (deduct):				
Depreciation and amortization	**2,368**	2,151	**8,465**	5,688
Acquisition costs	**216**	186	**2,567**	1,456
Stock-based compensation	**(435)**	922	**2,625**	6,292
Loss on contingent consideration	**88**	-	**2,151**	-
Deferred revenue amortization on acquisition fair value reduction	**535**	76	**845**	188
Income and other tax expense	**2,154**	1,935	**10,448**	8,963
Interest income	**(313)**	(658)	**(2,605)**	(3,096)
Interest expense	**189**	-	**189**	-
Foreign exchange loss (gain)	**1,143**	(743)	**(363)**	(50)
Repayment of lease liabilities	**(549)**	(803)	**(2,750)**	(2,355)
Adjusted EBITDA (1)	**10,500**	10,295	**44,009**	43,345
Adjusted EBITDA Margin (1)	***31%***	*32%*	***34%***	*40%*

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

Adjusted EBITDA increased by 2% during the three months ended March 31, 2025, compared to the same period of the previous year, of which 20% was growth from acquisitions, partially offset by an Organic decline of 18%, primarily attributable to lower revenue in the quarter partially offset by lower expenses.

Adjusted EBITDA increased by 2% for the year ended March 31, 2025, compared to the same period of the previous year, of which 3% of the increase was due to growth from acquisitions, partially offset by a 1% Organic decline due to higher expenses.

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 2024				Fiscal 2025			
($ thousands, unless otherwise stated)	Q1	Q2	Q3	Q4	Q1	Q2	Q3	**Q4**
Funds flow from operations	7,920	11,491	8,477	10,367	6,515	7,101	9,937	**8,227**
Capital expenditures	(45)	(51)	(459)	(95)	(93)	(236)	(432)	**(661)**
Repayment of lease liabilities	(412)	(412)	(728)	(803)	(743)	(769)	(689)	**(549)**
Free Cash Flow	7,463	11,028	7,290	9,469	5,679	6,096	8,816	**7,017**
Weighted average shares – basic (thousands)	80,685	80,834	81,067	81,314	81,476	81,887	82,753	**83,064**
Free Cash Flow per share - basic	0.09	0.14	0.09	0.12	0.07	0.07	0.11	**0.08**
Funds flow from operations per share-basic	0.10	0.14	0.10	0.13	0.08	0.09	0.12	**0.10**

($ thousands, unless otherwise stated)	**March 31, 2025**	March 31, 2024	March 31, 2023
Funds flow from operations	**31,780**	38,255	25,357
Capital expenditures	**(1,422)**	(650)	(2,048)
Repayment of lease liabilities	**(2,750)**	(2,355)	(1,608)
Free Cash Flow	**27,608**	35,250	21,701
Weighted average shares – basic (thousands)	**82,546**	80,975	80,464
Free Cash Flow per share – basic	**0.33**	0.44	0.27
Funds flow from operations per share (basic)	**0.38**	0.47	0.32

Free Cash Flow decreased by 26% and 22%, respectively, for the three months and year ended March 31, 2025 from the same periods of the previous fiscal year. These decreases are primarily due to lower funds flow from operations, higher capital expenditures, and increased repayment of lease liabilities as a result of office leases in acquired entities. During year ended March 31, 2024, Free Cash Flow benefited from the tax deduction of approximately $4.6 million as a result of the acquisition of the BHV intellectual property.

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.

Organic Growth

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

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

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

Recurring Revenue

Recurring revenue represents the revenue recognized during the period from contracts that are recurring in nature and includes revenue recognized as "Annuity/maintenance licenses" and "Annuity license fee". We believe that Recurring revenue is an indicator of business expansion and provides management with visibility into our ability to generate predictable cash flows.

The table under "Revenue" heading reconciles Recurring revenue to total revenue for the periods indicated.

REVENUE

	Three months ended March 31,			Year ended March 31,		
($ thousands)	**2025**	2024	% change	**2025**	2024	% change
Annuity/maintenance licenses	**19,436**	19,661	(1%)	**77,525**	71,530	8%
Annuity license fee	**4,728**	1,142	314%	**9,280**	5,146	80%
Recurring revenue(1) (2)	**24,164**	20,803	16%	**86,805**	76,676	13%
Perpetual licenses	**554**	2,130	(74%)	**5,617**	5,739	(2%)
Total software license revenue	**24,718**	22,933	8%	**92,422**	82,415	12%
Professional services	**8,965**	9,358	(4%)	**37,024**	26,264	41%
Total revenue	**33,683**	32,291	4%	**129,446**	108,679	19%

(1) This is a non-IFRS financial measure.
(2) Included in the number is a reduction of $0.5 million and $0.8 million for the three months and year ended March 31, 2025, respectively ($0.1 million and $0.2 million for the three months and year ended March 31, 2024, respectively), attributed to the amortization of a deferred revenue fair value reduction recognized on acquisition.

The components of Recurring revenue growth were as follows:

	Three months ended March 31,		Year ended March 31,	
	2025	2024	**2025**	2024
Total recurring revenue % change	**16%**	32%	**13%**	28%
Growth from acquisitions	**23%**	19%	**12%**	14%
Foreign exchange impact	**4%**	4%	**1%**	3%
Organic growth (decline)	**(11%)**	9%	**-%**	11%

Total revenue increased during the three months and year ended March 31, 2025, compared to the same periods of the previous year, as the growth from acquisitions of 17% and 20%, respectively, was partially offset by the decreases of 13% and 1% in Organic revenue. Organic revenue in the current quarter decreased due to decreases in both total software license revenue and professional services revenue. Year-to-date Organic revenue was positively impacted by the growth in total software license revenue which was offset by the decrease in professional services revenue.

Recurring revenue increased during the three months ended March 31, 2025, compared to the same period of the previous year, as the growth from acquisitions of 23% was partially offset by a 7% decrease in Organic revenue (11% Organic decline, partially offset by 4% of foreign exchange). The decrease was mainly due to customer attrition and reduced licensing of reservoir and production solutions by existing customers. We began experiencing this impact in the previous quarter, driven by macroeconomic and political instability combined with a low oil price environment, leading our customers to delay projects and focus on cost reductions.

Recurring revenue increased during the year ended March 31, 2025, compared to the same period of the previous year, of which 12% was growth from acquisitions and 1% was Organic growth, all of which was attributable to foreign exchange. Organic growth was mainly due to increased revenue from sales of seismic solution products.

Perpetual license revenue decreased during the three months ended March 31, 2025, compared to the same period of the previous year, due to fewer perpetual license sales made in the current quarter. Perpetual license sales are variable in nature and fluctuate on a quarterly basis. Perpetual license revenue during the year ended March 31, 2025, was comparable to the same period of the previous year with only a modest decrease. Acquisitions did not contribute to perpetual license revenue in any of the periods.

Professional services revenue decreased during the three months ended March 31, 2025, compared to the same period of the previous year, as the growth from the acquisition of 9% was offset by a 13% decrease in Organic revenue, mainly due to the expected reduction in the tailored software development funding of our seismic solutions. Professional services revenue increased during the year ended March 31, 2025, compared to the same period of the previous year, as the growth from acquisitions of 48% was partially offset by a 7% decline in Organic revenue, as explained under the quarterly commentary.

Software Revenue by Geographic Region

	Three months ended March 31,			Year ended March 31,		
($ thousands)	**2025**	2024	% change	**2025**	2024	% change
Annuity/maintenance license						
Canada	**3,038**	3,310	(8%)	**12,777**	13,208	(3%)
United States	**4,272**	4,955	(14%)	**17,514**	18,454	(5%)
South America	**2,445**	2,401	2%	**9,753**	9,185	6%
Eastern Hemisphere(1)	**9,681**	8,995	8%	**37,481**	30,683	22%
	19,436	19,661	(1%)	**77,525**	71,530	8%
Annuity license fee						
Canada	**-**	-	-%	**-**	-	-%
United States	**825**	88	838%	**1,610**	667	141%
South America	**775**	874	(11%)	**1,018**	893	14%
Eastern Hemisphere(1)	**3,128**	180	1638%	**6,652**	3,586	85%
	4,728	1,142	314%	**9,280**	5,146	80%
Perpetual license						
Canada	**-**	-	-%	**170**	270	(37%)
United States	**46**	974	(95%)	**1,383**	1,207	15%
South America	**-**	-	-%	**-**	324	(100%)
Eastern Hemisphere(1)	**508**	1,156	(56%)	**4,064**	3,938	3%
	554	2,130	(74%)	**5,617**	5,739	(2%)
Total software license revenue						
Canada	**3,038**	3,310	(8%)	**12,947**	13,478	(4%)
United States	**5,143**	6,017	(15%)	**20,507**	20,328	1%
South America	**3,220**	3,275	(2%)	**10,771**	10,402	4%
Eastern Hemisphere(1)	**13,317**	10,331	29%	**48,197**	38,207	26%
	24,718	22,933	8%	**92,422**	82,415	12%

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

Canada (representing 14% of year-to-date total software license revenue) experienced decreases in total software license revenue during the three months and year ended March 31, 2025, compared to the same periods in the previous year, due to lower annuity/maintenance license revenue of reservoir and production solutions.

The United States (representing 22% of year-to-date total software license revenue) experienced a decrease in total software license revenue for the three months ended March 31, 2025, compared to the same period in the previous year, due to lower annuity/maintenance revenue as well as perpetual license sales. The decrease in annuity/maintenance license revenue was due to customer attrition and reduced licensing by existing customers of reservoir and production solutions, partially offset by the increase due to the Sharp acquisition. Total software license revenue increased slightly during the year ended March 31, 2025, compared to the same period in the previous year, as the decrease in software license revenue of our reservoir and production solutions was offset by the increase in revenue from the seismic solutions as well as revenue contribution from acquisitions.

South America (representing 12% of year-to-date total software license revenue) was flat during the three months ended March 31, 2025, compared to the same period of the previous year. Total software license revenue increased during the year ended March 31, 2025, compared to the same period in the previous year, mainly due to acquisitions.

Eastern Hemisphere (representing 52% of year-to-date total software license revenue) experienced increases in total software license revenue during the three months and year ended March 31, 2025, compared to the same periods in the previous year. The quarterly increase was driven by contribution from the Sharp acquisition, partially offset by a decline in perpetual license sales in the quarter. The year-to-date increase was supported by both increased licensing across all our solutions, and contributions by acquisitions.

Deferred Revenue

($ thousands)	**Fiscal 2025**	Fiscal 2024	$ change	% change
Deferred revenue at:				
Q1 (June 30)	**30,890**	26,616	4,274	16%
Q2 (September 30)	**32,274**	32,339	(65)	-%
Q3 (December 31)	**34,822**	27,089	7,733	29%
Q4 (March 31)	**40,276**	41,120	(844)	(2%)

The Company's deferred revenue consists primarily of amounts for prepaid licenses. Amounts are deferred for licenses that have been provided and revenue recognition reflects the passage of time.

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

The deferred revenue balance at the end of Q4 of fiscal 2025 was 2% lower than in Q4 of fiscal 2024. The acquisition contributed to 14% of the increase, and was offset by 16% of the decrease in Organic revenue, as a result of lower revenue and some negative impact from the timing of when contracts were invoiced this quarter compared to the same quarter of last 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 March 31,			**Year ended March 31,**		
($ thousands)	**2025**	2024	% change	**2025**	2024	% change
Cost of revenue [(1) (2)]	**6,749**	6,470	4%	**24,940**	17,224	45%

(1) Depreciation and amortization related to property and equipment and right of use assets is $0.7 million and $1.1 million for the three months and year ended March 31, 2025, respectively and $0.1 million and $0.4 million for the three months and year ended March 31, 2024.

(2) Stock based compensation is $0.01 million and $0.4 million for the three months and year ended March 31, 2025, respectively, and $0.1 million and $0.6 million for the three months and year ended March 31, 2024.

Cost of revenue increased slightly during the three months ended March 31, 2025, compared to the same period of the previous year, as the increase due to the acquisition was partially offset by the decrease in the rest of the business as costs were scaled back in line with lower professional services revenue in the quarter. Cost of revenue increased for the year ended March 31, 2025, compared to the same period of the previous year, of which 47% of the increase is due to acquisitions offset by the 2% decrease for the same reason as noted in the quarterly explanation.

OPERATING EXPENSES

Sales and marketing

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

Research and development

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

General and administrative

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

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

	Three months ended March 31,			Year ended March 31,		
($ thousands)	**2025**	2024	% change	**2025**	2024	% change
Sales and marketing [(1)(2)]	**5,094**	4,361	17%	**18,617**	14,957	24%
Research and development [(1)(2)]	**8,129**	7,607	7%	**30,142**	23,679	27%
General and administrative [(1)(2)]	**4,876**	5,576	(13%)	**21,599**	18,835	15%
Operating expenses	**18,099**	17,544	3%	**70,358**	57,471	22%
Acquisition related expenses	**(216)**	(186)	16%	**(2,567)**	(1,456)	76%
Amortization of acquired intangibles	**(1,375)**	(664)	107%	**(3,709)**	(1,501)	147%
Stock-based compensation (expense) recovery	**452**	(813)	(156%)	**(2,258)**	(5,735)	(61%)
Adjusted operating expenses [(3)]	**16,960**	15,881	7%	**61,824**	48,779	27%
Direct employee costs [(3)]	**10,838**	11,445	(5%)	**43,724**	38,213	14%
Other corporate cost [(3)]	**7,261**	6,099	19%	**26,634**	19,258	38%
	18,099	17,544	3%	**70,358**	57,471	22%

(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, $1.3 million, $0.1 million, respectively for the three months ended March 31, 2025 (three months ended March 31, 2024, $0.1 million, $1.2 million, $0.7 million, respectively) and $0.5 million, $4.9 million, $2.0 million, respectively, for the year ended March 31, 2025 (year ended March 31, 2024 $0.5 million, $3.3 million, $1.4 million, respectively).

(2) Included in sales and marketing, research and development, and general and administrative expenses is stock based compensation expense of ($0.2) million, ($0.03) million, ($0.3) million, respectively, for the three months ended March 31, 2025 (three months ended March 31, 2024, $0.2 million, $0.3 million, $0.3 million respectively) and $0.6 million, $0.7 million, $1.0 million, respectively, for the year ended March 31, 2025 (year ended March 31, 2024 $1.9 million, $1.7 million, $2.1 million, respectively).

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

Operating expenses increased slightly during the three months ended March 31, 2025, compared to the same period of the previous year. While the acquisition contributed to 24% of the increase, it was partially offset by a 21% decrease in expenses mainly due to lower stock-based compensation. Operating expenses increased during the year ended March 31, 2025, compared to the same period of the previous year, with 25% of the increase being contributed from acquisitions offset by a 3% decrease.

Adjusted total operating expenses increased during the three months ended March 31, 2025, compared to the same period of the previous year, of which 21% was due to acquisitions, otherwise, operating expenses declined by 14% due to lower variable compensation. Adjusted total operating expenses increased for the year ended March 31, 2025, compared to the same period of the previous fiscal year, of which 26% was due to acquisitions and the remaining 1% increase is due to increases in both direct employee and other corporate costs.

Sales and marketing expenses increased during the three months ended March 31, 2025, compared to the same period of the previous year, of which acquisitions contributed 23% of the increase. This increase was partially offset by 6% decrease primarily due to a decrease in stock-based compensation and a decrease in commissions. Sales and marketing expenses increased during the year ended March 31, 2025, compared to the same period of the previous year, of which 20% was due to the acquisitions. The remaining 4% increase is due to an increase in employee-related costs as well as agent commissions to support sales efforts.

Research and development expenses increased during the three months ended March 31, 2025, compared to the same period of the previous year of which acquisitions contributed to 21% of the increase. The offsetting 14% decrease is primarily due to a decrease in headcount and headcount related costs including stock-based compensation. Research and development expenses increased during the year ended March 31, 2025, compared to the same period of the previous year, of which 27% was due to acquisitions with remaining costs remaining flat.

General and administrative expenses decreased during the three months ended March 31, 2025, compared to the same period of the previous year, of which the acquisition contributed to a 30% increase. The offsetting 43% decrease is primarily due lower headcount and headcount related costs including stock-based compensation. General and administrative expenses increased during the year ended March 31, 2025, compared to the same period of the previous year, of which 26% was the contribution from acquisitions. The offsetting 11% decrease is due to the same reason that impacted the three months ended March 31, 2025.

Direct employee costs

As a technology company, the Company's largest investment is its people, and approximately 62% of total operating expenses relate to direct employee costs during the year ended March 31, 2025. At March 31, 2025, CMG Group's full-time equivalent staff complement was 296 employees and consultants (CMG – 177; BHV – 82; Sharp – 37); (March 31, 2024 – CMG – 193; BHV – 97).

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

	Three months ended March 31,			Year ended March 31,		
($ thousands)	**2025**	2024	% change	**2025**	2024	% change
Direct employee costs	**10,838**	11,445	(5%)	**43,724**	38,213	14%
Stock based compensation	**452**	(813)	(156%)	**(2,258)**	(5,735)	(61%)
Adjusted direct employee costs (1)	**11,290**	10,632	6%	**41,466**	32,478	28%

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

For the three months and year ended March 31, 2025, adjusted direct employee costs increased by 6% and 28%, respectively, compared to the same periods of the previous fiscal year. For the three months ended March 31, 2025, the acquisition contributed 20% of the increase, with the remaining 14% decrease primarily due to a decrease in variable compensation and commissions. For the year ended March 31, 2025, acquisitions contributed to 26% of the increase, with the remaining 2% increase due to increased headcount related costs, partially offset by a decrease in variable compensation and commissions.

Other Corporate costs

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

	Three months ended March 31,			Year ended March 31,		
($ thousands)	**2025**	2024	% change	**2025**	2024	% change
Other corporate costs	**7,261**	6,099	19%	**26,634**	19,258	38%
Acquisition-related costs	**(216)**	(186)	16%	**(2,567)**	(1,456)	76%
Amortization of acquired intangible assets	**(1,375)**	(664)	107%	**(3,709)**	(1,501)	147%
Adjusted other corporate costs(1)	**5,670**	5,249	8%	**20,358**	16,301	25%

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

For the three months and year ended March 31, 2025, adjusted other corporate costs increased by 8% and 25%, respectively, compared to the same periods of the previous fiscal year. For the three months ended March 31, 2025, the Sharp acquisition contributed 22%, while the remaining 14% decrease in other corporate costs is primarily attributable to a decrease in professional service costs. For the year ended March 31, 2025, the acquisitions contributed 25%, while the remaining costs remained flat year over year.

FOREIGN EXCHANGE

The Company is impacted by foreign exchange fluctuations, as 77% of our revenue for year ended March 31, 2025 (2024 – 79%) is denominated in US dollars, whereas only 52% (2024 – 46%) 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 March 31, 2025, 2024 and 2023 and the average exchange rate used to translate income statement expense items during the three and year ended March 31, 2025, 2024 and 2023:

CDN$ to US$	At March 31	Yearly average
2023	0.7383	0.7980
2024	0.7384	0.7407
2025	**0.6967**	**0.7168**

The Company recorded a foreign exchange loss of ($1.1 million) and foreign exchange gain of $0.4 million for the three months and year ended March 31, 2025, respectively, due to the weakening of the US dollar during the three months ended March 31, 2025 as compared to the three months ended December 31, 2024, which negatively affected the valuation of the US dollar - denominated portion of the Company’s working capital, as compared to the strengthening during the year-ended March 31, 2025, which had a positive impact.

INCOME AND OTHER TAXES

Our consolidated effective tax rate for the three months ended March 31, 2025 is 27.1% (2024 – 25.5%), 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 due to the non-tax deductibility of stock-based compensation expense and the benefit of certain foreign withholding taxes being realized only as a tax deduction as opposed to a tax credit.

The benefit recorded in CMG Group’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.

SELECTED ANNUAL INFORMATION

($ thousands, unless otherwise stated)	**March 31, 2025**	March 31, 2024	March 31, 2023
Annuity/maintenance licenses	**77,525**	71,530	59,690
Annuity license fee	**9,280**	5,146	-
Recurring revenue(1)	**86,805**	76,676	59,690
Perpetual licenses	**5,617**	5,739	3,240
Total software license revenue	**92,422**	82,415	62,930
Professional service revenue	**37,024**	26,264	10,916
Total revenue	**129,446**	108,679	73,846
Total assets	**204,756**	172,373	137,128
Total non-current liabilities	**50,814**	40,394	38,136
Per share amounts – ($/share)			
Earnings per share – basic	**0.27**	0.32	0.25
Earnings per share – diluted	**0.27**	0.32	0.24
Cash dividends declared and paid	**0.20**	0.20	0.20

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

QUARTERLY PERFORMANCE

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

	Fiscal 2024(2)						**Fiscal 2025**(3)	
($ thousands, unless otherwise stated)	Q1	Q2	Q3	Q4	Q1	Q2	Q3	**Q4**
Annuity/maintenance license	15,607	17,610	18,814	19,661	19,335	18,302	20,452	**19,436**
Annuity license fee	-	-	3,846	1,142	178	71	4,303	**4,728**
Recurring revenue(1)	15,607	17,610	22,660	20,803	19,513	18,373	24,755	**24,164**
Perpetual license	1,849	1,176	584	2,130	2,110	2,149	804	**554**
Total software license revenue	17,456	18,786	23,244	22,933	21,623	20,522	25,559	**24,718**
Professional services revenue	3,292	3,847	9,763	9,358	8,900	8,945	10,214	**8,965**
Total revenue	20,748	22,633	33,007	32,291	30,523	29,467	35,773	**33,683**
Operating profit	9,764	7,726	8,217	8,277	5,666	8,430	11,217	**8,835**
Operating profit Margin (%)	*47%*	*34%*	*25%*	*26%*	*19%*	*29%*	*31%*	***26%***
Net income for the period	6,904	6,516	5,610	7,229	3,964	3,763	9,606	**5,104**
Adjusted EBITDA(1)	9,948	10,718	12,384	10,295	9,527	10,020	13,962	**10,500**
Adjusted EBITDA Margin (1) %	*48%*	*47%*	*38%*	*32%*	*31%*	*34%*	*39%*	***31%***
Free Cash Flow(1)	7,463	11,028	7,290	9,469	5,679	6,096	8,816	**7,017**
Per share amounts – ($/share)								
Earnings per share (EPS) – basic	0.09	0.08	0.07	0.09	0.05	0.05	0.12	**0.06**
Earnings per share (EPS) – diluted	0.08	0.08	0.07	0.09	0.05	0.05	0.12	**0.06**
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	0.14	0.09	0.12	0.07	0.07	0.11	**0.08**
Funds flow from operations per share - basic	0.10	0.14	0.10	0.13	0.08	0.09	0.12	**0.10**

(1) This is a non-IFRS financial measure. See the "Non-IFRS Financial Measures" section.
(2) 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 Group's products in prior quarters.
(3) Q1, Q2, Q3, and Q4 of fiscal 2025 include $1.2 million, $0.5 million, $0.3 million, $0.03 million, respectively, of annuity/maintenance revenue that pertains to usage of CMG Group's products in prior quarters.

The above table illustrates the normal trend in annuity/maintenance license revenue from the beginning of the calendar year (which corresponds with Q4 of our fiscal year), when most renewals occur, to the end of the calendar year (which corresponds with Q3 of our fiscal year). Our fourth quarter corresponds with the beginning of the fiscal year for most oil and gas companies, representing a time when they enter a new budget year and sign/renew their contracts. We anticipate that contract renewals for annuity license fees will occur during the third and fourth quarters when the majority of renewals take place. This seasonality has a similar impact on both operating profit and net income.

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 "Business Risks" section of our MD&A.

LIQUIDITY AND CAPITAL RESOURCES

	Three months ended March 31,				Year ended March 31,			
($ thousands)	**2025**	2024	$ change	% change	**2025**	2024	$ change	% change
Cash, beginning of period	**39,731**	45,183	(5,452)	(12%)	**63,083**	66,850	(3,767)	(6%)
Cash provided by (used in):								
Operating activities	**15,883**	21,409	(5,526)	(26%)	**29,917**	36,077	(6,160)	(17%)
Financing activities	**(4,238)**	(4,037)	(201)	5%	**(13,670)**	(16,381)	2,711	(17%)
Investing activities	**(7,999)**	501	(8,500)	(1,697%)	**(37,961)**	(23,464)	(14,497)	62%
Effect of foreign exchange on cash	**507**	27	480	1,778%	**2,515**	1	2,514	2,51400%
Cash, end of period	**43,884**	63,083	(19,199)	(30%)	**43,884**	63,083	(19,199)	(30%)

At March 31, 2025, the Company had $43.9 million in cash, no borrowings and access to approximately $2.5 million under a line of credit with its principal banker, of which $0.4 million is available for use. The Company's primary non-operating use of cash was for the acquisition of Sharp and dividend payments. Management believes that the Company has sufficient capital resources to meet its operating and capital expenditure needs.

During the year ended March 31, 2025, 43.2 million shares of the Company's public float were traded on the TSX. As at March 31, 2025 the Company's market capitalization based upon its March 31, 2025 closing price of $8.06 was $665.3 million.

OPERATING ACTIVITIES

Cash provided by operating activities decreased by $5.5 million during the three months ended March 31, 2025, compared to the same period of the previous fiscal year due to the decrease in funds flow from operations of $2.1 million, mainly due to lower revenue in the quarter, and the change in non-cash working capital of $3.4 million, mainly due to changes in accounts receivable and deferred revenue balances.

Cash provided by operating activities decreased by $6.2 million during the year ended March 31, 2025, compared to the same period of the previous fiscal year. Funds flow from operations decreased by $6.5 million from the previous fiscal year, offset by $0.3 million of changes in non-cash working capital.

FINANCING ACTIVITIES

Cash used in financing activities increased by $0.2 million during the three months ended March 31, 2025, compared to the same period of the previous fiscal year. The increase is primarily due to an increase in the repayment of lease liabilities, partially offset by an increase in proceeds received from the issuance of common shares.

Cash used in financing activities decreased by $2.7 million during the year ended March 31, 2025, compared to the same period in the previous fiscal year. The decrease in cash used is primarily attributable to an increase in the proceeds from the issuance of common shares related to option exercises, and last year's repayment of the acquired line of credit from BHV. In the years ended March 31, 2024, and 2025, CMG Group paid dividends of $16.2 million and $16.4 million respectively, representing a quarterly dividend of $0.05 per share on the Company's common shares.

On May 22, 2025, CMG Group announced the payment of a quarterly dividend of $0.05 per share on the Company's common shares. The dividend will be paid on June 14, 2024, to shareholders of record at the close of business on June 6, 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 months ended March 31, 2025 was primarily impacted by repayment of acquisition holdback payable for both Sharp and Bluware and increased capital asset additions (net of disposals).

The Company's investing activities in the current year consist of the acquisition of Sharp (net of cash acquired) for $27.3 million, the repayment of acquisition holdbacks payable for both Sharp and Bluware, and increased capital asset additions (net of disposals) of $1.4 million, all of which are funded internally. Our capital budget for fiscal 2025 was $1.7 million which was intended to expand our existing compute infrastructure and improve R&D infrastructure to support development initiatives.

FINANCIAL INSTRUMENTS AND OTHER INSTRUMENTS

The Company's financial instruments consist of financial assets which include cash, restricted cash, trade and other receivables, which are classified as and measured at amortized cost, which approximates their fair values, as well as financial liabilities and 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 contingent consideration that was valued using level 3 inputs and recorded at its fair value at March 31, 2024 ($1.5 million). As the initial earn-out period has ended, the acquisition earnout liability has been valued using level 2 inputs at March 31, 2025. Adjustments to the estimated fair value will be recorded in the statement of operations and comprehensive income.

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

The Government loan was measured at fair value at the acquisition date using valuation techniques including discounted cash flows, taking into account market information, market rates of interest, and current conditions in credit markets. At acquisition, the estimated fair value of the Government loan was €1.0 million ($1.5 million) compared to the carrying value of €1.2 million ($1.7 million). The Government loan subsequent to the acquisition date is measured at amortized cost using the effective interest rate method. The carrying value of the loan at March 31, 2024 was €1.1 million ($1.6 million).

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

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

At March 31, 2024, the fair value of contingent consideration was measured using a discounted cash flow analysis of expected cash flows in future periods. A 1% change in the discount rate would increase the Company's determination of fair value by approximately $0.2 million as at March 31, 2024.

There were no transfers between the levels in the fair value hierarchy, other than the acquisition earnout liability, during the year ended March 31, 2025 and 2024.

Overview:

The Company is exposed to risks of varying degrees of significance and likelihood, which could affect its ability to achieve its strategic objectives for growth. The main objectives of the Company's risk management process are to ensure that risks are properly identified and that the capital base is adequate in relation to those risks. The principal financial risks to which the Company is exposed are described below:

(a) Credit Risk

Credit risk is the risk of an unexpected loss if a customer or third party to a financial instrument fails to meet its contractual obligation and arises principally from the Company's trade and other receivables. The amounts reported in the statements of financial position for trade receivables are net of expected credit losses, estimated by the Company's management based on prior experience and their assessment of the current economic environment.

The Company's trade receivables consist primarily of balances from customers operating in the oil and gas industry, both domestically and internationally, as the Company sells its products and services in approximately 60 countries worldwide. Some of these countries have greater economic and political risk than experienced in North America, and as a result there may be greater risk associated with sales in those jurisdictions. The Company manages this risk by invoicing for the full license term in advance for the majority of software license sales and by invoicing as frequently as the contract allows for consulting and contract research services. In cases where collectability is not deemed probable, revenue is recognized upon receipt of cash, providing all other criteria have been met. Historically, the Company has not experienced any significant losses related to individual customers or groups of customers in any particular geographic area. At March 31, 2025, the Company assessed credit risk related to its accounts receivable and established an allowance for doubtful accounts of $0.1 million (2024 – $0.5 million). In fiscal 2025, most of the allowance for doubtful accounts related to receivables from customers located in geopolitically unstable countries.

As at March 31, 2025, the Company has a concentration of credit risk with 5 customers which have an outstanding balance of 5% or more of total trade and accrued receivables. These 5 customers represent 51% of total trade and accrued receivables (2024 – 4 customers; 51%).

The carrying amount of trade and other receivables represents the maximum credit exposure. The maximum exposure to credit risk at March 31, 2025 was $41.5 million (2024 – $36.5 million). The aging of trade and other receivables at the reporting date was:

(thousands of $)	**March 31, 2025**	March 31, 2024
Current	**29,007**	14,942
31-60 days	**6,792**	13,730
61-90 days	**490**	5,615
Over 90 days	**5,168**	2,263
Balance, end of year	**41,457**	36,550

The Company assesses the creditworthiness of its customers on an ongoing basis and regularly monitors the amount and age of balances outstanding. Payment terms with the majority of customers are 30-90 days from invoice date; however, industry practice can extend these terms. Accordingly, the Company views the credit risk on these amounts as normal for the industry.

The Company minimizes the credit risk of cash by depositing only with a reputable financial institution in highly liquid interest-bearing cash accounts.

(b) Market Risk

i. Foreign Exchange Risk

The Company operates internationally and primarily prices its products in either the Canadian or US dollar. This gives rise to exposure to market risks from changes in the foreign exchange rates between the Canadian and US dollar. Approximately 77% (2024 – 79%) of the Company's revenues for the year ended March 31, 2025 were denominated in US dollars, and at March 31, 2025, approximately US $50.4 million (2024 – US $53.3 million) of the Company's working capital was denominated in US dollars. The Company currently does not use derivative instruments to hedge its exposure to those risks, but since approximately 52% (2024 – 46%) of the Company's total costs are also denominated in US dollars, they provide a partial economic hedge against the fluctuation in this currency exchange.

The Company's operations are exposed to currency risk on US-dollar denominated financial assets and liabilities with fluctuations in the rate recognized as foreign exchange gains or losses in the consolidated statement of operations and comprehensive income. It is estimated that a one cent change in the US dollar would result in a net change of approximately $0.4 million to equity and net income for the year ended March 31, 2025. A weaker US dollar with respect to the Canadian dollar will result in a negative impact, while the reverse would result from a stronger US dollar.

ii. Interest Rate Risk

The Company has significant cash balances and $1.6 million of interest-bearing debt from an acquired government loan. The Company's policy is to invest excess cash in interest-bearing deposits and/or guaranteed investment certificates issued by a reputable financial institution. The Company is exposed to interest cash flow risk from changes in interest rates on its cash balances. Based on the March 31, 2025 cash balance, each 1% change in the interest rate on the Company's cash balance would change equity and net income for the year ended March 31, 2025 by approximately $0.3 million.

(c) Liquidity Risk

Liquidity risk is the risk that the Company is not able to meet its financial obligations as they fall due or can do so only at excessive cost. The Company manages liquidity risk through the management of its capital structure as outlined in note 19 of the audited consolidated financial statements. The Company's growth is financed through a combination of the cash flows from operations and its cash balances on hand. Given the Company's available liquid resources as compared to the timing of the payments of its liabilities, management assesses the Company's liquidity risk to be low. The Company monitors its expenditures by preparing annual budgets that are periodically updated. The company's trade payables are due within one year. At March 31, 2025, the Company has significant cash balances in excess of its obligations and approximately $0.4 million of the line of credit available for its use.

COMMITMENTS, OFF BALANCE SHEET ITEMS AND TRANSACTIONS WITH RELATED PARTIES

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

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

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

During the year ended March 31, 2025, Shell exercised its right to terminate the CoFlow Agreement one year prior to the original five-year anniversary.

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 March 31, 2025:

(thousands of $)	Undiscounted lease liability payments	Operating costs and short-term leases	Total commitments
Less than one year	4,102	1,484	5,586
Between one and five years	16,488	5,197	21,685
More than five years	28,785	7,983	36,768
	49,375	14,664	64,039

As at March 31, 2025, the Company has an off-balance sheet line of credit with its principal banker. For more information on this line of credit, refer to note 22 of the 2025 audited consolidated financial statements.

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 more information on these transactions and Key Management Personnel Compensation, refer to note 24 of the 2025 audited consolidated financial statements.

OUTSTANDING SHARE DATA

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

As at May 22, 2025 (thousands)	
Common shares	82,540
Stock options	3,553
Restricted share units[1]	146
Performance share units[1]	109

(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 May 22, 2025, CMG Group could reserve up to 8,254,002 common shares for issuance under its security-based compensation plans.

BUSINESS RISKS

CMG Group's activities expose it to a variety of business risks, such as:

Commodity Price Risk

The Company's customers are primarily oil and gas companies, and the Company depends on its customers' capital and operating spending budgets. Commodity price volatility and changing economic conditions could adversely affect the Company's customers' budgets, which could negatively affect demand for the Company's products and the Company's financial results. Additionally, sales of perpetual licenses, which require a relatively higher initial outlay, may decrease in favour of leasing software on a term basis. Volatility in commodity prices could also have an impact on the Company's professional services business

Demand for Seismic Data

The Company's ability, to generate revenue, EBITDA, free cash flow and earnings from seismic software licencing depends on the demand for seismic data from its oil and gas, and energy customers over geological plays and areas that such customers focus on in a given period. Activity in such plays and areas depends on commodity prices, clients' budgets, geological understanding, advances in drilling technology, government fiscal and regulatory regimes, and access to processing and pipeline capacity, all of which are beyond the Company's control. The Company will continue to diversify its operations and revenue streams, to reduce any potentially negative impact on any particular revenue stream.

Credit and Liquidity Risks

The Company's product demand is dependent on its clients' overall spending plans, which are driven by commodity prices and the availability of capital. The Company's accounts receivable balances are with clients involved with the oil and gas industry. During times of depressed oil and gas markets, our clients may experience financial constraints. While we monitor our exposure to credit risk, lack of payment from multiple clients may have a material adverse effect on the Company's financial condition. Furthermore, inflationary pressures, to the extent applicable, increase debt servicing costs for our customers and potential customers putting a further strain on cash flows, capital spending budgets and business expansion activities. The Company mitigates the collection risk by closely monitoring its accounts receivable and assessing creditworthiness of our clients. We have not had any material losses to date. In terms of liquidity, the Company held $43.9 million of cash at March 31, 2025, which more than covers its obligations, and it has approximately $0.4 million of the credit facility available for its use. Our cash is held with reputable banking institutions. For the described reasons, we believe that our liquidity risk is low.

Sales Variability Risk

While the Company's software license revenue consists primarily of annuity/maintenance software licensing and annuity license fees, which are generally for terms of one year or less, a smaller portion of the Company's software license revenue consists of perpetual software licensing. Perpetual software licensing means that the client purchases a current version of certain software and obtains the right to use that version in perpetuity. Software licensing under perpetual sales comprised 6% to 7% of the Company's total software licensing revenue over the last two fiscal years but is more variable in nature as the purchase decision and timing fluctuate with customers' needs and budgets.

The Company has found that a number of customers prefer to acquire perpetual software licenses rather than leasing the software on an annual basis. The Company's experience is that a number of these customers are purchasing additional licenses to allow more users to access the Company's technology in their operations. The Company has found that a large percentage of its clients who have acquired perpetual software licenses are subsequently purchasing maintenance licenses to ensure they have access to current technology.

The variability in sales of perpetual licenses may cause significant fluctuations in the Company's quarterly and annual financial results, and these results may not meet the expectations of investors. Accordingly, the Company's past results may not be a good indication of its future performance.

Our customers are both domestic and international oil and gas companies, and for the year ended March 31, 2025, one customer comprised 22% of the Company's total revenue (year ended March 31, 2024 – one customer 20%). As we grow our revenue and expand our market segments, we will continue to diversify its customer base and reduce our reliance on one customer.

Customer Risk

The Company has a large customer base, however one single customer accounted for 22% of the consolidated revenues of the Company this fiscal year. Notwithstanding, the loss of one or more major customers, further consolidation in the industry, or a reduction in the amount of business the Company conducts with any of its major customers, could have a significant impact on the Company's revenue if not offset by obtaining new customers or increasing the amount of business it conducts with existing customers.

To increase its revenue and achieve and maintain profitability, the Company must regularly add new customers or sell additional technologies and services to its existing customers. Numerous factors, however, may impede its ability to add new customers and sell additional technologies and services to its existing customers, including its inability to convert companies that have been referred to the Company by its existing network into paying customers, failure to attract and effectively train new sales and marketing personnel, failure to retain and motivate its current sales and marketing personnel, failure to develop relationships with partners or resellers and/or failure to ensure the effectiveness of its marketing programs. In addition, if prospective customers do not perceive its technologies and services to be of sufficiently high value and quality, it will not be able to attract the number and types of new customers that it is seeking.

As we grow our revenue and expand our market segments, we will continue to diversify its customer base and reduce our reliance on one customer.

Foreign Exchange Risk

The Company's reported results are affected by the exchange rate between the Canadian dollar and the US dollar as approximately 77% (2024 – 79%) of its revenues in the fiscal year ended March 31, 2025 are denominated in US dollars. Approximately 52% (2024 – 46%) of the Company's costs in the fiscal year ended March 31, 2025 are denominated in US dollars and provide a partial economic hedge on revenues, against the fluctuation in currency exchange between the US and the Canadian dollar.

Geopolitical Risk

The Company sells its products and services in approximately 60 countries and maintains offices in Canada, the US, the United Kingdom, Norway, the United Arab Emirates, Colombia, India, Brazil, Germany and Malaysia. Some of these countries have greater economic, political and social risks than North America. Some of those risks include:

- costs associated with the use of foreign agents and contractors;
- difficulties in collecting accounts receivable;
- currency restrictions and exchange rate fluctuations;
- the burdens of complying with a wide variety of foreign laws;
- changes in laws governing existing operations and contracts;
- changes to taxation policies dramatically increasing tax costs to the Company;
- possible social, labour, political, and economic instability, including the war in Ukraine;
- economic and legal sanctions (including with respect to the economic sanctions on Russia as a result of the war in Ukraine); and
- non-compliance with applicable anti-corruption and bribery laws.

There is material uncertainty about the extent to which the above risks will continue to impact economic and financial affairs, as the numerous issues arising from the conflict are in flux and there is the potential for escalation of the conflict both within Europe, the Middle East and globally. Any disruption in our ability to complete a sales cycle, including disruption of travel to clients' locations to provide training and support, and the cost of reorganizing daily activities of foreign operations, could have an adverse effect on our business, financial condition and operational results. We mitigate the potential adverse effect on sales by invoicing for the full license term in advance for the majority of software license sales and by invoicing as frequently as the contract allows for consulting and contract research services. In addition, we consults with tax advisors on complex tax issues and engages professional tax firms to review its tax filings in foreign jurisdictions. The Company closely monitors the business and regulatory environments of the countries in which it conducts operations to minimize the potential impact on costs and operations.

Non-compliance with applicable anti-corruption and bribery laws could subject the Company to onerous penalties and the costs of prosecution. We have established business practices and internal controls to minimize the potential occurrence of any irregular payments. In addition, the Company has established well-defined anti-corruption and bribery policies and procedures that each employee and contractor is required to sign indicating their compliance.

Tariff Risk

New tariffs and evolving trade policy between the United States and other countries, including Canada, may have an adverse effect on our business and results of operations. There is currently significant uncertainty with respect to trade policies, treaties, government regulations and tariffs. Any imposition of tariffs, counter tariffs or surtaxes between nations could negatively impact the Company's operations and financial health, raise operational costs, and diminish our ability to offer competitive pricing. These factors could also lead to reduced client spending and lower market demand. As of the date of this document, the extent and duration of such tariffs is unclear and the potential impact of these tariffs on the Company's operations remains uncertain.

Competition Risk

Competition is a risk for the Company as it is for almost every company in every sector. The reservoir software space currently consists of three major suppliers (including the Company) and a number of small suppliers. Some of the other suppliers offer products or oil field services outside the scope of reservoir simulation. Some potential customers may prefer to deal with such multi-service suppliers, while others prefer an independent supplier, such as the Company.

Increased consolidation in the oil and gas industry can result in a concentration of market share and reduced licensing of our products. If the Company's clients acquire or merge with entities which are not using the Company's products but begin to, such consolidation may have a positive impact on the Company. However, in most cases, consolidation leads to reduced engineering teams and spending to drive post-acquisition synergies, which leads to reduced licensing of the Company's products and reduced software licensing revenue.

Although competition is very active, the Company believes that its proven technology and the comprehensive scope of its products, combined with its international presence and recognition as a major independent supplier, provide distinct competitive advantages.

Sustaining competitive advantage is another issue, which the Company addresses by making a significant ongoing commitment to research and development spending.

The introduction by competitors of products embodying new technology and the emergence of new industry standards and practices could render the Company's products obsolete and unmarketable and could exert price pressures on existing products, which could have negative effects on the Company's business, operating results and financial condition.
Any new product or service the Company develops could require long development and testing and may not be introduced in a timely manner or may not achieve the broad market acceptance necessary to generate significant revenue. The Company also continues to face the challenge of the increasingly complex integration of its products to address customers' requirements. If the Company is unable to successfully develop new products, or enhance and improve existing products, or if it fails to position and/or price its products to respond on a timely basis to the changing needs of its client base, then its business, operating and financial results will be adversely affected.

The competition in the reservoir simulation market has been increasing as existing and new competitors enhance and expand their products and service offerings. While switching costs for customers remain high, some competitors could facilitate switching or offer incentives for switching, which would have a negative impact on the Company's revenue. Some competitors have greater name recognition and significantly greater financial, technical, sales, marketing and other resources. Competitors may offer lower prices, additional products or services, or other incentives that the Company cannot match or offer. Increased competition could result in pricing pressure, reduced sales, loss of market share, lower margins or other adverse effects on the business.

The Company's continuing ability to address these risks will depend, to a large extent, on its ability to retain a technically competent research and development staff and to adapt to technological advances in the industry. There is a significant barrier for new entrants into the reservoir simulation and seismic interpretation software industry. The cost of entry is substantial as a significant investment in research and development is required. In addition, to become a major supplier, a significant time investment is required to build up quality relationships with potential customers.

Our financial position allows us to grow in other product categories to provide a deeper offering to our customer base.

We seek to develop and offer high-value solutions that can be implemented with relative ease. We believe our products have advantages over many of our competitors including, but not limited to, leadership in modelling of difficult processes; exceptional customer training and support, and quality and performance such as speed, flexibility, functionality and ease of use leadership in modelling of difficult processes, exceptional customer support and training, and functionality and ease of use.

Qualified Personnel Risk

The Company's continued success is substantially dependent on the performance of its key employees and officers. The loss of the services of qualified personnel as well as failure to attract additional key personnel could have a negative impact upon the Company's business, operating results and financial condition. As a result of more flexible working arrangements, employees have more options when looking for employment, because they can work remotely for employers located in other provinces or countries. Consequently, employers find themselves competing for talent not only locally, but with other employers from around the world. Due to high levels of competition for qualified personnel, there can be no assurance that the Company will be successful in retaining and attracting such personnel. The Company attempts to overcome this by offering an attractive compensation package and providing an environment that provides the intellectual and professional stimulation sought by our employee group.

Intellectual Property Risk

The Company regards its software as proprietary and attempts to protect it with copyrights, trademarks and trade secret measures, including restrictions on disclosure and technical measures. Despite these precautions, it may be possible for third parties to copy the Company's programs or aspects of its trade secrets. The Company's existing patents, patent applications and legal and technical precautions provide only limited practical protection. The Company could incur substantial costs in protecting and enforcing its intellectual property rights. Moreover, from time to time, third parties may assert patent, trademark, copyright and other intellectual property rights to technologies that are important to the Company. In such an event, the Company may be required to incur significant costs in litigating a resolution to the asserted claim. There can be no assurance that such a resolution would not require that the Company pay damages or obtain a license of a third party's proprietary rights in order to continue licensing its products as currently offered, or, if such a license is required, that it will be available on terms acceptable to the Company.

We are not aware of any infringement of any third party's patent rights, copyrights, trade secrecy rights or other intellectual property disputes in the development or support of its products.

Cyber Risk

The Company is dependent on information technology ("IT") infrastructure to process, transmit and store electronic information, to advertise, inform and train around the Company's products and services, to manage business operations and for the functioning and/or delivery of the Company's products and services. The Company's IT infrastructure is composed of hardware, software, networks, data centre facilities, web servers, and all related equipment.

Natural disasters, energy blackouts, operating malfunction, viruses or malware, cyber security attacks, theft, computer or telecommunication errors, human error, internal or external misconduct or other unknown disruptive events could result in the temporary or permanent loss of any or all parts of the Company's IT infrastructure. Any such incident or breach could create system disruptions and slowdowns or could result in the loss of potential sales and existing clients. In such an event, the information stored in the Company's IT infrastructure could be accessed, publicly disclosed, lost, or stolen, which could subject the Company to liability and cause the Company to incur significant costs associated with remediation efforts and recovery activities. As the Company's operational success places significant reliance on intellectual property and proprietary business data, such occurrences could cause negative publicity, loss of sales, and litigation, affect the Company's business and financial results, and harm the Company's reputation.

To date, the Company has not experienced any material losses relating to cyber attacks or other information security breaches.

The Company’s cyber risk oversight is conducted by the audit committee of the Board (the “Audit Committee”).

Evolving Laws and Regulation

The Company’s website and operations collect some user information, including personal information. The website is not used for e-commerce transactions, and we neither receives nor retains financial information from its website users. Our products are not known to have any security vulnerabilities and are engineering decision-making tools and are not employed in a cyber security (mitigation or defensive) role, as part of its clients’ IT infrastructure. The Company’s software releases are scanned for software viruses and malware, confirming a lack thereof, prior to delivery to clients.

Companies that use, transmit or store data are increasingly becoming subject to legislation and regulations in numerous jurisdictions. Privacy and data protection laws are constantly evolving and there is a risk that these laws may be interpreted and applied in conflicting ways from country to country. Because the Company’s products and services are sold worldwide, certain jurisdictions may claim that it is required to comply with such laws and may cause us to incur additional costs. The Company could also be affected if legislation or regulations are expanded to require changes in its products, services or business practices.

General State of the Economy Risk

Our business is affected by general economic conditions, including international, national, regional and local economic conditions, all of which are outside of our control. Recent events in the financial markets have demonstrated that businesses and industries throughout the world are closely connected to each other. As a result, financial developments seemingly unrelated to us or to our industry may materially adversely affect us over the course of time. Economic slowdowns or downturns, weak economic conditions or recessions, cyclical trends, increases in interest rates, variations in currency exchange rates, reduced client spending, employment levels, lower than expected job growth, labor shortage, the general health of the economy and other factors could have a material adverse effect on our business, prospects, financial condition and results of operations. Although our operations are functionally and geographically diversified, significant erosion in levels of activity in any segment in which we operate could have a negative impact on our business, prospects, financial condition and results of operations.

Refer to discussion above under Commodity Price Risk, Credit and Liquidity Risks, and Inflation Risk for the mitigation of these risks which addresses the overall economic risk.

Tax Liability Risk

The Company is subject to taxes in several jurisdictions around the world. Significant judgment is required in determining the Company’s worldwide liability for income, indirect and other taxes, as well as potential penalties and interest. Although management believes that all expenses and tax credits claimed by the Company, including research and development expenses and foreign tax credits, are reasonable, deductible and have been correctly determined, tax authorities may disagree with the treatment of items reported by the Company, the result of which could have a material adverse effect on its financial condition and results of operations.

The Company conducts operations worldwide through subsidiaries in various tax jurisdictions pursuant to transfer pricing arrangements with its subsidiaries. If two or more affiliated companies are located in different countries, the tax laws or regulations of each country generally will require that transfer prices be the same as those between unrelated companies dealing at arm’s length. While the Company believes that it operates in compliance with applicable transfer pricing laws and intends to continue to do so, a tax authority in one or more jurisdictions could challenge the validity of the Company’s related-party transfer pricing methodologies, which could result in adjustments in favor of the taxing authority.

Environmental, Social, and Governance (ESG) Risks

There is an increased expectation by various stakeholders to address social, sustainability and environmental challenges, including but not limited to: (i) addressing climate change, (ii) upholding fundamental human rights and promoting a fair and inclusive work environment; and (iii) demonstrating exemplary governance in managing ESG risk. As a result, new ESG standards, regulations and trends have been rapidly evolving over the past few years. An inability to manage this risk can result in higher costs of capital, regulatory compliance and disclosures.

We are making efforts toward reducing our carbon footprint, promoting social initiatives and implementing strong governance policies. If our initiatives do not meet the expectations of various stakeholders or satisfy regularly evolving regulations, standards and trends, there could be a material adverse impact on our operations. This could be in the form of lost revenues, loss of market share, negative publicity, damage to our reputation, regulatory penalties and/or fines, decreased attractiveness to investors and key personnel, as well as significant operating costs, each of which could have a material adverse effect on the Company’s business, financial condition and results of operations.

Further, reducing climate change and the environmental impacts of industry have become the subject of increased focus by stakeholders and governments. Environmental concerns may result in environmental taxes, charges, regulatory schemes, assessments or penalties that affect our clients, particularly those in sectors which are otherwise sensitive to climate change legislation and regulation. Our clients could suffer increased costs and decreased demand for their products and services, which could lead them to reduce costs and the use of our services.

We continue to monitor ESG standards and implementation of ESG disclosure as required by the IASB.

To the extent required, we involves external experts in the discussion and evaluation of these risks to ensure the Company understands the nature and implications of any potential disclosure and planning initiatives undertaken to comply with disclosure standards.

Climate Change Risk

The recent shift toward public and government support of climate change initiatives, such as emission reduction targets, clean energy standards, and alternative energy incentives and mandates, could impact the demand for hydrocarbons in Canada and around the world. Our clients are predominantly oil and gas exploration and production companies; therefore, increasing environmental regulations, taxes, laws or penalties could reduce oil and gas producers' cash flow by way of reduced demand, increased capital expenditures and increased operating expenses, as well as increased delays, costs or legal hurdles, which may not be recoverable in the marketplace. Such regulation changes include, but are not limited to, curtailment rules, new climate change regulations and the implementation of the *Canadian Energy Regulator Act*. The complexity and breadth of changes in environmental regulation make it extremely difficult to predict the potential impact to the Company; however, it is possible to conclude that these developments and future developments in the energy sector could adversely impact the demand for the Company's products.

Extreme Climatic Conditions

Climate change may increase the frequency of severe weather conditions and natural disasters, such as flooding and forest fires, shifts in temperature and precipitation, and changing sea levels. The Company's major customers are oil and gas exploration and production companies, and the operations of these customers can be affected by extreme weather, which can threaten their assets and available cash. This may result in cessation or diminishment of production or implementation of new projects, which can affect the demand for the Company's products and adversely affect the Company's financial results. Our client base is well diversified geographically with customers in more than 60 countries.

Energy Transition

In addition to emissions regulations and the physical risks of climate change, climate-related energy transition risks could have a material adverse effect on the Company's business, financial condition and results of operations, and could adversely impact the Company's reputation. For example, increased public opposition to companies in the oil and gas sector could lead to constrained access to insurance, liquidity and capital and changes in demand for the Company's products, which may impact its revenue. Increasing pressure by the Company's clients to develop new technologies to help such clients reduce the intensity of the clients' operations and emissions could require significant capital investment in research and development.

Certain of our existing technology has differentiating capabilities built into its software products that can also be directly applied to the energy transition needs of its customers.

Revenue from Energy Transition

Revenue from energy transition, particularly carbon capture and storage ("CCS"), has been growing over the past several years. Various governments have implemented policies and funding to promote the adoption of CCS as part of their climate change initiatives and our CCS customers rely on government grants to subsidize their CCS projects.

Our CCS clients are exposed to risk of regulatory uncertainty surrounding CCS policies and funding. Reduced support and funding by the governments may affect the cost and timeline of CCS projects and have a negative impact on the Company's revenue derived from CCS customers. Revenue from energy transition, particularly carbon capture and storage ("CCS"), has grown over the past several years. Various governments have implemented policies and funding to promote the adoption of CCS as part of their climate change initiatives and our CCS customers rely on government grants to subsidize their CCS projects.

Our CCS clients are exposed to risk of regulatory uncertainty surrounding CCS policies and funding. Reduced support and funding by the governments may affect the cost and timeline of CCS projects and have a negative impact on the Company's revenue derived from CCS customers.

Inflation Risk

Inflation rates in the jurisdictions in which the Company operates have continued to increase. General inflationary pressures, may affect the Company's labour and other input costs and such pressures may or may not be transitory. As nearly 70% of the Company's costs relate to its people, wage inflation could affect the Company's ability to retain qualified staff and may also impact the Company's succession planning. Any continued upward trajectory in the inflation rate for the Company's inputs may have a material adverse effect on the Company's operating and capital expenditures for the development of its projects as well as its financial condition and results of operations.

Acquisition Risk

The Company's growth strategy partly depends on our ability to obtain additional technologies and complementary product lines through selective acquisitions and strategic investments. There is no assurance that we will find suitable companies to acquire or be successful in completing such acquisitions.

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

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

Artificial Intelligence Risk

Our predictive analytics and AI offerings may be subject to increased legal and regulatory risks, as jurisdictions around the world begin to introduce laws and regulations relating to the use of Artificial Intelligence ("AI"). The interpretation of these laws and regulations is constantly evolving. There is a risk that these laws may be interpreted and applied in conflicting ways from country to country. Many of these current and proposed laws and regulations, including the EU *AI Act* and Canada *Artificial Intelligence and Data Act* (AIDA), contain detailed requirements regarding the use of AI and require internal accountability and governance frameworks. Complying with these varying international requirements could cause us to incur additional costs and change our business practices.

We could be adversely affected if laws or regulations are expanded to require changes in our products or business practices, if governmental authorities in the jurisdictions in which we do business interpret or implement their laws or regulations in ways that negatively affect our business or if clients or other parties allege that their information was misappropriated in the delivery of an AI solution. This could reduce the demand for our products if we fail to design or enhance our products and third party suppliers management procedures to comply, and enable our clients and suppliers to comply, with the AI measures required in relevant jurisdictions. Additionally, AI offerings that require data sets to train our AI models are impacted by availability of such data, including customer data where applicable. AI driven offers also introduce new risks such as model risk, explainability, transparency, bias, intellectual property, hallucinations, and others risks. These risks can have material impact on the performance of our AI offers.

The Company's management and Board monitor these risks on a quarterly basis and discusses strategies to deal with these risks (along with all other identified risks of the Company) at its annual strategic planning session. Overall, we are not able to estimate, at this time, the degree to which climate change related regulatory, climatic conditions, and energy transition risks could impact the Company's financial and operating results.

CRITICAL ACCOUNTING ESTIMATES AND JUDGMENTS

The preparation of financial statements requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and the disclosure of contingent assets and liabilities at the dates of the financial statements and the reported amounts of revenues and expenses during the reporting periods. By their nature, these estimates are subject to estimation uncertainty. The effect on the Financial Statements of changes in such estimates in future periods could be material and would be accounted for in the period in which the estimates are revised and in any future periods affected.

Revenue recognition and Determination and Allocation of the Transaction Price

Our contracts with clients often include promises to deliver multiple products, such as licenses and maintenance. Determining whether such bundled products and services are considered i) distinct performance obligations that should be separately recognized or ii) non-distinct and therefore should be combined with another good or service and recognized as a combined unit of accounting may require significant judgment. The determination of the standalone selling prices (“SSP”) for distinct performance obligations can also require judgment and estimates. SSP for a performance obligation in a contract with customers is an estimate of the price that would be charged for the specific product or service if it was sold separately in similar circumstances and to similar customers.

Functional currency

The determination of the functional currency is a matter of determining the primary economic environment in which an entity operates. IAS 21 Effects of Changes in Foreign Exchange Rates (“IAS 21”) sets out a number of factors to apply in making the determination of the functional currency. However, applying the factors in IAS 21 does not always result in a clear indication of functional currency. Where IAS 21 factors indicate differing functional currencies within a subsidiary, the Company uses judgment in the ultimate determination of that subsidiary’s functional currency, including an assessment of the nature of the relationship between the Company and the subsidiary. Judgment was applied in the determination of the functional currency for certain operating entities of the Company.

Property and equipment

We make estimates in determining useful economic lives of property and equipment for the purposes of calculating depreciation.

Professional services revenue

The Company applies estimates when calculating professional services revenue from certain consulting contracts as it relates to remaining labour hours required to complete the contract. Estimates are continually and routinely revised as new information becomes available. In assessing revenue recognition, judgment is also used in assessing the ability to collect the corresponding account receivable. For professional service contracts billed on a fixed price basis, revenue is recognized over time based on the proportion of services performed and completed.

Research and development

We use assumptions in respect to the eligibility of certain research and development projects in the calculation of investment tax credits or other government grants, which are netted against the research and development costs in the statement of operations and comprehensive income. These investment tax credits and government grants are subject to audits by relevant taxation authorities and the actual amount may change depending on the outcome of such audits. This critical accounting estimate impacts CMG and SR, as BHV doesn’t participate in any applicable research of development projects in relevant jurisdictions.

Stock-based compensation

We evaluate and calculate assumptions and estimates used in determining the inputs used in the Black-Scholes option pricing model, including assumptions regarding volatility, dividend yield, risk-free interest rates, forfeiture estimates and expected option lives.

Estimated impairment of goodwill

We account for business combinations using the acquisition method. The excess of the purchase price over the fair value of the identifiable net assets represents goodwill and is allocated to the cash generating units (“CGUs”) expected to benefit from the business combination. Goodwill has an indefinite useful life and is not subject to amortization, however, the carrying value is subject to impairment testing at least once a year, or more frequently if events or changes in circumstances indicate the carrying amount may be impaired. After initial recognition, goodwill is measured at cost less any accumulated impairment losses.

Recoverable amount is the higher of fair value less costs to sell and value in use. In assessing the value in use, the estimated cash flows are discounted to their present value using a post-tax risk adjusted discount rate that reflects current market assessments of the time value of money and risks specific to the asset for which the estimates of future cash flows have not been adjusted. An impairment loss is recognized if the carrying amount of a CGU exceeds its estimated recoverable amount. As a result, any impairment losses are a result of management's best estimates of expected cash flows at a specific point in time. These estimates are subject to measurement uncertainty as they are dependent on factors outside of management's control. In addition, by their nature, impairment tests involve a significant degree of judgment as expectations concerning future cash flows and the selection of appropriate market inputs are subject to considerable risks and uncertainties.

Segment reporting

An operating segment is a component of the Company that engages in business activities from which it may earn revenues and incur expenses, including revenues and expenses that relate to transactions with any of the Company's other components. The operating results of all operating segments are reviewed regularly by the Company's CEO to make operational decisions and assess their performance.

The Company has aggregated its operating segments into a single reportable segment, consistent with the objective and basic principles of IFRS 8. In aggregating these operating segments, there was significant judgment applied with respect to economic similarities, including trends in sales growth and operating cash flows whereby all operating segments are expected to experience similar trends in the long-term.

Intangible Assets

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

The Company utilizes the discounted cash flow methodology which is a form of the income approach that begins with a forecast of the annual cash flows that a market participant would expect the subject intangible asset to generate over a discrete projection period. The forecasted cash flows for each of the years in the discrete projection period are then converted to their present value equivalent using a rate of return appropriate for the risk of achieving the intangible assets' projected cash flows, again, from a market participant perspective. The present value of the forecasted cash flows is then added to the present value of the residual value of the intangible asset (if any) at the end of the discrete projection period to arrive at a conclusion with respect to the estimated fair value of the subject intangible assets. The significant assumptions used to develop the forecasted annual cash flows include forecasted revenue, earnings before interest, tax, depreciation and amortization ("EBITDA"), EBITDA margin, contributory asset charges, and discount rates.

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

Determination of Cash Generating Units ("CGUs")

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

Income Taxes

We operate within multiple international jurisdictions where we are subject to income taxes. In these diverse regulatory environments, complexities often arise regarding the interpretation of tax regulations. Consequently, significant judgment may be required in calculating the provision for income taxes. The results of audits and assessments, and changes in interpretation of the standards may result in a material increase or decrease in CMG Group's assets, liabilities and net income. Deferred income tax liabilities are recognized when there are taxable temporary differences that will reverse and result in a future outflow of funds to a taxation authority. Management's judgement is required to determine the amount that is expected to be settled.

CHANGES IN MATERIAL ACCOUNTING POLICIES AND ESTIMATES

Adoption of Recent Accounting Pronouncements

Amendments to IAS 1 and IFRS Practice Statement 2: Disclosure of Accounting Policies

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 to current at March 31, 2025, because the DSU's can be redeemed by the holders within 12 months after the reporting period and RSU participants that will 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 is reflected in the Company's consolidated statements as at and for the year ended March 31, 2025.

Future Accounting Pronouncements

We have not early adopted any standard, interpretation or amendment that has been issued but is not yet effective.

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.

At March 31, 2025, the Chief Executive Officer ("CEO") and the Chief Financial Officer ("CFO") concluded that the design and operation of the Company's DC&P were effective (in accordance with the COSO control framework (2013)) and that material information relating to the Company, including its subsidiaries, was made known to them and was recorded, processed, summarized and reported within the time periods specified under applicable securities legislation. Further, the CEO and the CFO concluded that the design and operation of the Company's ICFR were effective at March 31, 2025 in order to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with IFRS. It should be noted that while the Company's CEO and CFO believe that the Company's disclosure controls and procedures and internal controls over financial reporting provide a reasonable level of assurance that they are effective, they do not expect that such controls and procedures will prevent all errors and fraud. A control system, no matter how well conceived or operated, can provide only reasonable, not absolute, assurance that the objectives of the control system are met.

During the year ended March 31, 2025, there have been no significant changes to the Company's ICFR that have materially affected, or are reasonably likely to materially affect, the Company's ICFR, except for the matter described below.

Section 3.3(1)(b) of NI 52-109 allows an issuer to limit its design of DC&P and ICFR to exclude controls, policies and procedures of a business that the issuer acquired not exceeding 365 days from the date of acquisition. On November 12, 2024, we completed the acquisition of SR, a privately held software and services company headquartered in Kaiserslautern, Germany. SR's operations have been included in the consolidated financial statements of CMG Group since November 12, 2024. However, we have not had sufficient time to appropriately determine and assess the extent of DC&P and ICFR previously used by SR and integrate them with those of CMG Group. As a result, the certifying officers have limited the scope of their design of DC&P and ICFR to exclude any applicable controls, policies, and procedures of SR (as permitted by applicable securities laws in Canada). Amounts in respect of SR included in CMG Group's consolidated statement of financial position and statement of operations and comprehensive income as at March 31, 2025, are as follows:

(thousands)	
Current Assets	14,836
Total Assets	16,680
Current Liabilities	9,040
Total Liabilities	10,572
Total Revenues	7,526
Net Income (Loss)	(1,162)

Management's Statement of Responsibility

Management is responsible for the accompanying consolidated financial statements and all other information contained in this Annual Report. The consolidated financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS) consistently applied, using management's best estimates and judgments, where appropriate.
Financial information included elsewhere in this report is consistent with the consolidated financial statements.

Management has also prepared the Management's Discussion and Analysis (MD&A). The MD&A is based on the Company's financial results prepared in accordance with IFRS. The MD&A compares the audited financial results for the years ended March 31, 2025 and March 31, 2024.

Management maintains appropriate systems of internal control. Policies and procedures are designed to provide reasonable assurance that transactions are properly authorized, assets are safeguarded and financial records are properly maintained to provide reliable information for the preparation of consolidated financial statements.

KPMG LLP, Chartered Professional Accountants, appointed by the shareholders, have audited the consolidated financial statements in accordance with Canadian generally accepted auditing standards.

The Board of Directors, through its Audit Committee, is responsible for ensuring that management fulfills its financial reporting responsibilities. The Audit Committee reviews the financial content of the Financial Report and meets regularly with management and KPMG LLP to discuss internal controls, accounting and auditing and financial matters. The Committee reports its findings to the Board of Directors for its consideration in approving the consolidated financial statements.

Sandra Balic, CPA, CA,
Vice President, Finance and
Chief Financial Officer

Pramod Jain
Chief Executive Officer

Calgary, Canada
May 22, 2025

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INDEPENDENT AUDITOR'S REPORT

To the Shareholders of Computer Modelling Group Ltd.

Opinion

We have audited the consolidated financial statements of Computer Modelling Group Ltd. (the Entity), which comprise:

- the consolidated statements of financial position as at March 31, 2025, March 31, 2024 and April 1, 2023
- the consolidated statements of operations and comprehensive income for the years ended March 31, 2025 and March 31, 2024
- the consolidated statements of changes in equity for the years ended March 31, 2025 and March 31, 2024
- the consolidated statements of cash flows for the years ended March 31, 2025 and March 31, 2024
- and notes to the consolidated financial statements, including a summary of material accounting policy information

(Hereinafter referred to as the "financial statements").

In our opinion, the accompanying financial statements present fairly, in all material respects, the consolidated financial position of the Entity as at March 31, 2025, March 31, 2024 and April 1, 2023, and its consolidated financial performance and its consolidated cash flows for the years ended March 31, 2025 and March 31, 2024 in accordance with IFRS Accounting Standards as issued by the International Accounting Standards Board.

Basis for Opinion

We conducted our audit in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the ***"Auditor's Responsibilities for the Audit of the Financial Statements"*** section of our auditor's report.

We are independent of the Entity in accordance with the ethical requirements that are relevant to our audit of the financial statements in Canada and we have fulfilled our other ethical responsibilities in accordance with these requirements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Emphasis of Matter – Comparative Information

We draw attention to Note 2(e) to the financial statements ("Note 2(e)"), which explains that certain comparative information presented:

• as at March 31, 2024 has been restated.

• as at April 1, 2023 has been derived from the financial statements for the year ended March 31, 2023 which have been restated (not presented herein).

Note 2(e) explains the reason for the restatement and also explains the adjustments that were applied to restate certain comparative information.

Our opinion is not modified in respect of this matter.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements for the year ended March 31, 2025. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

We have determined the matters described below to be the key audit matters to be communicated in our auditor's report.

Evaluation of the acquisition-date fair value of technology and customer relationship intangible assets acquired through a business combination.

Description of the matter

We draw attention to Note 2(d), Note 3(b) and Note 4(b) of the financial statements. The Entity acquired 100% of the outstanding shares of Sharp Reflections GmbH ("Sharp") for total purchase price consideration of $40.8 million. As a result of the transaction, the Entity acquired technology and customer relationship intangible assets with an acquisition-date fair value of $38.3 million. The Entity used the income approach to value acquired technology and customer relationships. The income approach is a valuation technique that calculates the estimated fair value of an intangible asset based on the estimated future cash flows that the asset can be expected to generate over its remaining useful life. The Entity's significant assumptions in calculating the estimated future cash flows used to determine the acquisition-date fair value of the technology and customer relationships include forecasted revenue, earnings before interest, tax, depreciation and amortization (EBITDA), EBITDA margin, contributory asset charges, and discount rates

Why the matter is a key audit matter

We identified the evaluation of the acquisition-date fair value of technology and customer relationship intangible assets acquired through a business combination as a key audit matter. This matter represented an area of significant risk of material misstatement given the magnitude of the business combination to the Entity and the high degree of estimation uncertainty in determining the fair value of technology and customer relationship intangible assets acquired.

How the matter was addressed in the audit

The primary procedures we performed to address this key audit matter included the following:

We compared Sharp's estimated future cash flows to the Entity's historical actual results. We took into account the changes in conditions and events affecting the cash flows to assess the adjustment or lack of adjustments, made by the Entity in arriving at the estimated future cash flows.

We involved our valuation professionals with specialized skills and knowledge, who assisted in:

- Evaluating the appropriateness of the valuation approach and valuation method used by the Entity to calculate the fair value of the technology and customer relationship intangible assets based on the knowledge of the valuation professional
- Evaluating the appropriateness of the discount rates used, by comparing them against an independent discount rate range developed by our valuation professionals
- Evaluating the appropriateness of the contributory asset charges by comparing the percentage of revenue determined on relevant contributory assets to publicly available data for comparable entities and assessing the resulting contributory asset charge.

Determination of the standalone selling price of revenue performance obligations for annuity agreements containing a software license

Description of the matter

We draw attention to Note 2(d), Note 3(a) and Note 13 to the financial statements. The Entity has recognized revenue of $129.4 million, a portion of which is allocated to software licenses in the contract.

The Entity enters into contracts with customers that often include promises to deliver multiple products, such as licenses and maintenance. Determining whether such bundled products and services are considered i) distinct performance obligations that should be separately recognized or ii) non-distinct and therefore should be combined with another good or service and recognized as a combined unit of accounting may require significant judgment. The determination of the standalone selling prices (SSP) for distinct performance obligations can also require judgment and estimates. SSP for a performance obligation in a contract with customers is an estimate of the price that would be charged for the specific product or service if it was sold separately in similar circumstances and to similar customers.

Annuity agreements include a term-based software license bundled with maintenance. Since the Entity does not sell term-based annuity licenses individually without maintenance and there is no comparable product in the market, there is no observable SSP for term-based software annuity licenses. The Entity allocates the value of bundled annuity agreements between software licenses and maintenance using either the residual approach or the adjusted market assessment approach. When the Entity has an observable SSP for its maintenance performance obligation, the Entity allocates the value of bundled annuity agreements between software licenses and maintenance using the residual approach, by subtracting the SSP of maintenance from the total annuity agreement fee. When the Entity does not have an observable SSP for its maintenance performance obligation, the Entity determines the SSP using the adjusted market assessment approach based on market information and other inputs including the value relationship between maintenance and the term-based software license, the economic life of products, the frequency of product upgrades, and software renewal rates. Based on these allocations, the SSP of both the maintenance and the standalone annuity license each represents 50% of the total annuity agreement fee.

Why the matter is a key audit matter

We identified the determination of the SSP of revenue performance obligations for annuity agreements containing a software license as a key audit matter. Significant auditor judgment was required to evaluate the determination of SSP, specifically, the allocation between maintenance and the standalone annuity license.

How the matter was addressed in the audit

The primary procedures we performed to address this key audit matter included the following:

We evaluated the determined allocation of SSP by comparing current pricing in a selection of customer contracts containing a software license to historical analyses of contract pricing completed by the Entity and pricing observed in the industry.

Other Information

Management is responsible for the other information. Other information comprises:

- the information included in Management's Discussion and Analysis filed with the relevant Canadian Securities Commissions.
- the information, other than the financial statements and the auditor's report thereon, included in a document likely to be entitled "2025 Financial Report".

Our opinion on the financial statements does not cover the other information and we do not and will not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information identified above and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit and remain alert for indications that the other information appears to be materially misstated.

We obtained the information identified above as at the date of this auditor's report. If, based on the work we have performed on this other information, we conclude that there is a material misstatement of this other information, we are required to report that fact in the auditor's report.

We have nothing to report in this regard.

Responsibilities of Management and Those Charged with Governance for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with IFRS Accounting Standards as issued by the International Accounting Standards Board, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Entity's ability to continue as a going concern, disclosing as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Entity or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Entity's financial reporting process.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards will always detect a material misstatement when it exists.

Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.

As part of an audit in accordance with Canadian generally accepted auditing standards, we exercise professional judgment and maintain professional skepticism throughout the audit.

We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion.

  The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Entity's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Entity's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Entity to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

- Communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

- Provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

- Plan and perform the group audit to obtain sufficient appropriate audit evidence regarding the financial information of the entities or business units within the group as a basis for forming an opinion on the group financial statements. We are responsible for the direction, supervision and review of the audit work performed for the purposes of the group audit. We remain solely responsible for our audit opinion.

- Determine, from the matters communicated with those charged with governance, those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our auditor's report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

The engagement partner on the audit resulting in this auditor's report is Neil Badyk.

KPMG LLP

Chartered Professional Accountants

Calgary, Canada
May 22, 2025

Consolidated Statements of Financial Position

(thousands of Canadian $)	**March 31, 2025**	March 31, 2024 (Note 4(a)) Restated Note 2(e)	April 1, 2023 Restated Note 2(e)
Assets			
Current assets:			
Cash	**43,884**	63,083	66,850
Restricted cash	**362**	142	-
Trade and other receivables (note 20a)	**41,457**	36,550	23,910
Prepaid expenses	**2,572**	2,321	1,060
Prepaid income taxes (note 17)	**1,641**	3,841	444
	89,916	105,937	92,264
Intangible assets (note 6)	**59,955**	23,683	1,321
Right-of-use assets (note 7)	**28,443**	29,072	30,733
Property and equipment (note 8)	**10,157**	9,877	10,366
Goodwill (note 4 and note 9)	**15,814**	4,399	-
Deferred tax asset (note 17)	**471**	-	2,444
Total assets	**204,756**	172,968	137,128
Liabilities and shareholders' equity			
Current liabilities:			
Trade payables and accrued liabilities (note 10)	**18,452**	18,551	11,126
Income taxes payable (note 17)	**2,667**	2,136	33
Acquisition holdback payable (note 4(b))	**188**	2,292	-
Acquisition earnout payable (note 4(a))	**3,864**	-	-
Deferred revenue (note 11)	**40,276**	41,120	34,797
Lease liabilities (note 12)	**2,278**	2,566	1,829
Government loan (20)	**310**	-	-
	68,035	66,665	47,785
Lease liabilities (note 12)	**34,668**	34,395	36,151
Stock-based compensation liabilities (note 18(c))	**256**	624	742
Government loan (note 20)	**1,319**	-	-
Acquisition holdback payable (note 4(b))	**1,257**	-	-
Acquisition earnout payable (note 4(a))	**-**	1,503	-
Other long-term liabilities	**212**	305	-
Deferred tax liabilities (note 17)	**13,102**	1,661	-
Total liabilities	**118,849**	105,153	84,678
Shareholders' equity:			
Share capital (note 18)	**94,849**	87,304	81,820
Contributed surplus	**15,460**	15,667	15,471
Cumulative translation adjustment	**4,326**	(367)	-
Deficit	**(28,728)**	(34,789)	(44,841)
Total shareholders' equity	**85,907**	67,815	52,450
Total liabilities and shareholders' equity	**204,756**	172,968	137,128

Subsequent event (note 25)
See accompanying notes to consolidated financial statements.

Approved by the Board

Mark R. Miller
Director

Peter H. Kinash
Director

Consolidated Statements of Operations and Comprehensive Income

Years ended March 31, (thousands of Canadian $ except per share amounts)	**2025**	2024 (Note 2(e))
Revenue (note 13)	**129,446**	108,679
Cost of revenue	**24,940**	17,224
Gross profit	**104,506**	91,455
Operating expenses		
Sales and marketing	**18,617**	14,957
Research and development (note 14)	**30,142**	23,679
General and administrative	**21,599**	18,835
	70,358	57,471
Operating profit	**34,148**	33,984
Finance income (note 16)	**2,968**	3,146
Finance costs (note 16)	**(2,080)**	(1,908)
Change in fair value of contingent consideration (note 20)	**(2,151)**	-
Profit before income and other taxes	**32,885**	35,222
Income and other taxes (note 17)	**10,448**	8,963
Net income	**22,437**	26,259
Other comprehensive income:		
Foreign currency translation adjustment	**4,693**	(367)
Other comprehensive income	**4,693**	(367)
Total comprehensive income	**27,130**	25,892
Net income per share – basic (note 18(d))	**0.27**	0.32
Net income per share – diluted (note 18(d))	**0.27**	0.32
Dividend per share	**0.20**	0.20

See accompanying notes to consolidated financial statements.

Consolidated Statements of Changes in Equity

(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	-	-	-	26,259	26,259
Foreign currency translation adjustment	-	-	(367)	-	(367)
Dividends paid	-	-	-	(16,207)	(16,207)
Shares issued on exercise of stock options (note 18(b))	4,856	(663)	-	-	4,193
Shares issued on redemption of restricted share units (note 18(b))	480	-	-	-	480
Shares issued on redemption of performance share units (note 18(b))	148	-	-	-	148
Stock-based compensation:					
Current period expense (note 18(c))	-	859	-	-	859
Balance, March 31, 2024	87,304	15,667	(367)	(34,789)	67,815
Balance, April 1, 2024	**87,304**	**15,667**	**(367)**	**(34,789)**	**67,815**
Net income	**-**	**-**	**-**	**22,437**	**22,437**
Foreign currency translation adjustment	**-**	**-**	**4,693**	**-**	**4,693**
Dividends paid	**-**	**-**	**-**	**(16,376)**	**(16,376)**
Shares issued on exercise of stock options (note 18(b))	**6,719**	**(1,122)**	**-**	**-**	**5,597**
Shares issued on redemption of restricted share units (note 18(b))	**580**	**-**	**-**	**-**	**580**
Shares issued on redemption of performance share units (note 18(b))	**246**	**-**	**-**	**-**	**246**
Stock-based compensation:					
Current period expense (note 18(c))	**-**	**915**	**-**	**-**	**915**
Balance, March 31, 2025	**94,849**	**15,460**	**4,326**	**(28,728)**	**85,907**

See accompanying notes to consolidated financial statements.

Consolidated Statements of Cash Flows

Years ended March 31, (thousands of Canadian $)	**2025**	2024
Operating activities		
Net income	**22,437**	26,259
Adjustments for:		
Depreciation and amortization of property, equipment, right-of use assets (notes 7 & 8)	**4,756**	4,187
Amortization of intangible assets (note 6)	**3,709**	1,501
Deferred income tax expense (recovery) (note 17)	**(776)**	3,518
Stock-based compensation	**(1,297)**	2,795
Foreign exchange and other non-cash items	**800**	(5)
Change in fair value of contingent consideration (note 20)	**2,151**	-
Funds flow from operations	**31,780**	38,255
Movement in non-cash working capital:		
Trade and other receivables	**(527)**	(6,697)
Trade payables and accrued liabilities	**(818)**	2,618
Prepaid expenses and other assets	**(169)**	(1,183)
Income taxes receivable (payable)	**2,421**	(1,826)
Deferred revenue	**(2,770)**	4,910
Change in non-cash working capital	**(1,863)**	(2,178)
Net cash provided by operating activities	**29,917**	36,077
Financing activities		
Repayment of acquired line of credit	**-**	(2,012)
Repayment of government loan	**(141)**	-
Proceeds from issuance of common shares	**5,597**	4,193
Repayment of lease liabilities (note 12)	**(2,750)**	(2,355)
Dividends paid	**(16,376)**	(16,207)
Net cash used in financing activities	**(13,670)**	(16,381)
Investing activities		
Corporate acquisition, net of cash acquired (note 4)	**(27,292)**	(22,814)
Repayment of acquisition holdback payable	**(9,247)**	-
Property and equipment additions, net of disposals (note 8)	**(1,422)**	(650)
Net cash used in investing activities	**(37,961)**	(23,464)
(Decrease) in cash	**(21,714)**	(3,768)
Effect of foreign exchange on cash	**2,515**	1
Cash, beginning of year	**63,083**	66,850
Cash, end of year	**43,884**	63,083
Supplementary cash flow information		
Interest received (note 16)	**2,605**	3,096
Interest paid (notes 12 and 16)	**1,891**	1,908
Income taxes paid	**11,370**	7,201

See accompanying notes to consolidated financial statements.

Notes to Consolidated Financial Statements

For the years ended March 31, 2025 and 2024.

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 year ended March 31, 2025,, comprise CMG Group and its subsidiaries: Computer Modelling Group Inc., CMG Middle East FZ LLC, CMG Europe Ltd., CMG Collaboration Centre India Private Ltd., and Computer Modelling Group Brazil Solucoes Technoligicas Ltda., (together referred to as "CMG"), and CMG Holdings (USA) Inc., Bluware-Headwave Ventures Inc., Bluware Inc., and Bluware AS, (together referred to as "BHV") and CMGL Services Corporation Inc., CMG Germany GmbH, Sharp Reflections GmbH, Sharp Reflections Inc., Sharp Reflections AS, Sharp Reflections Ltd., (together referred to as "SR" or "Sharp"). The Company is a global software and consulting technology company engaged in both the development and licensing of reservoir simulation and seismic interpretation software. The Company also provides professional services consisting of highly specialized support, consulting, training, and contract research activities.

These audited consolidated financial statements as at and for the year ended March 31, 2025 were authorized for issuance by the Board of Directors on May 22, 2025.

2. Basis of Preparation:

(a) Statement of Presentation:

These consolidated financial statements have been prepared in accordance with IFRS Accounting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB").

(b) Basis of Measurement:

The consolidated 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 consolidated financial statements are presented in Canadian dollars, which is the Company's functional currency. The functional currency of CMG Holdings (USA) Inc., Bluware-Headwave Ventures Inc., Bluware Inc., and Sharp Reflections Inc has been determined to be United States dollar. The functional currency of Bluware AS and Sharp Reflections AS has been determined to be Norwegian Krone. The functional currency of Sharp Reflections Ltd. Is Great British Pound. The functional currency of Sharp Reflections GmbH and CMG Germany GmbH is Euro. All financial information presented in Canadian dollars has been rounded to the nearest thousand.

(d) Use of Estimates, Judgments and Assumptions:

The preparation of financial statements in conformity with IFRS requires management to make judgments, estimates and assumptions that affect the application of accounting policies, the reported amounts of assets, liabilities, revenues and expenses at the date of the financial statements and the reported amounts of revenue, costs and expenses. Estimates and underlying assumptions are based on historical experience and other assumptions that are considered reasonable in the circumstances and are reviewed on an ongoing basis. Actual results may differ from such estimates and it is possible that the differences could be material. Revisions to accounting estimates are recognized in the period in which the estimates are revised and in any future periods affected.

Significant estimates and judgments made by management in the preparation of these consolidated financial statements are as follows:

(i) Contracts with multiple products or services

Contracts with customers often include promises to deliver multiple products, such as licenses and maintenance. Determining whether such bundled products and services are considered i) distinct performance obligations that should be separately recognized or ii) non-distinct and therefore should be combined with another good or service and recognized as a combined unit of accounting may require significant judgment. The determination of the standalone selling prices (“SSP”) for distinct performance obligations can also require judgment and estimates. SSP for a performance obligation in a contract with customers is an estimate of the price that would be charged for the specific product or service if it was sold separately in similar circumstances and to similar customers.

(ii) Professional services revenue

The Company applies estimates when calculating professional services revenue from certain consulting contracts as it relates to remaining labour hours required to complete the contract. Estimates are continually and routinely revised as new information becomes available. In assessing revenue recognition, judgment is also used in assessing the ability to collect the corresponding account receivable. For professional service contracts billed on a fixed price basis, revenue is recognized over time based on the proportion of services performed and completed.

(iii) Intangible Assets

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

The Company utilizes the discounted cash flow methodology which is a form of the income approach that begins with a forecast of the annual cash flows that a market participant would expect the subject intangible asset to generate over a discrete projection period. The forecasted cash flows for each of the years in the discrete projection period are then converted to their present value equivalent using a rate of return appropriate for the risk of achieving the intangible assets' projected cash flows, again, from a market participant perspective. The present value of the forecasted cash flows is then added to the present value of the residual value of the intangible asset (if any) at the end of the discrete projection period to arrive at a conclusion with respect to the estimated fair value of the subject intangible assets. The significant assumptions used to develop the forecasted annual cash flows include forecasted revenue, earnings before interest, tax, depreciation and amortization (“EBITDA”), EBITDA margin, contributory asset charges, and discount rates.

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

(iv) Goodwill and Impairment Testing

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

(v) Determination of Cash Generating Units ("CGUs")

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

(vi) Functional Currency

The determination of the functional currency is a matter of determining the primary economic environment in which an entity operates and the nature of the relationship between the parent company and the subsidiary. The Company uses judgment in the ultimate determination of certain subsidiary's functional currency by assessing the operational factors of the subsidiary.

(vii) Stock-based compensation

Assumptions and estimates are used in determining the inputs used in the Black-Scholes option pricing model, including assumptions regarding volatility, dividend yield, risk-free interest rates, forfeiture estimates and expected option lives (note 18 (c)).

(viii) Deferred taxes

Assumptions and estimates about the amount, utilization and timing of realization and/or settlement of temporary differences as well as the future tax rates that will apply to those differences. Changes in those assumptions and estimates may have a significant impact on the amounts recorded for deferred tax assets and liabilities and could result in amounts different from those initially recorded. Management closely monitors current and potential changes to tax law and bases its information on the best available information at each reporting date.

(e) Change in Classification of Liabilities:

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 March 31, 2025, because the DSU's can be redeemed by the holders within 12 months after the reporting period and RSU participants that will retire will have all RSU units available to settle within 12 months after the reporting period. Therefore, the following classification 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 is reflected in the Company's consolidated statements as at and for the year ended March 31, 2025.

3. Material Accounting Policies

(a) Revenue Recognition:

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

Type of products /service	Nature, timing of satisfaction of performance obligations, significant contract terms
Annuity license revenue - CMG	CMG's annuity agreements include a term-based software license bundled with maintenance. IFRS 15 Revenue from Contracts with Customers ("IFRS 15") requires that the portion of the annuity agreement fee that relates to the software license should be recognized as revenue at the start of the license period, while the remainder should be recognized as maintenance revenue on a straight-line basis over the license period. However, since it is management's practice to honour customers' mid-contract requests to reduce product quantities or license term duration without a penalty and refund or credit a pro-rata share of the agreement fee, software annuity license revenue cannot be recognized upfront and will instead be recognized rateably over the term of the contract. The exception to this practice is certain multi-year agreements with very specific termination clauses that significantly limit the customer's ability to reduce the license term. For these agreements, the software license portion that relates to a non-cancellable period will be recognized upfront, at the start of that particular period of the license contract. The maintenance component of an annuity contract includes customer support and unspecified software upgrades. Maintenance license revenue is recognized on a straight-line basis over the term of the contract, as the Company satisfies its maintenance performance obligation over time. Since the Company does not sell term-based annuity licenses individually without maintenance and there is no comparable product in the market, there is no observable standalone selling price ("SSP") for term-based software annuity licenses. The Company allocates the value of bundled annuity agreements between software licenses and maintenance using the residual approach, by subtracting the SSP of maintenance from the total annuity agreement fee. Based on this calculation, the SSP of maintenance represents 50% of the total annuity agreement fee, leaving 50% to be allocated to the standalone software annuity license.
Annuity license fee revenue – BHV Annuity maintenance revenue	BHV's revenue contracts include combinations of software licenses, upgrades, maintenance and support which are separate performance obligations with differing revenue recognition patterns. Annuity agreements may include a term-based software license, as a single performance obligation and upgrades, maintenance and support services ("maintenance") as a single performance obligation. We allocate the transaction price based on the SSP of the distinct performance obligations. Revenue from the annuity agreement fee that relates to the software license is recognized up front upon delivery at the start of the license term. Revenue from the maintenance component of the contract is recognized on a straight-line basis over the term of the contract, as the maintenance performance obligation is satisfied over time. Since BHV does not sell term-based annuity licenses individually without maintenance and there is no comparable product in the market therefore not an independently observable SSP. BHV also does not sell maintenance individually and therefore does not have an observable SSP for its maintenance performance obligation. Judgment is required to determine the SSP for each distinct performance obligation. BHV determines the SSP using the adjusted market assessment approach based on market information and other inputs including the value relationship between maintenance and the term-based software license, the economic life of products, the frequency of product upgrades, and software renewal rates. Based on this analysis, the SSP of maintenance represents 50% of the total annual contract fee, leaving 50% to be allocated to the software license to be recognized upfront at the start of the license term.

Annuity license fee revenue – SR Annuity maintenance revenue	SR enters into contracts that include combinations of software product licenses, upgrades, and maintenance and support which have differing revenue recognition patterns. Annuity agreements may include a term-based software license, as a single performance obligation and upgrades, maintenance and support services (“maintenance”) as a single performance obligation. We allocate the contract value based on the standalone selling prices of the software license and maintenance. Revenue from the annuity agreement fee that relates to the software license is recognized up front upon delivery of the licensed product, provided an enforceable contract has been received. Revenue from the maintenance component of the annuity license agreement is recognized on a straight-line basis over the term of the contract, as SR satisfies the maintenance performance obligation over time. Since the SR does not sell term-based subscription licenses individually without maintenance that includes the rights to a term software license and maintenance and there is no comparable product in the market, there is no observable standalone selling price (“SSP”) for term-based subscription licenses. SR allocates the value of bundled annual agreements between the software licenses and maintenance using the residual approach. Based on this calculation, the SSP of maintenance represents 50% of the total annual contract fee, leaving 50% to be allocated to the subscription license to be recognized upfront at the start of the license period. This determination considers the value relationship for SR’s products between maintenance and the term-based subscription license, the economic life of products, the frequency of product upgrades, and software renewal rates.
Maintenance license revenue	CMG Group has maintenance agreements which include customer support and unspecified software upgrades, typically of one year or less. Maintenance licenses are purchased by customers who already own a perpetual license and want the additional benefit of customer support and software upgrades. Maintenance license revenue is recognized on a straight-line basis over the term of the contract, as the Company satisfies its maintenance performance obligation over time.
Perpetual license revenue	A perpetual license grants the customer the right to use the then-current version of the software in perpetuity. Perpetual license revenue is recognized at a point in time, upon delivery of the licensed product.
Professional services revenue	Revenue from professional services consists of consulting, training and contract research activities. Revenue arrangements can be based on hourly rates or be fixed fee. Professional services revenue for hourly rate contracts is recognized over time, based on hours incurred. Revenue for fixed-fee contracts is recognized over time using the percentage-of-completion method. The percentage of completion is determined based on the proportion of labour costs incurred to date relative to the total estimated labour costs for the contract. These estimates are reviewed regularly and adjusted as necessary to reflect changes in project scope, timelines or other relevant factors.

Costs to obtain a contract

The Company applies the practical expedient available under IFRS 15 and does not capitalize incremental costs of obtaining contracts if the amortization period is one year or less.

(b) Business Combinations:

Business combinations are accounted for using the acquisition method of accounting when the assets acquired and liabilities assumed meet the definition of a business in accordance with IFRS. The consideration transferred in the acquisition is generally measured at fair value, as are the identifiable net assets acquired. The determination of the fair value assigned to the assets acquired and liabilities assumed requires management to make assumptions and estimates. These assumptions or estimates are inherently uncertain and subject to refinement and could impact the amounts assigned to assets, liabilities and goodwill. Upon the conclusion of the measurement period or final determination of the values of assets acquired or liabilities assumed, whichever comes first, any subsequent adjustments would be recorded to our consolidated statements of income. Any goodwill that arises is tested annually for impairment. Any gain on a bargain purchase is recognized in our consolidated statements of operations and comprehensive income.

Any contingent consideration is measured at fair value at the date of acquisition. If an obligation to pay contingent consideration meets the definition of a financial instrument and is classified as equity, then it is not remeasured, and settlement amount is accounted for within equity. Otherwise, other contingent considerations are remeasured at fair value at each reporting date and subsequent changes in the fair value are recognized in our consolidated statements of operations and comprehensive income.

Acquisition-related costs are included within general and administrative expenses and are accounted for and disclosed if they meet the definition of acquisition-related costs in accordance with IFRS.

(c) Segment reporting:

An operating segment is a component of the Company that engages in business activities from which it may earn revenues and incur expenses, including revenues and expenses that relate to transactions with any of the Company's other components. The operating results of all operating segments are reviewed regularly by the Company's CEO to make operational decisions and assess their performance.

The Company has aggregated its operating segments into a single reportable segment, consistent with the objective and basic principles of IFRS 8. In aggregating these operating segments, there was significant judgment applied with respect to economic similarities, including trends in sales growth and operating cash flows whereby all operating segments are expected to experience similar trends in the long-term.

(d) Property and Equipment:

Property and equipment is recorded at historical cost and depreciated on a straight-line basis over their estimated useful lives as follows:

	Useful life
Computer equipment	3 years
Furniture and equipment	5 years
Leasehold improvements	Over the lease term

(e) Intangible Assets:

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

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

(f) Income Taxes:

Income tax is comprised of current and deferred tax.

Current tax is the expected tax payable or receivable based on taxable profit for the period calculated using tax rates that have been enacted or substantively enacted at the reporting date and includes any adjustments to tax payable in respect of previous years. Prepaid income taxes and current income taxes payable are offset only when a legally enforceable right of offset exists and the prepaid income tax and tax payable arise in the same tax jurisdiction and relate to the same taxable entity.

Deferred tax is recognized on the temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Deferred tax assets and liabilities are measured using the enacted or substantively enacted tax rates expected to apply in the years in which temporary differences are expected to be recovered or settled.

Deferred tax assets and liabilities are offset only when a legally enforceable right of offset exists and the deferred tax assets and liabilities arise in the same tax jurisdiction and relate to the same taxable entity. A deferred tax asset is recognized to the extent that it is probable that future taxable profits will be available against which temporary difference can be utilized. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realized.

(g) Earnings Per Share:

Basic earnings per share is computed by dividing the net income by the weighted average number of common shares outstanding for the period. Diluted per share amounts reflect the potential dilution that could occur if securities or other contracts to issue common shares were exercised or converted to common shares. In calculating the dilutive effect of stock options, it is assumed that proceeds received from the exercise of in-the-money stock options are used to purchase common shares at the average market price during the period.

(h) Stock-Based Compensation:

The Company has a stock option plan, a share appreciation rights plan, a performance share unit, a restricted share unit plan, and a deferred share unit plan, as described in note 18(c).

Stock option plan

Stock options give the holder the right to purchase common shares and are accounted for as an equity-settled plan. The fair value of stock options is determined using the Black-Scholes valuation model as of the grant date and is expensed over the vesting period, with a corresponding increase in contributed surplus. At the end of each reporting period, the Company revises its estimate of the number of options that are expected to vest and recognizes the impact of any revision in the statement of operations and comprehensive income.

Included within the stock option plan, the Company has also issued performance-based stock options that vest and become exercisable when certain share price targets are achieved. As the performance condition is a market condition, the expense is recognized over the expected period needed to achieve the market condition and the estimate related to this expected period is not subsequently revised. Fair value measurement inputs include the target share price, the exercise price of the instrument, expected volatility (based on an evaluation of the Company's historic volatility, particularly over the historic period commensurate with the expected term), expected term of the instruments (based on historical experience and general option holder behavior), expected dividends, and the risk-free interest rate (based on government bonds).

Share appreciation rights plan

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. These awards are remeasured at fair value at each reporting period. Fifty percent of SARs vest on the first-year anniversary from the grant date and then 25% vest on each of the second and third year anniversary dates and expire after five-years. The expense is recognized over the vesting period, with a corresponding adjustment to liabilities, based on the Company's estimate of the number of awards that will eventually vest. When awards are exercised for cash, the cash settlement paid reduces the outstanding liability.

Fair value measurement inputs include the share price on the measurement date, the exercise price of the instrument, expected volatility (based on an evaluation of the Company's historic volatility, particularly over the historic period commensurate with the expected term), expected term of the instruments (based on historical experience and general option holder behaviour), forfeiture rate (based on the Company's historical forfeiture rate), expected dividends, and the risk-free interest rate (based on government bonds).

Performance share unit plan

Performance share unit ("PSUs") settle in cash or have the option to settle in cash or shares are accounted for as cash- settled plans. These awards are remeasured at fair value each reporting period. PSUs cliff-vest at the end of three years, with the vesting multiplier ranging from 0.0 to 2.0 contingent upon achieving certain Company performance criteria. The expense is recognized over the vesting period, with a corresponding adjustment to liabilities, based on the Company's estimate of the number of awards that will eventually vest. When awards are exercised for cash, the cash settlement paid reduces the outstanding liability. When awards are exercised for common shares, the previously recognized liability is recorded to share capital.

Fair value measurement inputs include, estimated performance multiplier (based on forecasted and historical information), share price on measurement date, and expected term of the instruments/forfeiture rate (based on historical experience and general option holder behaviour).

Restricted share unit plan and deferred share unit plan

Restricted share unit ("RSUs") and deferred share unit ("DSU") awards that settle in cash or have the option to settle in cash or shares are accounted for as cash- settled plans. These awards are remeasured at fair value each reporting period. The expense is recognized over the vesting period, with a corresponding adjustment to liabilities, based on the Company's estimate of the number of awards that will eventually vest. When awards are surrendered for cash, the cash settlement paid reduces the outstanding liability. When awards are exercised for common shares, the previously recognized liability is recorded to share capital.

Fair value measurement inputs include the share price on the measurement date and expected term of the instruments/forfeiture rate (based on historical experience and general option holder behaviour). Service and non-market performance conditions attached to the units are not taken into account in determining fair value.

(i) Financial Instruments:

Financial instruments are recognized when the Company becomes a party to the contractual provisions of the instrument. Financial instruments are initially classified into two categories: measured at amortized cost or fair value through profit or loss ("FVTPL"). Below is a list of the Company's financial instruments, their classification and subsequent measurement:

	Classification	Measurement
Cash and restricted cash	Amortized cost	Amortized cost
Trade and other receivables	Amortized cost	Amortized cost
Trade payables and accrued liabilities	Other financial liabilities	Amortized cost
Acquisition holdback payable	Other financial liabilities	Amortized cost
Acquisition earnout	FVTPL	FVTPL
Government loan	Amortized cost	Amortized cost

The Company's financial assets and liabilities are initially recognized at fair value plus any directly attributable transaction costs and are subsequently measured at amortized cost using the effective interest rate method less any provision for impairment.

Financial liabilities are classified as current liabilities when payment is due within a year; otherwise, they are classified as non-current liabilities. The acquisition earnout liability is classified as current and recorded at an estimated fair value of $3.9 million as at March 31, 2025 ($1.5 million – March 31, 2024). Adjustments to the estimated fair value will be recorded in the statement of operations and comprehensive income (note 20).

(j) Impairment of tangible and intangible assets:

At the end of each reporting period, management assesses the carrying amounts of its tangible and intangible assets for both external and internal indications of impairment. Indications of impairment include, but are not limited to, a recurring lack of profitability and significant changes in technology. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss, if any. Where it is not possible to estimate the recoverable amount of an individual asset, the Company estimates the recoverable amount of the cash-generating unit ("CGU") to which the asset belongs. Recoverable amount is the higher of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset or CGU is estimated to be less than its carrying amount, the carrying amount is reduced to its recoverable amount. An impairment loss is recognized immediately within the statement of operations and comprehensive income. Where an impairment loss subsequently reverses, the carrying amount of the asset or CGU is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognized in prior years.

(k) Leases:

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, the Company's incremental borrowing rate. Since the Company does not have any relevant debt issued under similar terms, in relevant jurisdictions, its incremental borrowing rate must be estimated using such factors as the amount of the funds that would be borrowed if the Company bought the underlying right-of-use asset, the length of the borrowing term, the nature and quality of the underlying right-of-use asset and the economic environment of the jurisdiction in which the asset is located.

The Company applies the practical expedient not to recognize right-of-use assets and lease liabilities for short-term leases that have a lease term of 12 months or less and leases of low-value assets. The lease payments associated with these leases are recognized as an expense on a straight-line basis over the lease term.

(l) Cash:

Cash consists of balances held in interest-earning bank accounts.

(m) Future Accounting Pronouncements

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.

IFRS 18 Presentation and Disclosure in Financial Statements

The IASB has issued IFRS 18 Presentation and Disclosure in Financial Statements which includes requirements for the presentation and disclosure of information in general purpose financial statements to help ensure they provide relevant information that faithfully represents an entity's assets, liabilities, equity, income and expenses. The new IFRS 18 standard is effective for annual periods beginning on or after January 1, 2027. The Company is currently evaluating the impact of this standard on its consolidated financial statements.

4. Acquisitions:

(a) 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 $3.9 million as of March 31, 2025.

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. 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 amount 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 amount of net assets acquired resulted in a corresponding increase in goodwill recognized on acquisition.

These consolidated financial statements include the results of BHV, Bluware Inc., Hue AS, and Kalkulo AS for the period following closing of the transaction on September 25, 2023. If the acquisition would have occurred on April 1, 2023, management estimates that the proforma revenues and net income after taxes would have increased by $36.9 million and $4.0 million for the twelve months ended March 31, 2024. This proforma information is not necessarily indicative of the results of operations that would have resulted had the acquisition been reflected on the dates indicated, or that may be obtained in the future.

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. For the year ended March 31, 2025, $0.5 million (March 31, 2024 - $0.7 million) of post-combination remuneration was recognized as acquisition-related costs within general and administrative expenses.

(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 €27,4 million ($40.8 million), which includes a payment of €22 million ($32.7 million) paid on closing and €3.0 million held back ($4.4 million), plus an amount equivalent to Sharp's cash on hand less financial debt immediately prior to acquisition of €2.5 million ($3.7 million). Of the withheld amount of €3 million ($4.4 million), €2.2 million ($3.3 million) was paid during Q4 2025, and the remaining €0.8 million (approximately $1.2 million) will be withheld for a period of 18 months. The payment for Sharp's cash on hand less financial debt immediately prior to the acquisition was also paid during Q4 2025.

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

Goodwill of $10.7 million recognized in connection with this acquisition is primarily attributable to CMG Group's strategy to improve the operations of Sharp, opportunities for Sharp to increase sales to new customers and margins on revenue as the business expands, and other intangible assets that do not qualify for separate recognition including the assembled workforce. Goodwill is not expected to be deductible for income tax purposes.

Due to the timing and complexity of the acquisition, CMG Group is in the process of determining and finalizing the estimated fair value of the net assets acquired. The amounts determined on a provisional basis are generally related to net asset assessments and measurements of assumed liabilities. The provisional purchase price allocations may differ from the final purchase price allocations, and these differences may be material. Revisions to allocations will occur as additional information about the fair value of the assets and liabilities becomes available.

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

(thousands of $)	
Fair value of net assets acquired	
Cash	**5,336**
Restricted cash	**221**
Accounts receivable (1)	**4,946**
Prepaid expenses and prepaid income taxes	**150**
Property and equipment	**224**
ROU asset	**256**
Accounts payable	**(4,123)**
Income tax payable	**(230)**
Lease liabilities	**(256)**
Deferred revenue (1)	**(1,655)**
Government loan	**(1,530)**
Deferred tax liability (1)	**(11,567)**
Intangible assets: technology	**36,104**
Intangible assets: customer relationships	**2,229**
Net assets acquired	**30,105**
Goodwill (1)	**10,740**
Total purchase consideration	**40,845**

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

(1) As a result of new information obtained during Q4 2025, the estimated fair value of the accounts receivable, deferred revenue and deferred tax liability increased by $0.3 million, $0.3 million and $0.6 million, respectively, during the remeasurement period in Q4 2025. As a result of the overall decrease in the fair value of net assets acquired, there has been a corresponding increase in goodwill of $0.6 million recognized on acquisition.

These consolidated financial statements include the results of SR for the period following closing of the transaction on November 12, 2024. For the year ended March 31, 2025, the acquisition contributed revenues and net income before tax of $7.5 million and $0.5 million, respectively. For the year ended March 31, 2025, proforma revenues would have been $15.6 million and net loss after taxes would have been ($1.2) million. The $1.2 million loss includes $2.6 million of amortization of fair value adjustments recorded on acquisition, including amortization of intangible assets recognized and amortization of a deferred revenue fair value adjustment. This proforma information is not necessarily indicative of the results of operations that would have resulted had the acquisition been reflected on the dates indicated, or that may be obtained in the future.

During the year ended March 31, 2025, the Company incurred $2.1 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.

5. Segmented Information:

An operating segment is a component of the Company that engages in business activities from which it may earn revenues and incur expenses, including revenues and expenses that relate to transactions with any of the Company's other components. The operating results of all operating segments are reviewed regularly by the Company's Chief Executive Officer to make decisions about resources to be allocated to the segment and assessing their performance.

The Company consists of three operating segments. All operating segments have similar economic characteristics and therefore the Company has aggregated all operating segments into one reportable segment consistent with the objectives and basic principles of IFRS 8.

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.

Non-current assets include property, equipment, intangible and right-of-use assets of the Company are located in the following geographic regions (for revenue by geographic region, refer to note 13), based on location of the respective operations:

(thousands of $)	**March 31, 2025**	March 31, 2024
Canada	**53,527**	58,188
United States	**9,105**	4,255
South America	**331**	80
Eastern Hemisphere(1)	**51,406**	109
	114,369	62,632

(1) Includes Europe, Africa, Asia and Australia. Included in this balance is $50.4 million located in Germany ($0 million at March 31, 2024).

6. Intangible Assets:

Cost (thousands of $)	**Intellectual Property**	**Customer Relationships**	**Trademark /Trade name**	**Total**
Balance at April 1, 2023	1,340	-	-	1,340
Acquired through business combination (Note 4)	20,338	2,349	1,176	23,863
Balance at March 31, 2024	**21,678**	**2,349**	**1,176**	**25,203**
Balance at April 1, 2024	21,678	2,349	1,176	25,203
Acquired through business combination (note 4)	36,104	2,229	-	38,333
Impact of foreign exchange	1,335	235	78	1,648
Balance at March 31, 2025	**59,117**	**4,813**	**1,254**	**65,184**

Accumulated Amortization (thousands of $)				
Balance at April 1, 2023	(19)	-	-	(19)
Amortization for the year	(1,321)	(120)	(60)	(1,501)
Balance at March 31, 2024	**(1,340)**	**(120)**	**(60)**	**(1,520)**
Balance at April 1, 2024	(1,340)	(120)	(60)	(1,520)
Amortization for the year	(3,261)	(318)	(130)	(3,709)
Balance at March 31, 2025	**(4,601)**	**(438)**	**(190)**	**(5,229)**

Carrying Amounts				
At March 31, 2024	20,338	2,229	1,116	23,683
At March 31, 2025	**54,516**	**4,375**	**1,064**	**59,955**

7. Right-of-Use-Assets:

Cost (thousands of $)	**Offices**
Balance at April 1, 2023	40,229
Acquired through business combination (note 4)	1,332
Balance at March 31, 2024	**41,561**
Balance at April 1, 2024	41,561
Acquired through business combination (note 4)	256
Disposals, net of additions	(4,388)
Foreign exchange	311
Balance at March 31, 2025	**37,740**

Accumulated Depreciation (thousands of $)	
Balance at April 1, 2023	(9,496)
Depreciation charge for the year	(2,993)
Balance at March 31, 2024	**(12,489)**
Balance at April 1, 2024	(12,489)
Depreciation charge for the year	(3,390)
Disposals	6,836
Foreign exchange	(254)
Balance at March 31, 2025	**(9,297)**

Carrying Amounts	
At March 31, 2023	29,072
At March 31, 2025	**28,443**

8. Property and Equipment:

Cost (thousands of $)	**Computer Equipment**	**Furniture and Equipment**	**Leasehold Improvements**	**Total**
Balance at April 1, 2023	8,133	3,052	13,439	24,624
Additions	633	8	20	661
Acquired through business combination (note 4)	42	-	13	55
Disposals	(82)	-	-	(82)
Balance at March 31, 2024	**8,726**	**3,060**	**13,472**	**25,258**
Balance at April 1, 2024	8,726	3,060	13,472	25,258
Additions	1,112	31	501	1,644
Acquired through business combination (note 4)	220	4	-	224
Disposals	(241)	(2)	(247)	(490)
Balance at March 31, 2025	**9,817**	**3,093**	**13,726**	**26,636**

Accumulated Depreciation (thousands of $)				
Balance at April 1, 2023	(7,060)	(3,040)	(4,158)	(14,258)
Depreciation charge for the year	(507)	(6)	(681)	(1,194)
Disposals	71	-	-	71
Balance at March 31, 2024	**(7,496)**	**(3,046)**	**(4,839)**	**(15,381)**

Balance at April 1, 2024	(7,496)	(3,046)	(4,839)	(15,381)
Depreciation charge for the year	(675)	(3)	(688)	(1,366)
Disposals	51	8	209	268
Balance at March 31, 2025	**(8,120)**	**(3,041)**	**(5,318)**	**(16,479)**
Carrying Amounts				
At March 31, 2024	1,230	14	8,633	9,877
At March 31, 2025	**1,697**	**52**	**8,408**	**10,157**

9. Goodwill:

Carrying Amounts

(thousands of $)	
Balance at April 1, 2023	-
Goodwill recognized from acquisition (note 4)	4,399
At March 31, 2024	**4,399**
Balance at April 1, 2024	4,399
Goodwill recognized from acquisition (note 4)	10,740
Impact of foreign exchange	675
At March 31, 2025	**15,814**

The Company performed its annual impairment test for the Bluware CGU as of March 31, 2025. For the purpose of the annual impairment testing, all goodwill was allocated to the CGU which is expected to benefit from the synergies of the business combinations from which goodwill arose. The Bluware and Sharp CGUs have $4.7 million and $11.1 million allocated to them respectively as at March 31, 2025.

The recoverable amount of the Bluware CGU was determined based on value in use, which is estimated using a discounted cash flow model, calculating the present value of future pre-tax cash flows with a pre-tax risk adjusted discount rate. The pre-tax cash flows covering the forecasted future period are based on a financial budget and forecasts approved by management, using an expected average growth rate specific to the CGU and pre-tax risk adjusted discount rate of 18% The long-term growth rate used was 2%. Other significant assumptions include forecasted revenue and gross profit margins, which are determined by past experience within the market that the Company operates in and expectations surrounding the execution of certain strategic plans in the near future. The forecast cash flow period was five years.

As of March 31, 2025, the recoverable amount of each CGU exceeds its carrying value. If future results, in particular future revenues, were to be significantly different from management's best estimates based on key assumptions, the Company could potentially experience future impairment charges in respect of its goodwill.

10. Trade Payables and Accrued Liabilities:

(thousands of $)	**March 31, 2025**	March 31, 2024 Restated Note 2(e)
Trade payables	**1,858**	2,027
Employee salaries, commissions, and benefits payable	**6,439**	8,765
Accrued liabilities, stock-based compensation, and other payables (note 18(c))	**10,155**	7,759
	18,452	18,551

11. Deferred Revenue:

The following table presents changes in the deferred revenue balance:

(thousands of $)	**March 31, 2025**	March 31, 2024
Balance, beginning of year	**41,120**	34,797
Acquired deferred revenue (note 4)	**1,655**	1,413
Invoiced during the year, excluding amounts recognized as revenue during the year	**39,580**	39,815
Recognition of deferred revenue included in the balance of acquired deferred revenue in the current year	**(1,092)**	(1,328)
Recognition of deferred revenue included in the balance at the beginning of the year	**(41,300)**	(33,577)
Effect of FX	**313**	-
Balance, end of year	**40,276**	41,120

12. Lease Liabilities:

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

(thousands of $)	**March 31, 2025**	March 31, 2024
Balance, beginning of year	**36,961**	37,980
Additions	**2,378**	-
Acquired lease liabilities (note 4)	**256**	1,327
Interest on lease liabilities (note 16)	**1,891**	1,908
Lease payments	**(4,641)**	(4,254)
Effect of foreign exchange	**101**	-
Balance, end of period	**36,946**	36,961
Current	**2,278**	2,566
Long-term	**34,668**	34,395

The following table presents contractual undiscounted payments for lease liabilities as at March 31, 2025:

(thousands of $)	
Less than one year	4,102
Between one and five years	16,488
More than five years	28,785
Total undiscounted payments	**49,375**

Other lease-related items recognized in the consolidated statement of operations and comprehensive income:

Years ended March 31, (thousands of $)	**2025**	2024
Variable lease expense	**1,147**	1,036
Short-term lease expense	**470**	318

13. Revenue:

In the following table, revenue is disaggregated by nature 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:

Years ended March 31,					2025					2024
($ thousands)	Canada	United States	South America	Eastern Hemisphere [1]	Total	Canada	United States	South America	Eastern Hemisphere [1]	Total
Annuity/maintenance	12,777	17,514	9,753	37,481	**77,525**	13,208	18,454	9,185	30,683	**71,530**
Annuity license fee	-	1,610	1,018	6,652	**9,280**	-	667	893	3,586	**5,146**
Perpetual license	170	1,383	-	4,064	**5,617**	270	1,207	324	3,938	**5,739**
Total software revenue [2]	12,947	20,507	10,771	48,197	**92,422**	13,478	20,328	10,402	38,207	**82,415**
Professional services	9,342	20,447	1,899	5,336	**37,024**	9,379	11,849	1,961	3,075	**26,264**
Total revenue	**22,289**	**40,954**	**12,670**	**53,533**	**129,446**	**22,857**	**32,177**	**12,363**	**41,282**	**108,679**

(1) Includes Europe, Africa, Asia and Australia.
(2) Total software revenue includes the amortization of a fair value reduction of deferred revenue recognized on acquisition, which has reduced post-acquisition revenues by $0.8 million (March 31, 2024 - $0.2 million).
(3) Annuity/ maintenance and professional service revenue are recognized over the contract. Annuity license fee and perpetual license revenue are recognized at a point in time upon completion of the Company's obligation.

The amount of revenue recognized during the year ended March 31, 2025 from performance obligations satisfied (or partially satisfied) in previous periods is $3.3 million (year ended March 31, 2024 – $2.3 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 $)	March 31, 2025	March 31, 2024
Receivables	**35,859**	35,137
Contract assets	**1,662**	1,045

During the year ended March 31, 2025, one customer comprised 22% of the Company's total revenue (year ended March 31, 2024 – one customer, 20.2%).

14. Research and Development Costs:

Years ended March 31, (thousands of $)	2025	2024
Research and development	**30,454**	24,025
Government grants for research and development	**(312)**	(346)
	30,142	23,679

15. Personnel Expenses:

Years ended March 31, (thousands of $)	2025	2024
Salaries, commissions and short-term employee benefits	**61,939**	46,980
Stock-based compensation (note 18(c))	**2,625**	6,292
	64,564	53,272

16. Finance Income and Finance Costs:

Years ended March 31, (thousands of $)	**2025**	2024
Interest income	**2,605**	3,096
Net foreign exchange gain	**363**	50
Finance income	**2,968**	3,146

Interest expense on lease liabilities (note 12)	**(1,891)**	(1,908)
Amortization of FV loan adjustment	**(185)**	-
Interest on government loan	**(4)**	-
Finance costs	**(2,080)**	(1,908)

17. Income and Other Taxes:

The major components of income tax expense are as follows:

Years ended March 31, (thousands of $)	**2025**	2024
Current year income tax expense	**7,778**	3,915
Adjustment for prior year	**1,457**	149
Current year income taxes	**9,235**	4,064
Deferred tax expense (recovery)	**(508)**	3,517
Adjustment for prior year	**(268)**	-
Foreign withholding and other taxes	**1,989**	1,382
	10,448	8,963

During the year ended March 31, 2025, the blended statutory rate was 23% (2024 – 23%).

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:

Years ended March 31, (thousands of $, unless otherwise stated)	**2025**	2024
Combined statutory tax rate	**23.00%**	23.00%
Expected income tax	**7,541**	8,102
Non-deductible costs	**1,000**	361
Withholding taxes	**1,072**	348
Effect of tax rates in foreign jurisdictions	**(494)**	(183)
Foreign tax credits	**(345)**	-
Adjustment for prior year	**1,190**	149
Other	**484**	186
	10,448	8,963

A continuity of the net deferred income tax assets and liability is detailed in the following tables:

(thousands of $)	April 1, 2023	Recognized in Net Income	Business Combination	March 31, 2024
Taxable temporary differences:				
SR&ED Investment tax credit	(170)	91	-	**(79)**
Property and equipment	(80)	164	-	**84**
Intangible assets	-	(4,608)	(813)	**(5,421)**
Deductible temporary differences:				
Other current liability	-	(37)	350	**313**
Right-of-use asset	1,653	80	-	**1,733**
Stock based compensation liability	1,041	301	-	**1,342**
Federal loss carryforward	-	104	-	**104**
Foreign income tax credit carryforward	-	385	-	**385**
Deferred income tax asset (liability)	2,444	(3,520)	(463)	**(1,539)**

(thousands of $)	April 1, 2024	Recognized in Net Income	Business Combination	March 31, 2025
Taxable temporary differences:				
SR&ED Investment tax credit	(79)	343	-	**264**
Property and equipment	84	(57)	(70)	**(43)**
Intangible assets	(5,421)	685	(11,442)	**(16,178)**
Deductible temporary differences:				
Other current liability	313	(358)	-	**(45)**
Right-of-use asset	1,733	89	-	**1,822**
Stock based compensation liability	1,342	(688)	-	**654**
Federal loss carryforward	104	19	-	**123**
Foreign income tax credit carryforward	385	387	-	**772**
Deferred income tax asset (liability)[1]	(1,539)	420	(11,512)	**(12,631)**

(1) Included in this balance is a deferred tax liability of $13.1 million and a deferred tax asset of $0.5 million.

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. 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.

18. Share Capital:

(a) Authorized:

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

(b) Issued:

(thousands of shares)	Common shares
Balance, April 1, 2023	80,637
Issued on redemption of performance share units	15
Issued on redemption of restricted share units	53
Issued on exercise of stock options	687
Balance, March 31, 2024	81,392

Balance, April 1, 2024	**81,392**
Issued on redemption of performance share units	**17**
Issued on redemption of restricted share units	**52**
Issued on exercise of stock options	**1,079**
Balance, March 31, 2025	**82,540**

(c) Stock-Based Compensation:

Stock-Based Compensation Expense

The following table summarizes stock-based compensation expense:

Years ended March 31, (thousands of $)	**2025**	2024
Equity-settled plans	**915**	859
Cash-settled plans	**1,710**	5,433
Total stock-based compensation expense	**2,625**	6,292

Liability Recognized for Stock-Based Compensation(1)

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

(thousands of $)	**March 31, 2025**	March 31, 2024 (2)
SARs	**185**	1,278
RSUs	**891**	2,128
PSUs	**148**	519
DSUs	**1,568**	1,910
Total stock-based compensation liability	**2,792**	5,835
Current, recorded within trade payables and accrued liabilities	**2,536**	5,211
Long-term	**256**	624

(1) The intrinsic value of the vested awards at March 31, 2025 is $1.8 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 March 31, 2025, the Company may reserve up to 8,254,002 common shares for issuance under its security-based compensation plans.

(i) Stock Option Plan

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

The following table outlines changes in stock options:

Years ended March 31,		2025		2024
	Number of Options (thousands)	**Weighted Average Exercise Price ($/share)**	Number of Options (thousands)	Weighted Average Exercise Price ($/share)
Outstanding at beginning of year	**4,393**	**5.17**	5,017	5.21
Granted [(1)]	**750**	**10.90**	376	8.52
Exercised	**(1,079)**	**5.24**	(687)	6.04
Forfeited/expired	**(511)**	**8.77**	(313)	7.83
Outstanding at end of year	**3,553**	**5.84**	4,393	5.17
Options exercisable at end of year	**1,106**	**4.98**	1,131	5.01

(1) 500,000 stock options granted during the year ended March 31, 2025 are exercisable when specified share price targets are achieved. During the year ended March 31, 2025, 200,000 of these stock options were forfeited.

The range of exercise prices of stock options outstanding and exercisable at March 31, 2025 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	381	1.8	4.21	206	3.98
4.63 to 4.87	1,792	2.2	4.74	492	4.74
4.88 to 5.04	512	2.5	5.00	245	5.00
5.05 to 5.88	73	0.4	5.08	73	5.08
5.89 to 10.40	795	3.5	9.73	90	8.52
	3,553	**2.4**	**5.84**	**1,106**	**4.98**

During the year ended March 31, 2025, CMG Group issued grants of 750,000 stock options, out of which 500,000 are performance based. Of the performance based stock-options, during the year ended March 31, 2025, 200,000 were forfeited. The performance factors for the remaining 300,000 performance-based stock options to become fully vested and exercisable are as follows:

- 300,000 stock options vest and become exercisable when a share price of $20 has been achieved for three consecutive months.

A Black Scholes pricing model was utilized in the valuing of these grants and the assumptions used to fair value this grant are included in the table below. The expected volatility considers the historical volatility in the price of CMG Group's common shares over a period similar to the life of the options.

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

Years ended March 31,	2025	2024
Fair value at grant date ($/option)	**0.83 to 2.74**	2.35 to 2.81
Share price at grant date ($/share)	**10.11 to 10.40**	8.52
Risk-free interest rate (%)	**3.08 to 3.14**	4.47 to 4.66
Estimated hold period prior to exercise (years)	**3 to 4**	3 to 4
Volatility in the price of common shares (%)	**38 to 40**	40 to 43
Dividend yield per common share (%)	**1.92 to 2.06**	2.32

a. 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:

Years ended March 31,	**2025**		2024	
	Number of SARs (thousands)	**Weighted Average Exercise Price ($/SAR)**	Number of SARs (thousands)	Weighted Average Exercise Price ($/SAR)
Outstanding at beginning of year	**563**	**6.50**	957	6.47
Granted	**-**	**-**	131	8.52
Exercised	**(232)**	**6.00**	(345)	5.99
Forfeited/expired	**(279)**	**7.30**	(180)	8.88
Outstanding at end of year	**52**	**4.50**	563	6.50
SARs exercisable at end of year	**52**	**4.50**	138	5.25

b. 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:

Years ended March 31, (thousands)			**2025**			2024
	RSUs	**PSUs**	**DSUs**	RSUs	PSUs	DSUs
Outstanding at beginning of year	**394**	**117**	**187**	542	68	163
Granted	**4**	**64**	**30**	158	87	57
Exercised	**(200)**	**(47)**	**(25)**	(240)	(38)	(33)
Forfeited/expired	**(45)**	**(38)**	**4**	(66)	-	-
Outstanding at end of year	**153**	**96**	**196**	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:

Years ended March 31, (thousands except per share amounts)			**2025**			2024
	Earnings ($)	**Weighted average shares outstanding**	**Earnings per share ($/share)**	Earnings ($)	Weighted average shares outstanding	Earnings per share ($/share)
Basic	**22,437**	**82,546**	**0.27**	26,259	80,975	0.32
Dilutive effect of share-based awards		**799**			2,136	
Diluted	**22,437**	**83,345**	**0.27**	26,259	83,111	0.32

During the year ended March 31, 2025, 48,843 awards (2024 – 164,000 awards) were excluded from the computation of the weighted average number of diluted shares outstanding because their effect was not dilutive.

19. Capital Management:

The Company's objectives in managing capital are to ensure sufficient liquidity to pursue its strategy of organic growth, and acquisitions, and to maximize the return to its shareholders. The capital structure of the Company consists of cash, credit facilities and shareholders' equity. The Company does not have any externally imposed capital requirements and does not presently utilize any quantitative measures to monitor its capital.

The Company's policy is to pay quarterly dividends based on the Company's overall financial performance and cash flow generation. Decisions on dividend payments are made on a quarterly basis by the Board of Directors. There can be no assurance as to the amount or payment of such dividends in the future.

The Company adjusts its capital structure in light of general economic conditions and the Company's working capital requirements. In order to maintain or adjust its capital structure, the Company, upon approval from its Board of Directors, may pay dividends, buy back shares or undertake other activities as deemed appropriate under the specific circumstances. The Board of Directors reviews and approves any material transactions not in the ordinary course of business.

20. Financial Instruments and Risk Management:

The Company's financial instruments consist of financial assets which include cash, restricted cash, trade and other receivables, which are classified as and measured at amortized cost, which approximates their fair values, as well as financial liabilities and 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 contingent consideration related to the acquisition of BHV (note 4(a)) that was valued using level 3 inputs and recorded at its fair value at March 31, 2024 ($1.5 million). As the earn-out period has ended, the acquisition earnout liability has been valued at $3.9 million using level 2 inputs at March 31, 2025. Adjustments to the estimated fair value will be recorded in the statement of operations and comprehensive income.

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

The Government loan was measured at fair value at the acquisition date using valuation techniques including discounted cash flows, taking into account market information, market rates of interest, and current conditions in credit markets. At acquisition, the estimated fair value of the Government loan was €1.0 million ($1.5 million) compared to the carrying value of €1.2 million ($1.7 million). The Government loan subsequent to the acquisition date is measured at amortized cost using the effective interest rate method. The carrying value of the loan at March 31, 2024 was €1.1 million ($1.6 million).

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

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

At March 31, 2024, the fair value of contingent consideration was measured using a discounted cash flow analysis of expected cash flows in future periods. A 1% change in the discount rate would increase the Company's determination of fair value by approximately $0.2 million as at March 31, 2024.

There were no transfers between the levels in the fair value hierarchy, other than the acquisition earnout liability, during the year ended March 31, 2025 and 2024.

Overview:

The Company is exposed to risks of varying degrees of significance and likelihood, which could affect its ability to achieve its strategic objectives for growth. The main objectives of the Company's risk management process are to ensure that risks are properly identified and that the capital base is adequate in relation to those risks. The principal financial risks to which the Company is exposed are described below:

(a) Credit Risk

Credit risk is the risk of an unexpected loss if a customer or third party to a financial instrument fails to meet its contractual obligation and arises principally from the Company's trade and other receivables. The amounts reported in the statements of financial position for trade receivables are net of expected credit losses, estimated by the Company's management based on prior experience and their assessment of the current economic environment.

The Company's trade receivables consist primarily of balances from customers operating in the oil and gas industry, both domestically and internationally, as the Company sells its products and services in approximately 60 countries worldwide. Some of these countries have greater economic and political risk than experienced in North America, and as a result there may be greater risk associated with sales in those jurisdictions. The Company manages this risk by invoicing for the full license term in advance for the majority of software license sales and by invoicing as frequently as the contract allows for consulting and contract research services. In cases where collectability is not deemed probable, revenue is recognized upon receipt of cash, providing all other criteria have been met. Historically, the Company has not experienced any significant losses related to individual customers or groups of customers in any particular geographic area. At March 31, 2025, the Company assessed credit risk related to its accounts receivable and established an allowance for doubtful accounts of $0.1 million (2024 – $0.5 million). In fiscal 2025, most of the allowance for doubtful accounts related to receivables from customers located in geopolitically unstable countries.

As at March 31, 2025, the Company has a concentration of credit risk with 5 customers which have an outstanding balance of 5% or more of total trade and accrued receivables. These 5 customers represent 51% of total trade and accrued customer receivables. (2024 – 4 customers; 51%).

The carrying amount of trade and other receivables represents the maximum credit exposure. The maximum exposure to credit risk at March 31, 2025 was $41.5 million (2024 – $36.5 million). The aging of trade and other receivables at the reporting date was:

(thousands of $)	March 31, 2025	March 31, 2024
Current	**29,007**	14,942
31-60 days	**6,792**	13,730
61-90 days	**490**	5,615
Over 90 days	**5,168**	2,263
Balance, end of year	**41,457**	36,550

The Company assesses the creditworthiness of its customers on an ongoing basis and regularly monitors the amount and age of balances outstanding. Payment terms with the majority of customers are 30-90 days from invoice date; however, industry practice can extend these terms. Accordingly, the Company views the credit risk on these amounts as normal for the industry.

The Company minimizes the credit risk of cash by depositing only with a reputable financial institution in highly liquid interest-bearing cash accounts.

(b) Market Risk

i. Foreign Exchange Risk

The Company operates internationally and primarily prices its products in either the Canadian or US dollar. This gives rise to exposure to market risks from changes in the foreign exchange rates between the Canadian and US dollar. Approximately 77% (2024 – 79%) of the Company's revenues for the year ended March 31, 2025 were denominated in US dollars, and at March 31, 2025, approximately US $50.4 million (2024 – US $53.3 million) of the Company's working capital was denominated in US dollars. The Company currently does not use derivative instruments to hedge its exposure to those risks, but since approximately 52% (2024 – 46%) of the Company's total costs are also denominated in US dollars, they provide a partial economic hedge against the fluctuation in this currency exchange.

The Company's operations are exposed to currency risk on US-dollar denominated financial assets and liabilities with fluctuations in the rate recognized as foreign exchange gains or losses in the consolidated statement of operations and comprehensive income. It is estimated that a one cent change in the US dollar would result in a net change of approximately $0.4 million to equity and net income for the year ended March 31, 2025. A weaker US dollar with respect to the Canadian dollar will result in a negative impact, while the reverse would result from a stronger US dollar.

ii. Interest Rate Risk

The Company has significant cash balances and $1.6 million of interest-bearing debt from an acquired government loan. The Company's policy is to invest excess cash in interest-bearing deposits and/or guaranteed investment certificates issued by a reputable financial institution. The Company is exposed to interest cash flow risk from changes in interest rates on its cash balances. Based on the March 31, 2025 cash balance, each 1% change in the interest rate on the Company's cash balance would change equity and net income for the year ended March 31, 2025 by approximately $0.3 million.

(c) Liquidity Risk

Liquidity risk is the risk that the Company is not able to meet its financial obligations as they fall due or can do so only at excessive cost. The Company manages liquidity risk through the management of its capital structure as outlined in note 19. The Company's growth is financed through a combination of the cash flows from operations and its cash balances on hand. Given the Company's available liquid resources as compared to the timing of the payments of its liabilities, management assesses the Company's liquidity risk to be low. The Company monitors its expenditures by preparing annual budgets that are periodically updated. The Company's trade payables are due within one year. At March 31, 2025, the Company has significant cash balances in excess of its obligations and approximately $0.4 million of the line of credit available for its use (note 22).

21. 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 year ended March 31, 2025, Shell exercised its right to terminate the CoFlow Agreement one year prior to the original five-year anniversary.

During the year ended March 31, 2025, CMG recorded professional services revenue of $8.2 million (year ended March 31, 2024 - $7.7 million), and CoFlow costs of $7.1 million, to research and development expenses (year ended March 31, 2024 - $7.6 million).

(b) Commitments:

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

(thousands of $)	March 31, 2025
Less than one year	1,484
Between one and five years	5,197
More than five years	7,983
	14,664

22. Line of Credit:

The Company has arranged for a $2.5 million (March 31, 2024 $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 March 31, 2025, $2.1 million (March 31, 2024 –$1.3 million) had been reserved on this line of credit for letters of credit supporting performance bonds.

23. Subsidiaries:

CMG Group is the beneficial owner of the entire issued share capital and controls all the votes of its subsidiaries. The principal activities of all the subsidiaries are the sale and support for the use of CMG Group's software licenses. Transactions between subsidiaries are eliminated on consolidation.

The following is the list of CMG Group's subsidiaries:

Subsidiary	Country of Incorporation
Computer Modelling Group Inc.	Unites States
CMG Middle East FZ LLC	United Arab Emirates
CMG (Europe) Limited	United Kingdom
CMGL Services Corporation Inc.	Canada
CMG Collaboration Centre India Private Limited	India
Computer Modelling Group Brazil Solucoes Technoligicas Ltda.	Brazil
CMG Holdings (USA) Inc.	United States
Bluware Headwave Ventures Inc.	United States
Bluware Inc.	United States
Bluware AS (1)	Norway
CMG Germany GmbH	Germany
Sharp Reflections GmbH	Germany
Sharp Reflections AS	Norway
Sharp Reflections Inc.	United States

(1) Amalgamation of Hue AS and Kalkulo AS on February 14, 2024.

24. Related Parties:

(a) Intercompany Transactions:

The Company has fourteen wholly owned subsidiaries (note 23) that have intercompany transactions under the normal course of operations and are eliminated upon consolidation.

(b) Key Management Personnel Compensation

For year ended March 31, 2025, and 2024, the key management personnel of the Company include the Company's executive officers and Board of Directors. The key management personnel control approximately 2% of the outstanding shares of CMG at March 31, 2025. In addition to their salaries and director fees, as applicable, directors and executive officers also participate in the Company's stock-based compensation plans (note 18(c)), which are available to almost all employees of the Company, with the exception of the DSU plan, which is only available to non-employee directors of the Company.

Key management personnel compensation comprised the following:

Years ended March 31, (thousands of $)	**2025**	2024
Salaries, bonus and employee benefits	**4,971**	5,573
Termination benefits	**692**	585
Stock-based compensation	**1,791**	2,646
	7,454	8,804

25. Subsequent Event:

On May 22, 2025, the Board of Directors declared a quarterly cash dividend of $0.05 per share on its common shares, payable on June 13, 2025 to all shareholders of record at the close of business on June 5, 2025.

Corporate Information

Directors

Christine (Tina) M. Antony (4)

Birgit Troy(2)

Alexander M. Davern(2)(4)

Kenneth M. Dedeluk (5)

Christopher L. Fong (3)

Pramod Jain

Peter H. Kinash (1)

Mark R. Miller
Chairman of the Board

Kiren Singh(2)

(1) Chair, Audit Committee
(2) Member, Audit Committee
(3) Chair, Talent Management, Governance & Nomination Committee
(4) Member, Talent Management, Governance & Nomination Committee
(5) Vice Chairman of the Board

Officers

Pramod Jain
Chief Executive Officer

Sandra Balic
Vice President,
Finance and Chief Financial Officer

Anjani Kumar
Vice President,
CoFlow and Professional Services

Rahul Jain
Vice President,
Core

Kristina Mysev
Vice President,
People & Culture

Herman Nieuwoudt
President, Bluware

Marcus W. Archer
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Transfer Agent

Olympia Trust Company

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