

Q1 2026 Financial Report

CMG

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CEO Letter to Shareholders

August 6, 2025

Dear Shareholders,

This quarter's letter comes on the heels of two significant milestones for CMG: the acquisition of SeisWare and the appointment of Vipin Khullar as our new CFO. Both mark important steps in our journey to become a more robust, diversified, and durable software company. However, I also want to be upfront about the short-term realities we're facing. Let's start there before turning to the long game.

Near-Term Outlook

Fiscal 2026 was already shaping up to be a transition year as we intentionally manage down our services revenue mix and sharpen focus on recurring software. Market uncertainty, in energy and energy transition, continues to impact the business by extending sales cycles, lengthening procurement processes, and slowing the pace of closing new opportunities.

Adding to those issues, we were recently unsuccessful in negotiating a renewal with a long-standing customer in our reservoir simulation business. Despite strong user advocacy and positive feedback on the software, we lost the renewal due to unusually aggressive discounting and competitive bundling by a global peer.

As CEO, I need to answer for whether this speaks to lack of sales execution, changes in customer preferences, or a naturally competitive environment. While customers frequently flex their number of licenses up or down, it is rare for CMG to lose a client.

Looking at the sales opportunities for our reservoir and production solutions, I don't believe this was due to broader trends in our customer relationships or market position. We have a seat at the table for multiple opportunities throughout the second half of the year including new discussions with a number of strategic customers for long-term licensing arrangements. These upcoming opportunities are strengthened by the addition of Bluware and Sharp as we raise the bar in our own competitiveness with bundling strategies that deliver exceptional value for our customers.

This is why I believe we remain well-positioned to compete effectively and why I remain confident in our strategy, our team, and the progress we're making. There is work to be done to make up for the loss and I have line of sight to do so, but nothing is done until it's signed. We are being vigilant in staying close to every customer.

The impact in Q2 is expected to be a mid-single-digit decline in Recurring Revenue compared to Q1, the impact of which is also expected to be felt in Adjusted EBITDA. As a result, Adjusted EBITDA for the year (excluding SeisWare and any future acquisitions) may end up lower than Fiscal 2025. Despite the headwind, I also expect higher revenue and margin in the second half of the year compared to the first half of the year, driven by seasonal contract renewals, revenue recognition timing, and continued strong performance in our seismic solutions.

To support this outlook, we have accelerated work with channel partners in the Eastern Hemisphere, focused on the Middle East and Africa where there are significant market share expansion opportunities. We've launched an Energy Advisory Board, a new initiative that brings together senior executives from global oil and gas operators to help deepen strategic relationships. And most importantly, we're continuing to invest in product portfolio expansion, organically and through acquisition, to strengthen our value proposition.

The value of acquisitions in growing our portfolio of solutions and strengthening our positioning is a critical reason we started this journey. And it is why the rest of this letter is dedicated to M&A.

To continue prioritizing acquisitions, the decision was made this quarter to reduce the dividend by 80% to \$0.01/share. This results in an additional \$13 million annually that can be kept and put towards acquisitions, which I believe has the potential to generate incremental value. After many conversations with shareholders, I believe that most of you feel the same.

We are also in the late stages of negotiating a credit facility that will allow us to take on a conservative amount of leverage to further our ability to move forward decisively with our strategy. These changes mark a thoughtful departure from our historical capital structure but one that I believe positions us to deliver much greater value creation over time. What follows are some of the common questions I am asked about our approach and that I believe are critical for our investors to understand.

Acquisitions – Q&A

Q: Why do we do M&A?

A: Our business generates strong, steady cash flow. Our North Star is to deploy 100% of our available capital at attractive rates of return. If we do that carefully, we will:

- Better serve our customer needs, becoming a stronger partner with more breadth in industry leading software
- Consistently grow Free Cash Flow (FCF) per share and ensure its sustainability, which together should generate excellent returns to shareholders

Q: What types of companies do we look to acquire?

A: We classify each transaction into one of three buckets. These buckets broadly define alignment with our existing expertise, identify where we can add incremental value under our ownership, and are broad enough to ensure a sufficiently large pipeline of opportunities. The first bucket is **Core** – these are companies that offer an extremely strong strategic fit with our reservoir and production solutions. Acquisitions in this bucket are expected to be rare and so I will focus on the other two buckets: **Platform** and **Standalone**.

Platform acquisitions help us fill whitespace within the upstream oil and gas workflow - seismic interpretation, modeling, simulation, forecasting, and economics. Bluware, Sharp Reflections, and now SeisWare are part of this strategy. These businesses aren't force-fit into a singular offering. We operate an open ecosystem where customers can adopt one solution or many. This flexibility allows us to craft enterprise-wide value, bundle offerings, and elevate sales conversations beyond individual users to a broader executive level. The result: more integration, stronger retention, and better economics.

Standalone acquisitions will be opportunities in verticals outside of upstream - midstream, downstream, or entirely new domains like mining, logistics, or utilities. These businesses may not connect to our core today, but over time, they may evolve into platforms of their own. We look for common threads - deep science, high-performance computing, and domain-specific complexity - where CMG's DNA gives us an edge.

Equally important is what we won't buy. We will generally avoid businesses in secular decline, commodity software tools, companies with extensive technical debt or service-heavy businesses without a clear path to software growth.

Q: How do we think about valuation?

A: Valuation is always important. Price is by far the most common reason CMG walks away from a transaction or loses a transaction.

We are often asked “what multiples do you pay? 2–3x revenue or 20x EBITDA?”. The truth is, we don’t look at it that way. Every business we evaluate must achieve a high after-tax IRR (internal rate of return). At the end of the day, it’s about what cash flows we expect to receive and when. We focus on honest, bottoms-up scenario modeling with a clear-eyed view of base, high, and low cases. We stay true to a minimum IRR hurdle for every investment which keeps us disciplined.

Day 1, backward-looking multiples won’t always provide clear insight into whether a transaction is attractive. We’re intentionally buying businesses that have modest levels of profitability initially but where we see a credible path to expansion. We are comfortable paying for companies with significant potential and working hard to unlock that growth and profitability and we think that there is often substantial value that can be created by a business beyond the first year or two of ownership.

In my last letter, I provided comments on the margin expansion that we achieved early on with Bluware. Later this year, as we approach a full year under our ownership, I expect to report to you the early performance of Sharp Reflections. At this point, I can confidently say that both businesses are on track to meet or exceed our IRR expectations.

Bottom line: we build our investment thesis with deep work on every deal. Weighted IRRs based on multiple scenarios allow us to contemplate a variety of future paths a business may take, including explicit levers we have to protect our downside - especially if top-line growth comes in below plan.

Q: What is CMG’s advantage as a buyer?

A: CMG’s strong brand as a technical organization, rooted in science, physics, and R&D, means that we stand out as a compelling home for founders seeking more than just an exit.

Joining CMG means gaining access to a deep bench of subject matter experts, a culture that values scientific rigor, and a leadership team focused on performance.

When we acquired Bluware, the team and leadership were energized by our vision of building an open platform within the upstream space - one focused on solving end-to-end customer challenges and offering real optionality in an environment where many customers are unhappily locked into a single provider (Bill Shea speaks about it [here](#)).

We also give founders room to contribute at both the platform and portfolio level - playing to their strengths. Bill recently handed over day-to-day leadership of Bluware to an internally promoted General Manager and now serves as Chief Evangelist for seismic solutions. In that role, he’s helping grow strategic accounts and advocating for our seismic portfolio across key customers.

Q: How does CMG create value post acquisition?

A: What I call the **CMG Operating System (CMG OS)** is an evolving set of principles that govern how we scale software companies. It reflects how we uniquely approach adding value to an acquired company and how we think about the best practices that ultimately drive their success, operational excellence, and ultimately our financial return.

- **Product Management:** We treat roadmap planning like capital allocation. Product Managers lead with market signals, not gut feel. They partner with R&D to focus on the “how,” while owning the “what” and “why.”
- **Commercial Execution:** We build repeatable sales engines. That includes layering experienced sales talent, training technical teams, and leveraging CMG’s global footprint to open doors.
- **Pricing:** We introduce value-based pricing, smarter discounting, and segmentation logic. Pricing is not just a finance lever - it’s a strategic moat.
- **Marketing:** We move beyond demos and booths. Marketing defines positioning, builds buyer narratives, and supports commercial execution.

- **Customer Success & Professional Services:** Great tech isn't enough. We run a high-touch model, with named support engineers, proactive adoption programs including frequent onsite support, and consulting services where it adds value and high margin revenue. This has been CMG's differentiator in reservoir simulation, and we see the same DNA in our Seismic Solutions business.

This is a subset of many principles we can apply to varying degrees depending on the maturity of the business. Early in my tenure, we implemented many with our reservoir and production solutions which is a more mature business. We introduced them at Bluware and Sharp Reflections to enhance focus on go-to-market and commercial strategy and building a market-driven business.

Final Thoughts

While there are many additional facets to our M&A approach, this framework should provide a clear understanding of what to expect from us moving forward. We're early in our M&A journey, but the ambition is clear: build a group of specialized, high-performing software companies that solve the world's hardest problems in energy and beyond - and ensure that every investment made in pursuit of that goal generates significant returns over the long term.

This is a process that will take time - both to execute and for its impact to become evident in our financial performance. We have built a high-caliber M&A team with deep strategic and operational expertise. Our batting average will never be about simply volume – it will be about precision and discipline.

Thank you for your belief in our vision. I remain confident in our strategy, inspired by our team, and grateful for your partnership on this journey.

Thank you for your ongoing support and enthusiasm for our vision.

Sincerely,



Pramod Jain

Chief Executive Officer

This letter to shareholders forms an integral part of our Management's Discussion and Analysis ("MD&A") and includes forward-looking information and forward-looking statements (together, "Forward Looking Statements") within the meaning of applicable securities laws, and measures that do not have a standard meaning prescribed by the IFRS Accounting Standards ("IFRS"), including the financial measures "Adjusted EBITDA", "Free Cash Flow" and "Recurring Revenue" to indicate financial performance. For detailed information on these Forward-Looking Statements, non-IFRS measures, and associated risks, please see the relevant sections in our MD&A dated August 6, 2025, accessible on SEDAR+ (www.sedarplus.ca) and our website (www.cmgl.ca/investors/financial-reports).

Computer Modelling Group Ltd. announces its first quarter results for the three months ended June 30, 2025.

FIRST QUARTER 2026 CONSOLIDATED HIGHLIGHTS

Select financial highlights

- Total revenue decreased by 3% (15% Organic decline⁽¹⁾ and 12% growth from acquisitions) to \$29.6 million;
- Recurring revenue⁽²⁾ increased by 7% (6% Organic decline and 13% growth from acquisitions) to \$20.9 million;
- Adjusted EBITDA⁽¹⁾ decreased by 26% to \$7.1 million;
- Adjusted EBITDA Margin⁽¹⁾ was 24%, compared to 31% in the comparative period;
- Earnings per share was \$0.04, a 20% decrease;
- Free Cash Flow⁽¹⁾ decreased by 22% to \$4.5 million; Free Cash flow per share decreased to \$0.05 from \$0.07.

- (1) Organic growth/decline, Adjusted EBITDA, Adjusted EBITDA Margin, Recurring Revenue and Free Cash Flow are not 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

Market uncertainty, in energy and energy transition, continues to impact the business by extending sales cycles, lengthening procurement processes, and slowing the pace of closing new opportunities.

The impact of the organic recurring revenue decline in reservoir and production solutions in the fourth quarter carried over, leading to a similar organic recurring revenue decline this quarter when compared to the prior year. This decline partially offset strong recurring revenue growth from acquisitions.

Adjusted EBITDA and Free Cash Flow decreased during the quarter primarily due to the organic decline in recurring revenue and lower professional services revenue.

In the second quarter, we expect a mid-single-digit decline in recurring revenue compared to Q1, the impact of which is also expected to be felt in Adjusted EBITDA. This is due to a contract for our reservoir and production solutions that was not renewed.

As a result, Adjusted EBITDA for the year (excluding SeisWare and any future acquisitions) may be lower than Fiscal 2025. Despite the headwind, higher revenue and margin in the second half of the year compared to the first half of the year, is expected to be driven by seasonal contract renewals, revenue recognition timing, and continued strong performance in our seismic solutions.

To reinforce the durability of our business, we continue to pursue disciplined acquisitions that expand our capabilities and enhance our ability to navigate market volatility. To support this strategy and retain capital for future acquisitions, the quarterly dividend was reduced to \$0.01/share.

SUMMARY OF FINANCIAL PERFORMANCE

	Three months ended June 30,		
(\$ thousands, except per share data)	2025	2024	% change
Annuity/maintenance licenses	20,334	19,335	5%
Annuity license fee	518	178	191%
Recurring revenue ^{(1) (2)}	20,852	19,513	7%
Perpetual licenses	378	2,110	(82%)
Total software license revenue	21,230	21,623	(2%)
Professional services	8,403	8,900	(6%)
Total revenue	29,633	30,523	(3%)
Cost of revenue	5,958	6,192	(4%)
Operating expenses			
Sales & marketing	4,610	4,931	(7%)
Research and development	8,033	8,245	(3%)
General & administrative	5,739	5,489	5%
Operating expenses	18,382	18,665	(2%)
Operating profit	5,293	5,666	(7%)
Net income	3,309	3,964	(17%)
Adjusted EBITDA ⁽¹⁾	7,074	9,526	(26%)
Adjusted EBITDA Margin ⁽¹⁾	24%	31%	(7%)
Earnings per share – basic & diluted	0.04	0.05	(20%)
Funds flow from operations per share - basic	0.07	0.08	(13%)
Free Cash Flow per share – basic ⁽¹⁾	0.05	0.07	(29%)

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

(2) Included in the number is a reduction of \$0.2 million for the three months ended June 30, 2025, (\$0.1 million for the three months June 30, 2024), 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 August 6, 2025, should be read in conjunction with CMG Group's unaudited condensed consolidated interim financial statements (the "Financial Statements") and accompanying notes for the three months ended June 30, 2025 and 2024 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 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 August 6, 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 future revenue and associated costs related to CoFlow and the ability to enter into alternative arrangement and revenue opportunities following the early termination of CoFlow Agreement;
- 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 secure financing to fund future acquisitions;
- 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 CMG's 2025 Financial Report's 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 Tecnologicas 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"), CMGL Services Corporation Inc., CMG Germany GmbH, Sharp Reflections GmbH, Sharp Reflections Inc., Sharp Reflections AS, and Sharp Reflections Ltd., (together referred to as "SR" or "Sharp") and SeisWare International Inc., and SeisWare Inc. (together referred to as "SeisWare").

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 CMG Group 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 unconvensionals, and in Energy Transition including Carbon Capture and Storage ("CCS"), geothermal and hydrogen. In addition 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 SeisWare International Inc.

On July 30, 2025, CMG Group completed the acquisition of 100% of the outstanding shares of SeisWare International Inc. (“SeisWare”), a Calgary-based software company specializing in geoscience interpretation and field development solutions to support subsurface exploration and development projects. The acquisition of SeisWare further builds out the seismic interpretation solutions offerings within the CMG Group through a platform offering powerful tools for seismic interpretation, attribute analysis, geological mapping and 3D well design.

Refer to note 14(b) in the condensed consolidated interim financial statements for additional information.

NON-IFRS FINANCIAL AND SUPPLEMENTARY FINANCIAL MEASURES

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

Three months ended June 30, (\$ thousands)	2025	2024
Net income (loss)	3,309	3,964
Add (deduct):		
Depreciation and amortization	2,415	1,883
Acquisition costs	36	188
Stock-based compensation	177	2,906
Gain/(Loss) on contingent consideration	-	(199)
Deferred revenue amortization on acquisition fair value reduction	150	89
Income/(Loss) and other tax expense	917	2,488
Interest (income)/loss	(314)	(878)
Foreign exchange loss/(gain)	911	(172)
Repayment of lease liabilities	(526)	(743)
Adjusted EBITDA ⁽¹⁾	7,074	9,526
Adjusted EBITDA Margin ⁽¹⁾	24%	31%

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

Adjusted EBITDA decreased by 26% during the three months ended June 30, 2025, compared to the same period of the previous year of which 2% was growth from acquisitions, offset by an Organic decline of 28%, primarily attributable to lower revenue in the quarter partially offset by lower 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			Fiscal 2026
(\$ thousands, unless otherwise stated)	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1
Funds flow from operations	11,491	8,477	10,367	6,515	7,101	9,937	8,227	5,524
Capital expenditures	(51)	(459)	(95)	(93)	(236)	(432)	(661)	(542)
Repayment of lease liabilities	(412)	(728)	(803)	(743)	(769)	(689)	(549)	(526)
Free Cash Flow	11,028	7,290	9,469	5,679	6,096	8,816	7,017	4,456
Weighted average shares – basic (thousands)	80,834	81,067	81,314	81,476	81,887	82,753	83,064	83,090
Free Cash Flow per share - basic	0.14	0.09	0.12	0.07	0.07	0.11	0.08	0.05
Funds flow from operations per share- basic	0.14	0.10	0.13	0.08	0.09	0.12	0.10	0.07

Free Cash Flow decreased by 22% for the three months ended June 30, 2025 from the same period of the previous fiscal year. This decrease is primarily due to lower funds flow from operations.

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 Decline

Organic growth and organic decline are not a standardized financial measures and might not be comparable to measures disclosed by other issuers. The Company measures Organic growth/ organic decline 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/ organic decline. Sharp was acquired on November 12, 2025 (Q3 2025) and will start contributing to Organic growth/ organic decline on January 1, 2026 (Q4 2026).

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

- CMG and BHV revenue and Adjusted EBITDA.

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 June 30,			
	2025	2024	% change
(\$ thousands)			
Annuity/maintenance licenses	20,334	19,335	5%
Annuity license fee	518	178	191%
Recurring revenue ^{(1) (2)}	20,852	19,513	7%
Perpetual licenses	378	2,110	(82%)
Total software license revenue	21,230	21,623	(2%)
Professional services	8,403	8,900	(6%)
Total revenue	29,633	30,523	(3%)

(1) This is a non-IFRS financial measure.

(2) Included in the number is a reduction of \$0.2 million for the three months ended June 30, 2025, (\$0.1 million for the three months ended June 30, 2024), 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 June 30,		
	2025	2024
Total recurring revenue % change	7%	25%
Growth from acquisitions	13%	10%
Foreign exchange impact	2%	(1%)
Organic growth/(decline)	(8%)	16%

Total revenue decreased during the three months June 30, 2025, compared to the same periods of the previous year, as the increase from recurring revenue was offset by the decrease from perpetual licenses.

Recurring revenue increased during the three months ended June 30, 2025, compared to the same period of the previous year, due to 13% growth from acquisitions, a 2% increase from foreign exchange, partially offset by an 8% decrease in Organic revenue.

Perpetual license revenue decreased during the three months June 30, 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. Acquisitions did not contribute to perpetual license revenue.

Professional services revenue decreased during the three months June 30, 2025, compared to the same period of the previous year, mainly due to the expected reduction in the tailored software development funding of our seismic solutions and reduced funding of CoFlow.

Software Revenue by Geographic Region

Three months ended June 30,			
	2025	2024	% change
(\$ thousands)			
Annuity/maintenance license			
Canada	2,898	3,229	(10%)
United States	4,520	4,618	(2%)
South America	2,709	2,336	16%
Eastern Hemisphere	10,207	9,152	12%
	20,334	19,335	5%
Annuity license fee			
Canada	13	-	100%
United States	52	40	30%
South America	33	33	0%
Eastern Hemisphere	420	105	300%
	518	178	191%
Perpetual license			
United States	94	1,337	(93%)
Eastern Hemisphere	284	773	(63%)
	378	2,110	(82%)
Total software license revenue			
Canada	2,911	3,229	(10%)
United States	4,666	5,995	(22%)
South America	2,742	2,369	16%
Eastern Hemisphere	10,911	10,030	9%
	21,230	21,623	(2%)

Canada (representing 14% of year-to-date total software license revenue) experienced a decrease in total software license revenue during the three months ended June 30, 2025, compared to the same period 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 during the three months ended June 30, 2025, compared to the same period in the previous year, due to lower annuity/maintenance, annuity license fee and perpetual revenue in reservoir and production solutions..

South America (representing 13% of year-to-date total software license revenue) experienced an increase in total software license revenue during the three months ended June 30, 2025, compared to the same period of the previous year, mainly due to acquisitions, and supported by an increase in Organic revenue.

Eastern Hemisphere (representing 51% of year-to-date total software license revenue) experienced an increase in total software license revenue during the three months ended June 30, 2025, compared to the same period in the previous year, with growth due to acquisitions, offset by a decrease in annuity/ maintenance license revenue for the organic business.

Deferred Revenue

(\$ thousands)	Fiscal 2026	Fiscal 2025	Fiscal 2024	\$ change	% change
Deferred revenue at:					
Q1 (June 30)	33,136	30,890		2,246	7%
Q2 (September 30)		32,274	32,339	(65)	Nil
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 Q1 of fiscal 2026 was 7% higher than in Q1 of fiscal 2025. The acquisition contributed to 13% of the increase and was offset by a 6% decrease in Organic revenue.

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 June 30,			
(\$ thousands)	2025	2024	% change
Cost of revenue ^{(1) (2)}	5,958	6,192	(4%)

(1) Depreciation and amortization related to property and equipment and right of use assets is \$0.2 million and \$0.1 million for the three months ended June 30, 2025 and 2024.

(2) Stock based compensation is \$0 and \$0.2 million for the three months ended June 30, 2025 and 2024.

Cost of revenue decreased during the three months ended June 30, 2025, compared to the same period of the previous year, as the increase due to acquisitions 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.

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 June 30, (\$ thousands)	2025	2024	% change
Sales and marketing ⁽¹⁾⁽²⁾	4,610	4,931	(7%)
Research and development ⁽¹⁾⁽²⁾	8,033	8,245	(3%)
General and administrative ⁽¹⁾⁽²⁾	5,739	5,489	5%
Operating expenses	18,382	18,665	(2%)
% of total revenue	62%	61%	
Acquisition related expenses	(36)	(188)	(81%)
Amortization of acquired intangibles	(1,354)	(665)	104%
Stock-based compensation	(176)	(2,674)	(93%)
Adjusted operating expenses ⁽³⁾	16,817	15,138	11%
% of total revenue	57%	50%	
Direct employee costs ⁽³⁾	11,923	13,655	(13%)
Other corporate cost ⁽³⁾	6,459	5,010	29%
	18,382	18,665	(2%)

(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 \$0.1 million, \$1.7 million, \$0.4 million for the three months ended June 30, 2025 (three months ended June 30, 2024, of \$0.1 million, \$1.1 million, \$0.6 million).

(2) Included in sales and marketing, research and development, and general and administrative expenses is stock based compensation expense of \$0 million, \$0 million, \$0.2 million for the three months ended June 30, 2025 (three months ended June 30, 2024, \$1.1 million, \$0.6 million, \$1.0 million).

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

Operating expenses decreased slightly during the three months ended June 30, 2025, compared to the same period of the previous year. While acquisitions contributed to a 19% increase, it was offset by a 21% decrease in expenses mainly due to lower stock-based compensation.

Adjusted total operating expenses increased during the three months ended June 30, 2025, compared to the same period of the previous year, of which 19% was due to acquisitions, otherwise, operating expenses declined by 8% due to lower headcount and lower variable compensation.

Sales and marketing expenses decreased during the three months ended June 30, 2025, compared to the same period of the previous year. Acquisitions contributed an increase of 19% which was offset by a 26% decrease primarily due to a decrease in stock-based compensation and a decrease in commissions.

Research and development expenses decreased during the three months ended June 30, 2025, compared to the same period of the previous year. Acquisitions contributed an increase of 20% which was offset by a 23% decrease primarily due to a decrease in headcount and headcount related costs including stock-based compensation.

General and administrative expenses increased during the three months ended June 30, 2025, compared to the same period of the previous year, of which acquisitions contributed a 19% increase. The offsetting 14% decrease is primarily due to lower headcount and headcount related costs including stock-based compensation.

Direct employee costs

As a technology company, the Company's largest investment is its people, and approximately 65% of total operating expenses relate to direct employee costs during the three months ended June 30, 2025. At June 30, 2025, CMG Group's full-time equivalent staff complement was 278 employees and consultants (CMG – 167; BHV – 76, SR - 35); (June 30, 2024 – CMG – 190; BHV – 99).

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

Three months ended June 30, (\$ thousands)	2025	2024	% change
Direct employee costs	11,923	13,655	(13%)
Stock-based compensation	(176)	(2,674)	(93%)
Adjusted direct employee costs ⁽¹⁾	11,747	10,981	7%

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

For the three months ended June 30, 2025, adjusted direct employee costs increased by 7% compared to the same period of the previous fiscal year. Acquisitions contributed to 15% of the increase, partially offset by a 8% decrease due to lower headcount, variable compensation and stock-based compensation.

Other Corporate costs

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

Three months ended June 30, (\$ thousands)	2025	2024	% change
Other corporate costs	6,459	5,010	29%
Acquisition-related costs	(36)	(188)	(81%)
Amortization of acquired intangible assets	(1,354)	(665)	104%
Adjusted other corporate costs ⁽¹⁾	5,069	4,157	22%

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

For the three months ended June 30, 2025, adjusted other corporate costs increased by 22% compared to the same period of the previous fiscal year. Acquisitions contributed to 29% of the increase, partially offset by a 7% decrease due to lower professional service costs.

FOREIGN EXCHANGE

The Company is impacted by foreign exchange fluctuations, as 73% of our revenue for the three months ended June 30, 2025 (2024 – 77%) is denominated in US dollars, whereas 39% (2024 – 52%) 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 June 30, 2025, 2024 and 2023 and the average exchange rate used to translate income statement expense items during the three months ended June 30, 2025, 2024 and 2023:

CDN\$ to US\$	At June 30	Yearly average
2023	0.7545	0.7418
2024	0.7310	0.7302
2025	0.7310	0.7272

CMG Group recorded foreign exchange loss of \$0.9 million for the three months ended June 30, 2025, due to the weakening of the US dollar compared to Q1 of fiscal 2025 (\$0.2 million gain), which negatively affected the valuation of the US dollar - denominated portion of the Company's working capital.

INCOME AND OTHER TAXES

Our consolidated effective tax rate for the three months ended June 30, 2025 is 21.7% (2024 – 38.6%), whereas the Canadian statutory tax rate for each of 2025 and 2024 fiscal years is 23%. The difference between the effective rate and the statutory rate is primarily attributed to the impact of tax rates in foreign jurisdictions.

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

QUARTERLY PERFORMANCE

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

	Fiscal 2024 ⁽²⁾				Fiscal 2025 ⁽³⁾			Fiscal 2026 ⁽⁴⁾
(\$ thousands, unless otherwise stated)	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1
Annuity/maintenance license	17,610	18,814	19,661	19,335	18,302	20,452	19,436	20,334
Annuity license fee	-	3,846	1,142	178	71	4,303	4,728	518
Recurring revenue ⁽¹⁾	17,610	22,660	20,803	19,513	18,373	24,755	24,164	20,852
Perpetual license	1,176	584	2,130	2,110	2,149	804	554	378
Total software license revenue	18,786	23,244	22,933	21,623	20,522	25,559	24,718	21,230
Professional services revenue	3,847	9,763	9,358	8,900	8,945	10,214	8,965	8,403
Total revenue	22,633	33,007	32,291	30,523	29,467	35,773	33,683	29,633
Operating profit	7,726	8,217	8,277	5,666	8,430	11,217	8,835	5,293
Operating profit Margin (%)	34%	25%	26%	19%	29%	31%	26%	18%
Net income for the period	6,516	5,610	7,229	3,964	3,763	9,606	5,104	3,309
Adjusted EBITDA ⁽¹⁾	10,718	12,384	10,295	9,527	10,020	13,962	10,500	7,074
Adjusted EBITDA Margin ⁽¹⁾ %	47%	38%	32%	31%	34%	39%	31%	24%
Free Cash Flow ⁽¹⁾	11,028	7,290	9,469	5,679	6,096	8,816	7,017	4,456
Per share amounts – (\$/share)								
Earnings per share (EPS) – basic	0.08	0.07	0.09	0.05	0.05	0.12	0.06	0.04
Earnings per share (EPS) – diluted	0.08	0.07	0.09	0.05	0.05	0.12	0.06	0.04
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⁾	0.14	0.09	0.12	0.07	0.07	0.11	0.08	0.05
Funds flow from operations per share - basic	0.14	0.10	0.13	0.08	0.09	0.12	0.10	0.07

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

(2) Q2, Q3, and Q4 of fiscal 2024 include \$0.4 million, \$0.2 million, \$0.7 million 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 million of annuity/maintenance revenue that pertains to usage of CMG Group's products in prior quarters.

(4) Q1 of fiscal 2026 includes \$0.4 million 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. A significant portion of the Seismic segment annuity license fee revenue 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 as seen in the above table.

The growth and future success of our business depends on many factors and variables. While each of these items present significant opportunities for our business, they also present challenges which are discussed in the "Risk Factors" section of CMG's Annual Information Form dated May 22, 2025, which is available under the Company's profile on SEDAR+ at www.sedarplus.ca.

LIQUIDITY AND CAPITAL RESOURCES

Three months ended June 30,				
(\$ thousands)	2025	2024	\$ change	% change
Cash, beginning of period	43,884	63,083	(19,199)	(30%)
Cash provided by (used in):				
Operating activities	6,599	8,223	(1,624)	(20%)
Financing activities	(4,529)	(2,570)	(1,959)	76%
Investing activities	(542)	(93)	(497)	(1,105%)
Effect of foreign exchange on cash	(1,386)	449	(1,835)	(409%)
Cash, end of period	44,026	69,092	(25,114)	(36%)

At June 30, 2025, CMG Group had \$44.0 million in cash, a \$1.6 million acquired loan, and access to a \$2.5 million line of credit with its principal banker, of which \$0.5 million is available for use. The Company's primary non-operating use of cash was for dividend payments, repayment of lease liabilities and acquisition of property and equipment. Management believes that the Company has sufficient capital resources to meet its operating and capital expenditure needs.

During the three months ended June 30, 2025, 10.3 million shares of the Company's public float were traded on the TSX. As at June 30, 2025, the Company's market capitalization based upon its June 30, 2025 closing price of \$7.21 was \$595.5 million.

OPERATING ACTIVITIES

Cash provided by operating activities decreased by \$1.6 million during the three months ended June 30, 2025, compared to the same period of the previous fiscal year, primarily due to lower funds flow from operations due to lower revenue.

FINANCING ACTIVITIES

Cash used in financing activities increased by \$2.0 million during the three months ended June 30, 2025, compared to the same period of the previous fiscal year primarily due to lower proceeds received from the issuance of shares related to option exercises.

INVESTING ACTIVITIES

Cash used in investing activities for the three months ended June 30, 2025 consists of property and equipment additions during the period. Our capital budget for fiscal 2026 is \$1.7 million, which is intended to expand our existing computer infrastructure and improve R&D infrastructure to support development initiatives.

COMMITMENTS, OFF BALANCE SHEET ITEMS AND TRANSACTIONS WITH RELATED PARTIES

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

On January 1, 2017, Shell and CMG entered into an agreement (the "CoFlow Agreement") 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 three months ended June 30, 2025, CMG recorded professional services revenue of \$1.4 million (2024 - \$2.1 million), and CoFlow costs of \$1.3 million to research and development expenses (2024 - \$2.4 million).

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 June 30, 2025:

(thousands of \$)	Undiscounted lease liability payments	Operating costs	Total commitments
Less than one year	4,116	1,445	5,561
Between one and five years	16,388	5,068	21,456
More than five years	27,998	7,711	35,709
	48,502	14,224	62,726

OUTSTANDING SHARE DATA

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

As at August 6, 2025

(thousands)	
Common shares	82,587
Stock options	4,163
Restricted share units ⁽¹⁾	145
Performance share units ⁽¹⁾	167

(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 August 6, 2025, CMG Group could reserve up to 8,258,726 common shares for issuance under its security-based compensation plans.

BUSINESS RISKS, CRITICAL ACCOUNTING ESTIMATES AND JUDGMENTS

These remain unchanged from what was detailed in CMG's 2025 Financial Report.

DISCLOSURE CONTROLS AND PROCEDURES AND INTERNAL CONTROL OVER FINANCIAL REPORTING

These remain unchanged from the factors detailed in CMG's 2025 Financial Report.

During the three months ended June 30, 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 condensed consolidated statement of financial position and statement of operations and comprehensive income as at June 30, 2025, are as follows:

(thousands)	
Current Assets	12,454
Total Assets	13,445
Current Liabilities	6,619
Total Liabilities	8,091
Total Revenues	3,918
Net Income	141

Condensed Consolidated Statements of Financial Position

UNAUDITED (thousands of Canadian \$)

June 30, 2025

March 31, 2025

Assets		
Current assets:		
Cash	44,026	43,884
Restricted cash	369	362
Trade and other receivables	29,308	41,457
Prepaid expenses	3,121	2,572
Prepaid income taxes	2,262	1,641
	79,086	89,916
Intangible assets	59,484	59,955
Right-of-use assets	27,655	28,443
Property and equipment	10,305	10,157
Goodwill	15,958	15,814
Deferred tax asset	274	471
Total assets	192,762	204,756
Liabilities and shareholders' equity		
Current liabilities:		
Trade payables and accrued liabilities	16,078	18,452
Income taxes payable	2,189	2,667
Acquisition holdback payable	1,405	188
Acquisition earnout payable	3,682	3,864
Deferred revenue (note 4)	33,136	40,276
Lease liabilities (note 5)	2,319	2,278
Government loan	321	310
	59,130	68,035
Lease liabilities (note 5)	34,233	34,668
Government loan	1,283	1,319
Other long-term liabilities	599	1,725
Deferred tax liabilities	13,024	13,102
Total liabilities	108,269	118,849
Shareholders' equity:		
Share capital	95,104	94,849
Contributed surplus	15,630	15,460
Cumulative translation adjustment	3,313	4,326
Deficit	(29,554)	(28,728)
Total shareholders' equity	84,493	85,907
Total liabilities and shareholders' equity	192,762	204,756

Subsequent event (note 14)

See accompanying notes to condensed consolidated interim financial statements.

Condensed Consolidated Statements of Operations and Comprehensive Income

Three months ended June 30, UNAUDITED (thousands of Canadian \$ except per share amounts)	2025	2024
Revenue (note 6)	29,633	30,523
Cost of revenue	5,958	6,192
Gross profit	23,675	24,331
Operating expenses		
Sales and marketing	4,610	4,931
Research and development (note 7)	8,033	8,245
General and administrative	5,739	5,489
	18,382	18,665
Operating profit	5,293	5,666
Finance income (note 8)	314	1,050
Finance costs (note 8)	(1,381)	(463)
Change in fair value of contingent consideration	-	199
Profit before income and other taxes	4,226	6,452
Income and other taxes (note 9)	917	2,488
Net income for the period	3,309	3,964
Other comprehensive income:		
Foreign currency translation adjustment	(1,013)	899
Other comprehensive income/(loss)	(1,013)	899
Total comprehensive income	2,296	4,863
Net income per share – basic (note 10(d))	0.04	0.05
Net income per share – diluted (note 10(d))	0.04	0.05
Dividend per share	0.05	0.05

See accompanying notes to condensed consolidated interim financial statements

Condensed Consolidated Statements of Changes in Equity

UNAUDITED (thousands of Canadian \$)	Share capital	Contributed surplus	Accumulated other comprehensive income (loss)	Deficit	Total equity
Balance, April 1, 2024	87,304	15,667	(387)	(34,789)	67,815
Net income for the period	-	-	-	3,964	3,964
Foreign currency translation adjustment	-	-	899	-	899
Dividends paid	-	-	-	(4,076)	(4,076)
Shares issued on exercise of stock options (note 10(b))	2,646	(397)	-	-	2,249
Shares issued on redemption of performance share units (note 10(b))	243	-	-	-	243
Stock-based compensation:					
Current period expense (note 10(c))	-	275	-	-	275
Balance, June 30, 2024	90,193	15,545	532	(34,901)	71,369
Balance, April 1, 2025	94,849	15,460	4,326	(28,728)	85,907
Net income for the period	-	-	-	3,309	3,309
Foreign currency translation adjustment	-	-	(1,013)	-	(1,013)
Dividends paid	-	-	-	(4,135)	(4,135)
Shares issued on exercise of stock options (note 10(b))	255	(43)	-	-	212
Stock-based compensation:					
Current period expense (note 10(c))	-	213	-	-	213
Balance, June 30, 2025	95,104	15,630	3,313	(29,554)	84,493

See accompanying notes to condensed consolidated interim financial statements.

Condensed Consolidated Statements of Cash Flows

Three months ended June 30, UNAUDITED (thousands of Canadian \$)	2025	2024
Operating activities		
Net income	3,309	3,964
Adjustments for:		
Depreciation and amortization of property, equipment, right-of use assets	1,062	1,218
Amortization of intangible assets	1,354	665
Deferred income tax expense (recovery)	(383)	(653)
Stock-based compensation (note 10(c))	149	1,892
Foreign exchange and other non-cash items	33	(571)
Funds flow from operations	5,524	6,515
Movement in non-cash working capital:		
Trade and other receivables	12,149	13,811
Trade payables and accrued liabilities	(2,267)	(3,331)
Prepaid expenses and other assets	(549)	34
Income taxes receivable (payable)	(968)	1,424
Deferred revenue	(7,290)	(10,230)
Change in non-cash working capital	1,075	1,708
Net cash provided by (used in) operating activities	6,599	8,223
Financing activities		
Repayment of government loan	(80)	-
Proceeds from issuance of common shares	212	2,249
Repayment of lease liabilities (note 5)	(526)	(743)
Dividends paid	(4,135)	(4,076)
Net cash used in financing activities	(4,529)	(2,570)
Investing activities		
Property and equipment additions	(542)	(93)
Net cash used in investing activities	(542)	(93)
Increase (decrease) in cash	1,528	5,560
Effect of foreign exchange on cash	(1,386)	449
Cash, beginning of period	43,884	63,083
Cash, end of period	44,026	69,092
Supplementary cash flow information		
Interest received (note 8)	314	878
Interest paid (notes 5 and 8)	470	463
Income taxes paid	1,779	1,496

See accompanying notes to condensed consolidated interim financial statements.

Notes to Condensed Consolidated Interim Financial Statements

For the three months ended June 30, 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 three months ended June 30, 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 Tecnologicas 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.

2. Basis of Preparation:

(a) Statement of Compliance:

These unaudited interim condensed consolidated financial statements (the "financial statements") have been prepared in accordance with International Accounting Standards 34, Interim Financial Reporting, under IFRS Accounting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB"). They are condensed as they do not include all of the information required for full annual financial statements, and they should be read in conjunction with the Company's most recent annual audited consolidated financial statements for the year ended March 31, 2025.

These financial statements were prepared using accounting policies and methods of their application are consistent with those used in the preparation of the Company's audited consolidated annual financial statements for the year ended March 31, 2025.

These financial statements as at and for the three months ended June 30, 2025 were authorized for issuance by the Board of Directors on August 6, 2025.

3. 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 including property, equipment, intangible and right-of-use assets and goodwill of the Company are located in the following geographic regions (for revenue by geographic region, refer to note 6), based on location of the respective operations:

(thousands of \$)	June 30, 2025	March 31, 2025
Canada	52,080	53,527
United States	8,705	9,105
South America	326	331
Eastern Hemisphere ⁽¹⁾	52,291	51,406
	113,402	114,369

(1) At June 30, 2025 non-current assets of \$51.3 million are located in Germany (March 31, 2025 - \$50.4 million).

4. Deferred Revenue:

The following table presents changes in the deferred revenue balance:

(thousands of \$)	June 30, 2025	March 31, 2025
Balance, beginning of period	40,276	41,120
Acquired deferred revenue	-	1,655
Invoiced during the period, excluding amounts recognized as revenue during the period	11,359	39,580
Recognition of deferred revenue included in the balance of acquired deferred revenue	-	(1,092)
Recognition of deferred revenue included in the balance at the beginning of the period	(18,223)	(41,300)
Effect of foreign exchange	(276)	313
Balance, end of period	33,136	40,276

5. Lease Liabilities:

The Company's leases are for office space 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 \$)	June 30, 2025	March 31, 2025
Balance, beginning of year	36,946	36,961
Additions	180	2,378
Acquired lease liabilities	-	256
Interest on lease liabilities (note 8)	470	1,891
Lease payments	(996)	(4,641)
Effect of foreign exchange	(48)	101
Balance, end of period	36,552	36,946
Current	2,319	2,278
Long-term	34,233	34,668

The following table presents contractual undiscounted payments for lease liabilities as at June 30, 2025:

(thousands of \$)	
Less than one year	4,116
Between one and five years	16,388
More than five years	27,998
Total undiscounted payments	48,502

6. Revenue:

In the following table, revenue is disaggregated by geographical region based on where the customer is located and timing of revenue recognition. In the case of revenues recognized through a reseller arrangement the geographic segmentation is based on the resellers' location:

Three months ended June 30,					2025
(\$ thousands)	Canada	United States	South America	Eastern Hemisphere	Total
Annuity/maintenance	2,898	4,520	2,709	10,207	20,334
Annuity license fee	13	52	33	420	518
Perpetual license	-	94	-	284	378
Total software revenue ⁽¹⁾	2,911	4,666	2,742	10,911	21,230
Professional services	1,744	4,070	507	2,082	8,403
Total revenue	4,655	8,736	3,249	12,993	29,633

Three months ended June 30,					2024
(\$ thousands)	Canada	United States	South America	Eastern Hemisphere	Total
Annuity/maintenance	3,229	4,618	2,336	9,152	19,335
Annuity license fee	-	40	33	105	178
Perpetual license	-	1,337	-	773	2,110
Total software revenue ⁽¹⁾	3,229	5,995	2,369	10,030	21,623
Professional services	2,334	5,035	341	1,190	8,900
Total revenue	5,563	11,030	2,710	11,220	30,523

(1) Total software revenue includes the amortization of a fair value reduction of deferred revenue recognized on acquisition, which has reduced post-acquisition revenues by \$0.2 million (three months ended June 30, 2024 - \$0.1 million).

(2) 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 three months ended June 30, 2025 from performance obligations satisfied (or partially satisfied) in previous periods is \$0.4 million (three months ended June 30, 2024 – \$1.2 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 \$)	June 30, 2025	March 31, 2025
Receivables	20,985	35,859
Contract assets	2,708	1,662

During the three months ended June 30, 2025, one customer comprised 16.2% of the Company's total revenue (three months ended June 30, 2024 – one customer, 24.7%)

7. Research and Development Costs:

Three months ended June 30, (thousands of \$)	2025	2024
Research and development	8,123	8,284
Government grants for research and development	(90)	(39)
	8,033	8,245

8. Finance Income and Finance Costs:

Three months ended June 30, (thousands of \$)	2025	2024
Interest income	314	878
Net foreign exchange gain	-	172
Finance income	314	1,050
Interest expense on lease liabilities (note 5)	(470)	(463)
Net foreign exchange loss and other	(911)	-
Finance costs	(1,381)	(463)

9. Income and Other Taxes:

The major components of income tax expense are as follows:

Three months ended June 30, (thousands of \$)	2025	2024
Current year income tax expense	1,070	2,226
Adjustment for prior year	(119)	716
Current year income taxes	951	2,942
Deferred tax expense (recovery)	(383)	(653)
Foreign withholding and other taxes	349	199
	917	2,488

During the three months ended June 30, 2025, the blended statutory rate was 23% (three months ended June 30, 2024 – 23%).

10. 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, 2024	81,392
Issued on redemption of performance share units	17
Issued for cash on exercise of stock options	428
Balance, June 30, 2024	81,837
Balance, April 1, 2025	82,540
Issued for cash on exercise of stock options	47
Balance, June 30, 2025	82,587

(c) Stock-Based Compensation:

Stock-Based Compensation Expense

The following table summarizes stock-based compensation expense:

Three months ended June 30, (thousands of \$)	2025	2024
Equity-settled plans	213	275
Cash-settled plans	(36)	2,631
Total stock-based compensation expense	177	2,906

Liability Recognized for Stock-Based Compensation⁽¹⁾

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

(thousands of \$)	June 30, 2025	March 31, 2025
SARs	118	185
RSUs	896	891
PSUs	183	148
DSUs	1,527	1,568
Total stock-based compensation liability	2,724	2,792
Current, recorded within trade payables and accrued liabilities	2,426	2,536
Long-term, recorded in other long-term liabilities	298	256

(1) The intrinsic value of the vested awards at June 30, 2025 is \$1.6 million (March 31, 2025 - \$1.8 million).

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

The maximum number of common shares reserved for issuance under the Company's security-based compensation plans is limited to 10% of the issued and outstanding common shares. Based on this calculation, at June 30, 2025, the Company may reserve up to 8,258,726 common shares for issuance under its security-based compensation plans.

(i) Stock Option Plan

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:

	Three months ended June 30, 2025		Year ended March 31, 2025	
	Number of Options (thousands)	Weighted Average Exercise Price (\$/share)	Number of Options (thousands)	Weighted Average Exercise Price (\$/share)
Outstanding at beginning of period	3,553	5.84	4,393	5.17
Granted ⁽¹⁾	671	6.93	750	10.90
Exercised	(47)	4.55	(1,079)	5.24
Forfeited/expired	-	-	(511)	8.77
Outstanding at end of period	4,177	6.03	3,553	5.84
Options exercisable at end of period	1,059	5.00	1,106	4.98

(1) 500,000 stock options granted during the three months ended June 30, 2025 are exercisable when specified share price targets are achieved.

The range of exercise prices of stock options outstanding and exercisable at June 30, 2025 is as follows:

Outstanding			Exercisable		
Exercise Price (\$/option)	Number of Options (thousands)	Weighted Average Remaining Contractual Life (years)	Exercise Price (\$/option)	Number of Options (thousands)	Weighted Average Exercise Price (\$/option)
3.98 to 4.62	359	1.6	4.23	184	3.98
4.63 to 4.87	1,792	1.9	4.74	492	4.74
4.88 to 5.04	512	2.2	5.00	245	5.00
5.05 to 5.88	48	0.1	5.08	48	5.08
5.89 to 6.91	628	2.9	6.91	-	0.00
6.92 to 7.21	44	5.0	7.21	-	0.00
7.22 to 10.40	794	3.3	9.73	90	8.52
	4,177	2.3	6.03	1,059	5.00

During the three months ended June 30, 2025, CMG Group issued a grant of 671,529 stock options, out of which 500,000 are performance based. The performance factors are as follows for the performance-based stock options to become fully vested and exercisable:

- 250,000 stock options vest and become exercisable when a share price of \$15 has been achieved for three consecutive months.
- 250,000 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.

	Three months ended June 30, 2025	Year ended March 31, 2025
Fair value at grant date (\$/option)	0.13 to 0.31	0.83 to 2.74
Share price at grant date (\$/share)	6.91	10.11 to 10.40
Risk-free interest rate (%)	2.63	3.08 to 3.14
Estimated hold period prior to exercise (years)	2.5	3 to 4
Volatility in the price of common shares (%)	40 to 41	38 to 40
Dividend yield per common share (%)	2.89	1.92 to 2.06

(ii) Share Appreciation Rights Plan

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

The following table outlines changes in SARs:

	Three months ended June 30, 2025		Year ended March 31, 2025	
	Number of SARs (thousands)	Weighted Average Exercise Price (\$/SAR)	Number of SARs (thousands)	Weighted Average Exercise Price (\$/SAR)
Outstanding at beginning of period	52	4.50	563	6.50
Exercised	(15)	5.07	(232)	6.00
Forfeited/expired	-	-	(279)	7.30
Outstanding at end of period	37	4.27	52	4.50
SARs exercisable at end of period	37	4.27	52	4.50

(iii) Share Unit Plans

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

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

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

Deferred Share Units (DSUs)

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

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

(thousands)	Three months ended June 30, 2025			Year ended March 31, 2025		
	RSUs	PSUs	DSUs	RSUs	PSUs	DSUs
Outstanding at beginning of period	153	96	196	394	117	187
Granted	1	80	21	4	64	30
Exercised	-	-	-	(200)	(47)	(25)
Forfeited/expired	(8)	(8)	-	(45)	(38)	4
Outstanding at end of period	146	168	217	153	96	196

(d) Earnings Per Share:

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

Three months ended June 30, (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	3,309	83,090	0.04	3,964	81,476	0.05
Dilutive effect of share-based awards		1,085			2,537	
Diluted	3,309	84,175	0.04	3,964	84,013	0.05

During the three months ended June 30, 2025, 10,010 awards (June 30, 2024 – 8,187) were excluded from the computation of the weighted average number of diluted shares outstanding because their effect was not dilutive.

11. Financial Instruments and Risk Management:

The Company's financial instruments include 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 which include trade payables and accrued liabilities (excluding stock-based compensation payable), acquisition holdback payable, and other long-term liabilities (excluding stock-based compensation payable) which are classified as other financial liabilities and, using level 2 inputs, are measured at amortized cost, which approximates their fair values. As the earn-out period ended March 25, 2025, the acquisition earnout payable of \$3.7 million at June 30, 2025 (March 31, 2025 - \$3.9 million) is measured at amortized cost, using level 2 inputs, which approximates fair value. The Government loan is measured at amortized cost using the effective interest rate method, using level 2 inputs.

12. 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 three months ended June 30, 2025, CMG recorded professional services revenue of \$1.4 million (2024 - \$2.1 million), and CoFlow costs of \$1.3 million to research and development expenses (2024 - \$2.4 million).

(b) Commitments:

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

(thousands of \$)	June 30, 2025
Less than one year	1,445
Between one and five years	5,068
More than five years	7,711
	14,224

13. Line of Credit:

The Company has arranged for a \$2.5 million (June 30, 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 June 30, 2025, \$2.0 million (June 30, 2024 - \$1.3 million) had been reserved on this line of credit for letters of credit supporting performance bonds.

14. Subsequent Event:

(a) Dividend Declaration:

On August 6, 2025, the Board of Directors declared a quarterly cash dividend of \$0.01 per share on its common shares, payable Sept 15, 2025, to all shareholders of record at the close of business on September 5, 2025. The Board of Directors made the decision to reduce quarterly dividend from \$0.05 per share to \$0.01 per share to allow the Company financial flexibility to invest in growth through acquisitions.

(b) Acquisition of SeisWare International Inc.

On July 30, 2025, CMG Group completed the acquisition of 100% of the outstanding shares of SeisWare International Inc. ("SeisWare"), a Calgary-based software company specializing in geoscience interpretation and field development solutions to support subsurface exploration and development projects. The acquisition of SeisWare further builds out the seismic interpretation solutions offerings within the CMG Group through a platform offering powerful tools for seismic interpretation, attribute analysis, geological mapping and 3D well design.

Subject to customary post-closing adjustments, the purchase price is US\$6.6 million (\$9 million), net of cash acquired, payout of indebtedness immediately prior to close, and other preliminary closing adjustments. On closing, US\$6.0 million (\$8.2 million) was paid and a holdback amount of US\$0.6 million (\$0.8 million) will be withheld for a period of 12 months and the transaction will be subject to final closing adjustments.

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

Due to the timing of the transaction, the Company has not yet determined preliminary fair values of assets acquired and liabilities assumed.



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