Q1 2027 Financial Report

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CEO Letter to Shareholders

August 11, 2026

Dear Fellow Shareholders,

Tomorrow, August 12, 2026 at 7 am MT, we will hold our first earnings webcast, and I hope you will join us. My letters have gotten longer every quarter which says something about how much the company has grown and changed. I have no intention of stopping them, but I think a second forum to answer questions is worth having.

The first quarter was challenging, with declines in organic Recurring revenue and professional services, and Free Cash Flow impacted by higher taxes. Cost management helped Adjusted EBITDA margin which was 23% against 24% a year ago.

Against that backdrop, we announced a Substantial Issuer Bid (SIB) to purchase for cancellation up to $20 million of our common shares.

My letter this quarter shares the thinking behind that decision and how I view capital allocation in the context of where the business is today.

Where We Stand Today

Capital allocation is the most consequential decision a management team makes. Every day, we choose where the next dollar of capital goes and every day, that choice compounds.

The right capital allocation choice only makes sense in the context of where the business stands today.

- Our balance sheet is strong. We have access to a $100 million credit facility, which is essentially undrawn.
- In our existing businesses, growth initiatives and continuous improvement investments are modest compared to the cash flow the business generates.
- Our expectation is that Free Cash Flow in the current year will be higher than in fiscal 2026.
- Our M&A pipeline is active and strong. We continue to identify solid acquisition opportunities, and we are holding to our standards on price and expected return. This has meant closing fewer transactions than the pipeline alone might suggest, and we accept that pace as the cost of our standard.
- Based on our view of the existing business's underlying earnings power and strategic position, we believe our shares currently trade at a meaningful discount to intrinsic value. We arrive at that view the same way we would evaluate any acquisition target: the durability and margin profile of the recurring revenue base, the free cash flow it produces relative to our current market capitalization, and what comparable software assets with similar retention and margin characteristics have changed hands for.
- We have completed a Normal Course Issuer Bid (NCIB), purchasing for cancellation 4,760,700 shares. The NCIB is not eligible for renewal until November 2026.

Buybacks vs Acquisition

When a company's own shares trade at a meaningful discount to intrinsic value, repurchasing those shares is one of the most reliable, low-risk uses of capital available. It offers a direct, quantifiable return with no integration risk, no execution risk, and no dependence on a counterparty completing a deal on the terms hoped for.

Buying back undervalued stock has a clear, quantifiable return and that return is the benchmark we use to measure every other use of capital, including the investments we make in internal initiatives.

If we believe intrinsic value is meaningfully above the price we're paying, then every share repurchased is accretive to remaining shareholders. It's a real return, and today's SIB announcement reflects genuine conviction in the business.

But it's a return with a limit. Buying back stock doesn't change our business. It returns cash and concentrates existing shareholders' claim on the same business: the same products, the same revenue base, and the same opportunities. It's a capital return, not a capital-building decision.

Acquisitions, when done well, are different. They bring the potential for long-term compounding growth, the kind of value that a repurchase does not create.

The right acquisitions diversify and strengthen our company. They are expected to be accretive to revenue growth and cash flow over the long-term. They can bring in new technologies, introduce new growth opportunities, and they can deepen our relevance with customers as we expand our portfolio of solutions.

That is why disciplined M&A remains our primary focus, and why the larger share of our capital capacity stays committed to it. We believe the opportunities in our pipeline have the potential to deliver these benefits and meet or exceed the return threshold of buying back shares. The ones that cannot, we will pass on.

Outlook

Our assessment of the value of the business is a driving factor in the SIB decision. Behind that view is a judgment about the business as it stands today, and I form that judgment largely in front of customers. This quarter, I spent considerable time in Asia, traveling across India, Malaysia, and Indonesia where a number of our most strategic customers operate.

Here are two of my key observations.

First, operators are focused on maximizing recovery. Many are targeting recovery factors as high as 50%, pushing to extract the last remaining barrels from reservoirs that much of the industry would consider mature.

To get there, they are actively testing a range of Enhanced Oil Recovery (EOR) technologies which is precisely the kind of complex-recovery problem that decades of CMG science were built to solve. Easy oil is gone; the incremental barrel is harder to recover and that dynamic plays directly to our specialization.

Second, there is a strong desire for best-in-class technology and that supports both parts of our portfolio: seismic and subsurface. The operators I met with are not looking for a single, monolithic system — they want the best point technology for each part of their workflow. Our existing relationships, particularly in Indonesia and the Middle East, are opening doors for our seismic solutions with customers who would not otherwise have seen them. That is one of the most valuable things we can offer a company we acquire.

These compelling macro factors are only one part of how we will deliver on our outlook for the year. Market conditions help, but we still have to execute.

Our fiscal 2027 outlook is for stable organic Recurring revenue. Completed renewals and multi-year contracts across many of our top simulation customers supports our view. The rest comes from work underway across the businesses.

ShaleSim, which I described last quarter, officially launched in June, and product initiatives are underway across our other businesses. I expect only a modest contribution to fiscal 2027 revenue from these initiatives, which supports our stable outlook, and a growing one over the next several years.

We are also beginning to realize the benefits of operating as a larger group of companies. We are using international agent relationships built over decades to open new geographies for our seismic solutions, and we have begun submitting joint bids, where two or more of our businesses put forward a broader package of technology than any of them could alone.

I am comfortable that this combination of visibility into our current pipeline and opportunities we are pursuing will support a stable year and lay the foundation for growth in the years ahead.

In Closing

I began this letter with the announcement of our SIB. We are buying back shares because we believe they are worth more than the market is currently giving us credit for, and we are doing it in a size and structure that leaves our acquisition strategy fully funded.

My confidence to go ahead with the SIB rests on the business itself. CMG's software sits deep inside our customers' technical workflows. The recurring revenue and free cash flow it generates gives us the flexibility to repurchase shares today without compromising our capacity to acquire more companies. And the operational benefits of our acquisition strategy are beginning to take shape.

Every quarter we choose where the next dollar of capital goes, and our choices compound. This quarter, our decision is to buy shares through the SIB while the larger share of our capital capacity stays committed to acquisitions that clear the same return threshold.

We are only able to make these choices because of our employees, who are building our company, and our customers, who trust us with decisions where the stakes are high. Thank you both for your ongoing commitment, curiosity, and ambition. And to our shareholders, thank you for your continued support, trust and partnership.

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 IFRS Accounting Standards, including the financial measures "Adjusted EBITDA", "Recurring Revenue", and "Free Cash Flow" to indicate financial performance. For detailed information on these Forward-Looking Statements, non-IFRS measures, and associated risks, please see the relevant sections in our MD&A dated August 11, 2026, 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, 2026.

FIRST QUARTER 2027 CONSOLIDATED HIGHLIGHTS

Select financial highlights

- Total revenue decreased by 6% (16% Organic decline(1) and 10% growth from acquisitions) to $27.8 million;
- Recurring revenue(2) decreased by 3% (12% Organic decline and 9% growth from acquisitions) to $20.3 million;
- Adjusted EBITDA(1) decreased by 10% to $6.4 million;
- Adjusted EBITDA Margin(1) was 23%, compared to 24% in the comparative period;
- Earnings per share was $0.02, a 50% decrease;
- Free Cash Flow(1) decreased by 22% to $3.5 million; Free Cash flow per share decreased to $0.04 from $0.05

(1) Organic growth/decline, Adjusted EBITDA, Adjusted EBITDA Margin and Free Cash Flow are not a standardized financial measures and might not be comparable to measures disclosed by other issuers. For more description see under “Non-IFRS Financial and Supplementary Financial Measures” heading.
(2) Recurring revenue includes Annuity/maintenance licenses and Annuity license fee, and excludes Perpetual licenses and Professional Services.

OVERVIEW

On August 11, 2026, the company announced that the board of directors has approved a substantial issuer bid (SIB) pursuant to which the Company will offer to purchase for cancellation up to $20,000,000 of its common shares. It is anticipated that the SIB will commence on August 14, 2026, and will expire on September 21, 2026, unless extended, varied or withdrawn.

In the first quarter of 2027, total revenue declined 6%. Total Recurring revenue declined 3%, as 9% growth from acquisitions was offset by 12% negative organic growth. The organic decline reflects primarily the previously disclosed customer loss incurred in the second quarter of fiscal 2026. The current quarter represents the final quarter lapping that contract loss after which year-over-year comparisons are expected to normalize.

Professional services revenue declined 16%, with a 29% organic decline partially offset by 13% growth from acquisitions. The organic decline was driven by previously disclosed factors including the absence of CoFlow related development funding in the current quarter but that was recognized in the prior year, and the ongoing reduction in non-core professional services activity at Bluware.

Adjusted EBITDA for the quarter declined to $6.4 million, a result of lower revenue and partially offset by disciplined cost management. Both acquisitions completed in fiscal 2026 (SeisWare and Rose & Associates) contributed positively to Adjusted EBITDA in the quarter, despite the seasonal weighting of their software revenue recognition to the second half of the year.

Free Cash Flow declined to $3.5 million, impacted by lower revenue and higher income taxes which had a negative impact net income.

In the second quarter, we expect Recurring revenue to increase sequentially from Q1 driven by a higher renewal cycle in Q2 relative to Q1.

Professional services revenue is expected to decline sequentially in the second quarter, and to represent the lowest quarter of the fiscal year. This reflects the completion of the wind down of the non-core services at Bluware and lower activity levels during the summer months.

Adjusted EBITDA and Adjusted EBITDA margins in the second quarter are expected to decline sequentially reflecting the trough in professional services revenue and an expected increase in sales and marketing expense tied to agent commissions paid on contract renewals that happen regularly in Q2.

For fiscal 2027, we are updating our outlook for professional services revenue which is now expected to decline between $6-7 million relative to fiscal 2026 (previously expected to be $6 million).

For fiscal 2027, relative to the prior year and excluding the impact of future acquisitions, we continue to expect organic Recurring revenue to be stable, no decline in Adjusted EBITDA, and improved Free Cash Flow.

SUMMARY OF FINANCIAL PERFORMANCE

	Three months ended June 30,		
($ thousands, except per share data)	**2026**	2025	% change
Annuity/maintenance licenses	**19,248**	20,334	(5)%
Annuity license fee	**1,041**	518	101%
Recurring revenue[1][2]	**20,289**	20,852	(3)%
Perpetual license	**497**	378	31%
Total software license revenue	**20,786**	21,230	(2)%
Professional services	**7,059**	8,403	(16)%
Total Revenue	**27,845**	29,633	(6)%
Cost of revenue	**5,661**	5,958	(5)%
Operating expenses			
Sales & marketing	**4,519**	4,610	(2)%
Research and development	**7,779**	8,033	(3)%
General & administrative	**5,621**	5,739	(2)%
Operating expenses	**17,919**	18,382	(3)%
Operating profit	**4,265**	5,293	(19)%
Net income	**1,326**	3,309	(60)%
Adjusted EBITDA [1]	**6,389**	7,074	(10)%
Adjusted EBITDA Margin *[1]*	***23%***	*24%*	*(1)%*
Earnings per share — basic & diluted	**0.02**	0.04	(50)%
Funds flow from operations per share - basic	**0.06**	0.07	(14)%
Free Cash Flow per share — basic [1]	**0.04**	0.05	(20)%

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

(2) Included in the number is a reduction of $0.3 million for the three months ended June 30, 2026,($0.2 million for the three months ended June 30, 2025), attributed to the amortization of a deferred revenue fair value reduction recognized on acquisitions.

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 11, 2026, 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, 2026 and 2025 and CMG Group's Annual Information Form dated May 21, 2026 ("AIF"), and such additional information is available under CMG Group's SEDAR+ profile at www.sedarplus.ca.

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

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

This MD&A was reviewed and approved by the Audit Committee and Company's Board of Directors (the "Board of Directors") and is effective August 11, 2026.

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, future growth and performance, how the Company's business will develop over time; the Company's business strategy and that organic Recurring revenue will return to growth as customer spending normalizes; Recurring revenue as an indicator of business expansion; CMG's 4.0 Strategy and its outcomes; the Company's competitive advantages; the drivers of long-term value at the Company; the impact of cautious customer outlooks; the timing of seasonal contract renewals and Revenue recognition; the timing expectations with respect to perpetual license sales; margins expanding as acquisitions mature; results for the following quarter, including but not limited to, improvements to profitability and revenue, year-over-year organic revenue growth; the adoption trends across several products and confidence in their long-term contribution to margins and cash flow; the benefits of investments and the value they will add to the Company's financial performance and operations; growth in Recurring revenue and Free Cash Flow evidencing the success of the Company; the Company's 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; the ability to have sufficient capital resources to meet the Company's operating and expenditure needs; estimated commitments, off balance sheet items and transactions with related parties; the development of the Company's M&A infrastructure, including the people, the process and the diligence capability; the conversion of M&A opportunities to closed transactions; the continuous deployment of available capital into acquisitions; and estimated amount of common shares for issuance under the Company's security-based compensation plans. When used in this MD&A, statements to the effect that the Company or its management "anticipate", "intend", "plan", "believe", "project", "estimate", "expect", "strategy", "future", "likely", "may", "should", "would", "could", "will", "continue", "maintain", "grow", "optimize", "accelerate" and similar references to future periods. Statements regarding our business strategies and objectives, expectations regarding revenue, Adjusted EBITDA and Free Cash Flow, 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 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 or manage significant disruptions to information technology infrastructure, including cyber security risks.

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

- Economic conditions in the energy industry;
- Reliance on key customers;
- Foreign exchange;
- Commodity price risk;
- Geopolitical risk, including the war in Ukraine and the conflict in the Middle East;
- Tariff risk;
- Tax liability;
- Sales variability;
- Economic and political risks in countries where the Company currently does or proposes to do business;
- Increased competition;
- General state of the economy
- Reliance on employees with specialized skills or knowledge;
- Protection of intellectual property and other proprietary rights;
- Artificial intelligence risk;
- Credit and liquidity;
- Non-compliance with anti-corruptions and anti-bribery laws;
- Information security breaches or other cyber-security threats; and
- Ability to successfully execute on acquisitions and to integrate acquired businesses and assets.
- Potential restrictions around asset ownership and control in foreign jurisdictions;
- Litigation;
- Significant obligations on CMG as a publicly traded company;
- Price volatility of our Common Shares;
- Fraudulent and illegal activities by employees, contractors and and consultants.

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

CORPORATE PROFILE

CMG Group is a global software and consulting company providing complex, science-based software solutions to the energy industry. CMG Group provides cutting-edge technologies that support critical field development decisions for upstream planning and energy transition strategies. The Company has a diverse customer base of international oil and gas production and exploration companies in approximately 60 countries. The Company also provides professional services consisting of highly specialized support, consulting, training, and contract research activities. CMG Group has sales and technical support services based in Calgary, Houston, Oxford, Dubai, Bogota, Rio de Janeiro, Bengaluru, Kuala Lumpur, Oslo, Stavanger, and Kaiserslautern. The Company's common shares are listed on the Toronto Stock Exchange ("TSX") and trade under the symbol "CMG". CMG Group and its subsidiaries include the following: Computer Modelling Group, Inc., CMG Middle East FZ LLC, CMG Europe Ltd., CMG Collaboration Centre India Private Ltd., and Computer Modelling Group Brazil Solucoes Technoligicas Ltda., (together referred to as "CMG"), and CMG Holdings (USA) Inc., Bluware-Headwave Ventures Inc., Bluware Inc., and Bluware AS, (together referred to as "BHV"), CMGL Services Corporation, CMG Germany GmbH, Sharp Reflections GmbH, Sharp Reflections Inc., Sharp Reflections AS, and Sharp Reflections Ltd., (together referred to as "SR" or "Sharp"), SeisWare International Inc., and SeisWare Inc. (together referred to as "SWII" or "SeisWare"), and CMG RA Holdings 1, LLC, CMG RA Holdings 2, LLC, Rose & Associates LLP, Rose & Associates Canada Ltd and Lognormal Solutions LLC (together referred to as "Rose").

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.

Under the CMG 4.0 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; and,
- continue deployment of available capital into acquisitions

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

We pursue Organic growth through direct sales using our internal sales force and are focused on enhancing our market engagement framework through the addition of a strategic marketing function and additional sales tools and training. We are also committed to partnering with industry leaders for product development, consulting projects, and sales. The Company sees mergers and acquisitions ("M&A") as a growth accelerator and maintains a robust and dynamic pipeline of opportunities, investing in both engagement and outreach. The acquisition strategy aims to invest excess capital, at attractive after-tax rates of return, to acquire businesses that enhance and diversify our software solutions across the upstream energy workflow. The Company also intends to explore opportunities to diversify further within midstream and downstream energy and adjacent industries.

The company now comprises five groups providing market-leading software solutions as described below.

Computer Modelling Group: market-leading reservoir simulation software, recognized as the industry standard in traditional oil and gas including enhanced oil recovery ("EOR"), heavy oil and unconventional resources, and in energy transition including carbon capture and storage ("CCS"), geothermal and hydrogen. In addition, the Company has developed CoFlow, the industry's first fully implicit, multi-user and multi-disciplinary integrated reservoir and production system modelling 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.

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's expanded offerings also include 4D seismic analysis.

SeisWare (SWII): develops geoscience interpretation and field development software to support subsurface exploration and development projects. SeisWare's platform offers tools for seismic interpretation, attribute analysis, geological mapping and 3D well design.

Rose: Probabilistic subsurface risk assessment software, for resource estimation, risk analysis, aggregation, cash flow modelling and related communications.

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. The majority of 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

On August 11, 2026, the Company announced that the Board had approved a substantial issuer bid (the "SIB") under which CMG will offer to repurchase for cancellation up to $20 million of its shares at a price of not less than $4.00 and not more than $4.50 per share (the "Offer"). It is anticipated that the SIB will commence on August 14, 2026, and expire on September 21, 2026, unless extended, varied or withdrawn.

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, Free Cash Flow per share, adjusted operating expenses, direct employee costs, adjusted direct employee costs, other corporate costs, adjusted other corporate costs, 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, retirement allowance for senior management, restructuring cost, 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 is most directly comparable to IFRS measures operating income, net income, or liquidity but should not be construed as an alternative to such financial measures. Adjusted EBITDA Margin is most directly comparable to IFRS measure net Income divided by revenue but should not be construed as an alternative thereof. 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)	**2026**	2025
Net income (loss)	**1,326**	3,309
Add (deduct):		
Depreciation and amortization	**2,725**	2,415
Acquisition costs	**82**	36
Stock-based compensation	**82**	177
Deferred revenue amortization on acquisition fair value reduction	**271**	150
Income and other tax expense (recovery)	**1,549**	917
Interest income	**(41)**	(314)
Interest expense	**205**	—
Foreign exchange loss (gain)	**773**	911
Repayment of lease liabilities	**(583)**	(526)
Adjusted EBITDA (1)	**6,389**	7,074
Adjusted EBITDA Margin (1)	***23%***	*24%*

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

Adjusted EBITDA decreased by 10% during the three months ended June 30, 2026, compared to the same period of the previous year. The decrease was primarily driven by lower net income during the quarter.

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's most directly comparable IFRS measure is funds flow from operations. 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 2025			Fiscal 2026				**Fiscal 2027**
($ thousands, unless otherwise stated)	Q2	Q3	Q4	Q1	Q2	Q3	Q4	**Q1**
Funds flow from operations	7,101	9,937	8,227	5,524	3,588	7,068	9,701	**4,336**
Capital expenditures	(236)	(432)	(661)	(542)	(1,080)	(723)	(215)	**(280)**
Repayment of lease liabilities	(769)	(689)	(549)	(526)	(541)	(539)	(736)	**(583)**
Free Cash Flow	6,096	8,816	7,017	4,456	1,967	5,806	8,750	**3,473**
Weighted average shares – basic (thousands)	81,887	82,753	83,064	83,090	84,058	82,957	80,511	**78,013**
Free Cash Flow per share - basic	0.07	0.11	0.08	0.05	0.02	0.07	0.11	**0.04**
Funds flow from operations per share-basic	0.09	0.12	0.10	0.07	0.04	0.09	0.12	**0.06**

Free Cash Flow decreased by 22% for the three months ended June 30, 2026 compared to the same period of the previous fiscal year primarily due to lower funds flow from operations in the quarter.

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 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. People-related costs represent the Company's largest area of expenditure; hence, management considers highlighting separately corporate and direct employee costs to be important in evaluating the quantitative impact of cost management of these two major expenditure pools. See "Operating Expenses" heading for a reconciliation of direct employee costs and other corporate costs to total operating expenses.

Organic Growth

Organic growth and organic decline are not standardized financial measures and might not be comparable to measures disclosed by other issuers. Organic growth/decline on a quarterly and year-to-date basis is most directly comparable to IFRS measure revenue and net income of businesses under CMG Group's ownership for a year or longer beginning from the first full quarter in the current and comparative period. 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, 2024 (Q3 2025) and has marked one full year of ownership under CMG Group and hence is included in organic growth/decline from January 1, 2026 (Q4 2026).

SeisWare was acquired on July 30, 2025 and will start contributing to Organic growth/organic decline on October 1, 2026. Rose was acquired on March 25, 2026 and will start contributing to Organic growth/organic decline on April 1, 2027.

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

- CMG, BHV and Sharp 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,		
($ thousands)	**2026**	2025	% change
Annuity/maintenance licenses	**19,248**	20,334	(5)%
Annuity license fee	**1,041**	518	101%
Recurring revenue(1) (2)	**20,289**	20,852	(3)%
Perpetual licenses	**497**	378	31%
Total software license revenue	**20,786**	21,230	(2)%
Professional services	**7,059**	8,403	(16)%
Total revenue	**27,845**	29,633	(6)%

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

(2) Included in the number is a reduction of $0.3 million for the three months ended June 30, 2026, ($0.2 million for the three months ended June 30, 2025), 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,
	2026
Total recurring revenue % change	**(3)%**
Growth from acquisitions	**9%**
Foreign exchange impact	**1%**
Organic growth (decline)	**(13)%**

Total revenue decreased during the three months ended June 30, 2026, compared to the same period of the previous year, as the growth from acquisitions of 10% was offset by the decreases of 16% in Organic revenue.

Recurring revenue decreased during the three months ended June 30, 2026, compared to the same period of the previous year with a 13% decrease in Organic revenue offset by a favorable 1% foreign exchange movement and 9% growth from acquisitions. The decrease in Organic recurring revenue for the quarter was primarily attributable to lower annuity license sales.

Perpetual license revenue increased during the three months ended June 30, 2026, compared to the same period of the previous year, due to higher perpetual license sales made in the current quarter.

Professional services revenue decreased by 16% during the three months ended June 30, 2026, compared to the same period of the previous year, mainly due to a reduction in Organic of 29% from reduced tailored software development funding of our seismic solutions and reduced CoFlow funding in reservoir simulation solutions compared to the prior period.

The reduction in professional services from Organic was offset by a 13% increase from professional service revenue from acquisitions.

Software Revenue by Geographic Region

	Three months ended June 30,		
($ thousands)	**2026**	2025	% change
Annuity/maintenance license			
Canada	**2,802**	2,898	(3)%
United States	**4,294**	4,520	(5)%
South America	**2,141**	2,709	(21)%
Eastern Hemisphere(1)	**10,011**	10,207	(2)%
	19,248	20,334	(5)%
Annuity license fee			
Canada	**435**	13	100%
United States	**162**	52	212%
South America	**84**	33	155%
Eastern Hemisphere(1)	**360**	420	(14)%
	1,041	518	101%
Perpetual license			
United States	**42**	94	(55)%
Eastern Hemisphere(1)	**455**	284	60%
	497	378	31%
Total software license revenue			
Canada	**3,237**	2,911	11%
United States	**4,498**	4,666	(4)%
South America	**2,225**	2,742	(19)%
Eastern Hemisphere(1)	**10,826**	10,911	(1)%
	20,786	21,230	(2)%

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

Canada (representing 15% of year-to-date total software license revenue) experienced an increase in total software license revenue during the three months ended June 30, 2026, compared to the same periods in the previous year, due to higher annuity license fee.

The United States (representing 22% of year-to-date total software license revenue) decreased in total software license revenue for the three months ended June 30, 2026, compared to the same period in the previous year, driven by lower annuity/maintenance license revenue.

South America (representing 11% of year-to-date total software license revenue) experienced a decrease in total software revenue during the three months ended June 30, 2026, compared to the same period of the previous year due to lower annuity/maintenance license revenue.

Eastern Hemisphere (representing 52% of year-to-date total software license revenue) experienced a decreases in total software license revenue during the three months ended June 30, 2026, compared to the same periods in the previous year due to lower annuity license fee and annuity/maintenance license revenue.

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Deferred Revenue

($ thousands)	Fiscal 2027	Fiscal 2026	Fiscal 2025	$ change	% change
Deferred revenue at:					
Q1 (June 30)	**31,605**	33,136	—	(1,531)	(5)%
Q2 (September 30)	—	34,615	32,274	2,341	7%
Q3 (December 31)	—	31,992	34,822	(2,830)	(9)%
Q4 (March 31)	—	39,294	40,276	(982)	(2)%

The Company's deferred revenue consists primarily of amounts for prepaid licenses and maintenance and support services.

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 2027 was 5% lower than in Q1 of fiscal 2026 mainly attributable to the recognition of revenue from performance obligations satisfied during the period.

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)	**2026**	2025	% change
Cost of revenue (1) (2)	**5,661**	5,958	(5)%

(1) Depreciation and amortization related to property and equipment and right of use assets is $0.2 million and $0.2 million for the three months ended June 30, 2026 and 2025 respectively.

(2) Stock based compensation nil for the three months ended June 30, 2026 and 2025.

Cost of revenue decreased during the three months ended June 30, 2026 compared to the same period of the previous year due to lower personnel related costs.

OPERATING EXPENSES

Sales and marketing

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

Research and development

Research and development expenses are comprised primarily of personnel expenses including employee salaries, benefits and stock-based compensation, product-related expenses including product management, product research and development, and other corporate overhead allocations off-set by certain tax benefits realized through the Canadian Scientific Research and Experimental Development Tax Credit program ("SR&ED"), 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, except per share data)	**2026**	2025	% change
Sales and marketing (1)(2)	**4,519**	4,610	(2)%
Research and development (1)(2)	**7,779**	8,033	(3)%
General and administrative (1)(2)	**5,621**	5,739	(2)%
Operating expenses	**17,919**	18,382	(3)%
Acquisition related expenses	**(82)**	(36)	130%
Amortization of acquired intangibles	**(1,590)**	(1,354)	17%
Stock-based compensation	**(97)**	(176)	(45)%
Adjusted operating expenses (3)	**16,150**	16,816	(4)%
Direct employee costs (3)	**10,700**	11,923	(10)%
Other corporate cost (3)	**7,219**	6,459	12%
	17,919	18,382	(3)%

(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, $1.8 million, $0.6 million, respectively for the three months ended June 30, 2026 (three months ended June 30, 2025, $0.1 million, $1.7 million, $0.4 million, respectively).

(2) Included in sales and marketing, research and development, and general and administrative expenses is stock based compensation expense/(recovery) of $nil, $nil, $0.1 million, respectively, for the three months ended June 30, 2026 (three months ended June 30, 2025, $nil,, $nil, $0.2 million respectively).

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

Operating expenses decreased during the three months ended June 30, 2026, compared to the same period of the previous year of which acquisitions contributed an 12% increase offset by a 15% decrease in operating expenses in the organic business mainly due to lower personnel cost.

Adjusted total operating expenses decreased by 4% during the three months ended June 30, 2026, compared to the same period of the previous year of which acquisitions contributed an 11% increase offset by a 15% decrease in the organic business due to lower research and development cost.

Sales and marketing expenses decreased by 2% during the three months ended June 30, 2026, compared to the same period of the previous year, of which acquisitions contributed 8% increase which was partially offset by a 10% decrease from the organic business.

Research and development expenses decreased during the three months ended June 30, 2026, compared to the same period of the previous year of which acquisitions contributed a 13% increase which was offset by a 16% decrease in the organic business driven by lower personnel related costs.

General and administrative expenses decreased by 2% during the three months ended June 30, 2026, compared to the same period of the previous year with acquisitions contributing a 13% increase which was offset by a 15% decrease in the organic business.

Direct employee costs

As a technology company, the Company's largest investment is its people, and approximately 60% of total operating expenses relate to direct employee costs during the three months ended June 30, 2026. At June 30, 2026, CMG Group's full-time equivalent staff complement was 295 employees and consultants

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

	Three months ended June 30,		
($ thousands)	**2026**	2025	% change
Direct employee costs	**10,700**	11,923	(10)%
Stock based compensation	**(97)**	(176)	(45)%
Adjusted direct employee costs (1)	**10,603**	11,747	(10)%

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

For the three months ended June 30, 2026, adjusted direct employee costs decreased by 10% compared to the same periods of the previous fiscal year of which acquisitions contributed 10% which was offset by a decrease in the organic business of 20% mainly due to lower headcount and lower variable compensation expense.

Other Corporate costs

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

	Three months ended June 30,		
($ thousands)	**2026**	2025	% change
Other corporate costs	**7,219**	6,459	12%
Acquisition-related costs	**(82)**	(36)	130%
Amortization of acquired intangible assets	**(1,590)**	(1,354)	17%
Adjusted other corporate costs (1)	**5,547**	5,069	9%

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

For the three months ended June 30, 2026, adjusted other corporate costs increased by 9% compared to the same periods of the previous fiscal year. Acquisitions contributed 13% partially offset by a 4% decrease in the organic business.

FOREIGN EXCHANGE

The Company is impacted by foreign exchange fluctuations, as 76% of our revenue for the three months ended June 30, 2026 (2025 – 73%) is denominated in US dollars, whereas only 47% (2025 – 39%) 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, 2026, 2025 and 2024 and the average exchange rate used to translate income statement expense items during the three three months ended June 30, 2026, 2025 and 2024:

CDN$ to US$	At June 30	Yearly average
2024	0.7310	0.7302
2025	0.7310	0.7272
2026	**0.7025**	**0.7227**

CMG Group recorded a foreign exchange loss of $0.5 million for the three months ended June 30, 2026, due to the weakening of the US dollar during the period, which negatively affected the valuation of the US dollar denominated portion of the Company's working capital.

INCOME AND OTHER TAXES

Income tax expense for the three months ended June 30, 2026 was $1.5 million, as compared to $0.9 million for the period ended June 30, 2025. The increase in income tax expense was primarily the result of the impact of adjustments related to prior periods and the mix of earnings and losses in countries with differing statutory tax rates and the ability to utilize tax losses in those jurisdictions.

The benefit recorded in CMG Group's books on the scientific research and experimental development ("SR&ED") investment tax credit program impacts deferred income taxes.

The investment tax credit earned in the current fiscal year reduces income taxes otherwise payable for the current fiscal year but bears an inherent tax liability as the amount of the credit is included in the subsequent year's taxable income for both federal and provincial purposes. The inherent tax liability on these investment tax credits is reflected in the year the credit is earned as a non-current deferred tax liability and then, in the following fiscal year, is transferred to income taxes payable.

QUARTERLY PERFORMANCE

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

	Fiscal 2025			Fiscal 2026				**Fiscal 2027**
($ thousands, unless otherwise stated)	Q2	Q3	Q4	Q1	Q2	Q3	Q4	**Q1**
Annuity/maintenance license	18,302	20,452	19,436	20,334	19,067	19,526	17,654	**19,248**
Annuity license fee	71	4,303	4,728	518	1,650	4,186	9,275	**1,041**
Recurring revenue(1)	18,373	24,755	24,164	20,852	20,717	23,712	26,929	**20,289**
Perpetual license	2,149	804	554	378	945	417	656	**497**
Total software license revenue	20,522	25,559	24,718	21,230	21,662	24,129	27,585	**20,786**
Professional services revenue	8,945	10,214	8,965	8,403	8,539	8,556	6,085	**7,059**
Total revenue	29,467	35,773	33,683	29,633	30,201	32,685	33,670	**27,845**
Operating profit	8,430	11,217	8,835	5,293	5,181	7,219	9,360	**4,265**
Operating profit Margin (%)	*29%*	*31%*	*26%*	*18%*	*17%*	*22%*	*28%*	***15%***
Net income for the period	3,763	9,606	5,104	3,309	2,716	5,964	5,427	**1,326**
Adjusted EBITDA(1)	10,020	13,962	10,500	7,074	7,558	9,716	11,755	**6,389**
Adjusted EBITDA Margin (1) %	*34%*	*39%*	*31%*	*24%*	*25%*	*30%*	*35%*	***23%***
Free Cash Flow(1)	6,096	8,816	7,017	4,456	1,967	5,806	8,750	**3,473**
Per share amounts – ($/share)								
Earnings per share (EPS) – basic	0.05	0.12	0.06	0.04	0.03	0.07	0.07	**0.02**
Earnings per share (EPS) – diluted	0.05	0.12	0.06	0.04	0.03	0.07	0.07	**0.02**
Cash dividends declared and paid	0.05	0.05	0.05	0.05	0.01	0.01	0.01	**0.01**
Free Cash Flow per share – basic(1)	0.07	0.11	0.08	0.05	0.02	0.07	0.11	**0.04**
Funds flow from operations per share - basic(1)	0.09	0.12	0.10	0.07	0.04	0.09	0.12	**0.06**

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

(2) Q2, Q3, and Q4 of fiscal 2025 include $0.5 million, $0.3 million, $0.03 million, respectively, of annuity/maintenance revenue that pertains to usage of CMG Group's products in prior quarters.

(3) Q1, Q2, Q3, and Q4 of fiscal 2026 include $0.4 million, $0.2 million, $0.4 million, $nil, respectively, of annuity/maintenance revenue that pertains to usage of CMG Group's products in prior quarters.

(4) Q1 of fiscal 2027 include $0.3 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 occurred during the third and fourth quarter 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 21, 2026, which is available under the Company's profile on SEDAR+ at www.sedarplus.ca.

LIQUIDITY AND CAPITAL RESOURCES

($ thousands)	Three months ended June 30, 2026	2025	$ change	% change
Cash, beginning of period	**24,100**	43,884	(19,784)	(45)%
Cash provided by (used in):				
Operating activities	**(4,245)**	6,599	(10,844)	(164)%
Financing activities	**(2,171)**	(4,529)	2,358	(52)%
Investing activities	**(280)**	(542)	262	(48)%
Effect of foreign exchange on cash	**265**	(1,386)	1,651	(119)%
Cash, end of period	**17,669**	44,026	(26,357)	(60)%

At June 30, 2026, the Company had $17.7 million in cash, $7.8 million in borrowing and access to approximately $92.2 million under a revolving credit facility, of which the total amount is available for use. Management believes that the Company has sufficient capital resources to meet its operating and capital expenditure needs.

During the three months ended June 30, 2026, 9.6 million shares of the Company's public float were traded on the TSX. As at June 30, 2026 the Company's market capitalization based upon its June 30, 2026 closing price of $3.58 was $279.2 million.

OPERATING ACTIVITIES

Cash used in operating activities increased by $11 million during the three months ended June 30, 2026, compared to the same period of the previous fiscal year mainly due to the change in non-cash working capital of $9 million, driven by changes in accounts payable, receivables and deferred revenue balances.

FINANCING ACTIVITIES

Cash used in financing activities decreased by $2 million during the three months ended June 30, 2026, compared to the same period of the previous fiscal year which is primarily due to reduced dividend per share from $0.05 to $0.01.

INVESTING ACTIVITIES

Cash used in investing activities for the three months ended June 30, 2026 decreased compared to the same period last fiscal year which was primarily due to lower capital expenditure.

COMMITMENTS, OFF BALANCE SHEET ITEMS AND TRANSACTIONS WITH RELATED PARTIES

Commitments and off-balance sheet items

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, 2026:

(thousands of $)	Undiscounted lease liability payments	Operating costs and short-term leases	Total commitments
Less than one year	4,293	1,674	**5,967**
Between one and five years	16,381	4,632	**21,013**
More than five years	24,289	6,236	**30,525**
	44,963	**12,542**	**57,505**

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 11, 2026 (thousands)	
Common shares	77,994
Stock options	3,805
Restricted share units(1)	15
Performance share units(1)	184

(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 11, 2026, CMG Group could reserve up to 7,799,400 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 2026 Financial Report.

CHANGES IN MATERIAL ACCOUNTING POLICIES AND ESTIMATES

Adoption of Recent Accounting Pronouncements

The Company has adopted the amendments to IFRS 9 Financial Instruments and IFRS 7 Financial Instruments: Disclosures relating to the classification and measurement of financial instruments, issued by the International Accounting Standards Board in May 2024. These amendments clarify, among other matters, the requirements for the derecognition of financial liabilities settled via electronic payment systems, and are effective for annual reporting periods beginning on or after January 1, 2026.

CMG has adopted these amendments in accordance with the transition requirements set out in the IFRS Accounting Standards. The adoption of these amendments did not have a material impact on the Company's interim condensed consolidated financial statements for the period.

DISCLOSURE CONTROLS AND PROCEDURES AND INTERNAL CONTROL OVER FINANCIAL REPORTING

Management is responsible for establishing and maintaining disclosure controls and procedures ("DC&P") and internal control over financial reporting ("ICFR") as defined under National Instrument 52-109 Certification of Disclosure in Issuers' Annual and Interim Filings ("NI 52-109").

At June 30, 2026, the Chief Executive Officer ("CEO") and the Chief Financial Officer ("CFO") concluded that the design and operation of the Company's DC&P were effective (in accordance with the COSO control framework (2013)) and that material information relating to the Company, including its subsidiaries, was made known to them and was recorded, processed, summarized and reported within the time periods specified under applicable securities legislation. Further, the CEO and the CFO concluded that the design and operation of the Company's ICFR were effective at June 30, 2026 in order to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with IFRS. It should be noted that while the Company's CEO and CFO believe that the Company's disclosure controls and procedures and internal controls over financial reporting provide a reasonable level of assurance that they are effective, they do not expect that such controls and procedures will prevent all errors and fraud. A control system, no matter how well conceived or operated, can provide only reasonable, not absolute, assurance that the objectives of the control system are met.

During the three months June 30, 2026, 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 July 30, 2025, we completed the acquisition of SeisWare International Inc., a privately held software company headquartered in Calgary, Canada. SeisWare’s operations have been included in the consolidated financial statements of CMG Group since July 30, 2025. In addition, on March 24, 2026, CMG Group completed the acquisition of 100% of the outstanding partnership units of Rose & Associates LLP (“Rose”), a Houston-based provider of probabilistic subsurface risk analysis and resource assessment software, training, consulting, and operator consortium services. Rose's operations have been included in the consolidated financial statements of CMG Group from the date of acquisition.

However, we have not had sufficient time to appropriately determine and assess the extent of DC&P and ICFR previously used by SeisWare and Rose 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 SeisWare and Rose (as permitted by applicable securities laws in Canada).

Amounts in respect of SeisWare and Rose included in CMG Group’s consolidated statement of financial position and statement of operations and comprehensive income as at June 30, 2026, are as follows:

(thousands)	
Current Assets	6,129
Total Assets	28,593
Current Liabilities	4,295
Total Liabilities	5,370
Total Revenues	3,115
Net Income (Loss)	53

Condensed Consolidated Statements of Financial Position

UNAUDITED (thousands of Canadian $)	**June 30, 2026**	March 31, 2026
Assets		
Current assets:		
Cash	**17,669**	24,100
Restricted cash	**148**	146
Short-term investment	**3,700**	3,700
Trade and other receivables	**23,494**	29,159
Prepaid expenses	**3,514**	3,659
Prepaid income taxes	**3,794**	3,671
	52,319	64,435
Other long-term asset	**1,302**	1,324
Intangible assets	**68,065**	68,876
Right-of-use assets	**25,541**	26,252
Property and equipment	**10,994**	11,175
Goodwill (note 3)	**25,422**	25,032
Deferred tax asset	**98**	212
Total assets	**183,741**	197,306
Liabilities and shareholders' equity		
Current liabilities:		
Trade payables and accrued liabilities	**9,496**	16,749
Income taxes payable (note 10)	**2,256**	2,280
Acquisition holdback payable (note 3)	**2,979**	3,008
Deferred revenue (note 5)	**31,605**	39,294
Lease liabilities (note 6)	**2,594**	2,549
Government loan	**325**	320
	49,255	64,200
Lease liabilities (note 6)	**32,050**	32,656
Revolving credit facility (note 14)	**7,800**	6,628
Government loan	**974**	1,119
Other long-term liabilities	**863**	838
Deferred tax liabilities	**13,259**	13,534
Total liabilities	**104,201**	118,975
Shareholders' equity:		
Share capital (note 11)	**91,153**	91,453
Contributed surplus	**16,059**	15,922
Cumulative translation adjustment	**7,176**	5,386
Deficit	**(34,848)**	(34,430)
Total shareholders' equity	**79,540**	78,331
Total liabilities and shareholders' equity	**183,741**	197,306

Subsequent event (note 15)

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)	**2026**	2025
Revenue (note 7)	**27,845**	29,633
Cost of revenue	**5,661**	5,958
Gross profit	**22,184**	23,675
Operating expenses		
Sales and marketing	**4,519**	4,610
Research and development (note 8)	**7,779**	8,033
General and administrative	**5,621**	5,739
	17,919	18,382
Operating profit	**4,265**	5,293
Finance income (note 9)	**41**	314
Finance costs (note 9)	**(1,430)**	(1,381)
Profit before income and other taxes	**2,875**	4,226
Income and other taxes (note 10)	**1,549**	917
Net income	**1,326**	3,309
Other comprehensive income:		
Foreign currency translation adjustment	**1,790**	(1,013)
Other comprehensive income	**1,790**	(1,013)
Total comprehensive income	**3,116**	2,296
Net income per share – basic & diluted (note 11(e))	**0.02**	0.04

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, 2025	94,849	15,460	4,326	(28,728)	85,907
Net income	—	—	—	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 11(b))	255	(43)	—	—	212
Stock-based compensation:					
Current period expense (note 11(c))	—	213	—	—	213
Balance, June 30, 2025	95,104	15,630	3,313	(29,554)	84,493
Balance, April 1, 2026	**91,453**	**15,922**	**5,386**	**(34,430)**	**78,331**
Net income	**—**	**—**	**—**	**1,326**	**1,326**
Foreign currency translation adjustment	**—**	**—**	**1,790**	**—**	**1,790**
Dividends paid	**—**	**—**	**—**	**(779)**	**(779)**
Shares repurchased through normal course issuer bid (note 11(d))	**(300)**	**—**	**—**	**(965)**	**(1,265)**
Stock-based compensation:					
Current period expense (note 11(c))		**137**			**137**
Balance, June 30, 2026	**91,153**	**16,059**	**7,176**	**(34,848)**	**79,541**

See accompanying notes to the condensed consolidated interim financial statements.

Condensed Consolidated Statements of Cash Flows

Three months ended June 30, UNAUDITED (thousands of Canadian $)	**2026**	2025
Operating activities		
Net income	**1,326**	3,309
Adjustments for:		
Depreciation and amortization of property, equipment, right-of-use assets	**1,135**	1,062
Amortization of intangible assets	**1,590**	1,354
Deferred income tax expense (recovery)	**(330)**	(383)
Stock-based compensation	**82**	149
Foreign exchange and other non-cash items	**533**	33
Funds flow from operations	**4,336**	5,524
Movement in non-cash working capital:		
Trade and other receivables	**5,665**	12,149
Trade payables and accrued liabilities	**(6,962)**	(2,267)
Prepaid expenses and other assets	**167**	(549)
Income taxes receivable (payable)	**239**	(968)
Deferred revenue	**(7,690)**	(7,290)
Change in non-cash working capital	**(8,581)**	1,075
Net cash (used in)/provided by operating activities	**(4,245)**	6,599
Financing activities		
Repayment of government loan	**(162)**	(80)
Proceeds from issuance of common shares	**—**	212
Repurchase of shares	**(1,878)**	—
Repayment of lease liabilities (note 6)	**(583)**	(526)
Proceeds from credit facility	**5,100**	—
Repayment of credit facility	**(3,869)**	—
Dividends paid	**(779)**	(4,135)
Net cash used in financing activities	**(2,171)**	(4,529)
Investing activities		
Property and equipment additions, net of disposals	**(280)**	(542)
Net cash used in investing activities	**(280)**	(542)
(Decrease) in cash	**(6,696)**	1,528
Effect of foreign exchange on cash	**265**	(1,386)
Cash, beginning of year	**24,100**	43,884
Cash, end of year	**17,669**	44,026
Supplementary cash flow information		
Interest received (note 9)	**41**	314
Interest paid (note 9)	**524**	470
Income taxes paid	**1,279**	1,779

See accompanying notes to the condensed consolidated interim financial statements.

Notes to the Condensed Consolidated Interim Financial Statements

For the three months ended June 30, 2026 and 2025.

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, 2026, comprise CMG Group and its subsidiaries: Computer Modelling Group Inc., CMG Middle East FZ LLC, CMG Europe Ltd., CMG Collaboration Centre India Private Ltd., and Computer Modelling Group Brazil Solucoes Technoligicas Ltda., (together referred to as "CMG"), and CMG Holdings (USA) Inc., Bluware-Headwave Ventures Inc., Bluware Inc., and Bluware AS, (together referred to as "BHV"), CMGL Services Corporation , CMG Germany GmbH, Sharp Reflections GmbH, Sharp Reflections Inc., Sharp Reflections AS, Sharp Reflections Ltd., (together referred to as "SR" or "Sharp"), SeisWare International Inc. and SeisWare Inc. (together referred to as "SWII" or "SeisWare"), and CMG RA Holdings 1, LLC, CMG RA Holdings 2, LLC, Rose & Associates LLP, Rose & Associates Canada Ltd and Lognormal Solutions, LLC (together referred to as "Rose"). The Company is a global software and consulting technology company engaged in 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, 2026.

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 annual consolidated financial statements for the year ended March 31, 2026 except for the changes and additions as per note 2(b).

These condensed consolidated interim financial statements as at and for the three months ended June 30, 2026 were authorized for issue by the Board of Directors on August 11, 2026.

(b) Adoption of new accounting standards and amendments

The Company has adopted the amendments to IFRS 9 Financial Instruments and IFRS 7 Financial Instruments: Disclosures relating to the classification and measurement of financial instruments, issued by the International Accounting Standards Board in May 2024. These amendments clarify when a financial asset or a financial liability should be derecognised i.e. at settlement date. The amendments are effective for annual reporting periods beginning on or after January 1, 2026.

CMG has adopted these amendments in accordance with the transition requirements set out in the IFRS Accounting Standards. The adoption of these amendments did not have a material impact on the Company's unaudited interim condensed consolidated financial statements.

3. Acquisitions:

(a) Rose & Associates LLP Acquisition:

On March 24, 2026, CMG Group completed the acquisition of 100% of the outstanding partnership units of Rose & Associates LLP, a Houston-based globally recognized provider of probabilistic subsurface risk analysis and resource assessment software, training, consulting, and operator consortium services for the global exploration and production industry.

Subject to customary post-closing adjustments, the purchase price is US$9.8 million ($14.8 million), gross of cash acquired, payout of indebtedness immediately prior to close, and other preliminary closing adjustments. On closing, US$9.7 million ($13.4 million) was paid and a holdback amounts of US$0.7 million ($0.9 million) and US$0.3 million ($0.5 million) will be withheld for a period of 4 and 24 months respectively and the transaction will be subject to final closing adjustments.

There is an earnout provision up to US$2.5 million ($3.4 million) payable if certain economic conditions are met. Based on management's assessment at the acquisition date, the fair value of the earnout was determined to be nil. The fair value of the contingent consideration will be assessed for remeasurement at each reporting period end until the earnout period expires.

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

Goodwill of US$4.3 million ($5.9 million) recognized in connection with this acquisition is primarily attributable to CMG Group's strategy to improve the operations of Rose, opportunities for Rose to increase sales to new customers and margins on revenue as the business expands, and other intangible assets that do not qualify for separate recognition including the assembled workforce. Goodwill is not expected to be deductible for income tax purposes.

Due to the timing and complexity of the acquisition, CMG Group is in the process of determining and finalizing the estimated fair value of the net assets acquired. The provisional purchase price allocations may differ from the final purchase price allocations, and these differences may be material. Revisions to allocations will occur as additional information about the fair value of the assets and liabilities becomes available. The acquisition accounting method applied on a provisional basis in connection with the acquisition of Rose is as follows:

(thousands of $)	
Fair value of net assets acquired	
Cash	**1,303**
Net working capital, excluding deferred revenue	**1,557**
Deferred Revenue	**(2,093)**
Other assets and liabilities	**8**
Intangible assets: technology	**7,420**
Intangible assets: customer relationships	**687**
Net assets acquired	**8,882**
Goodwill	**5,888**
Total purchase consideration	**14,770**
Consideration	
Cash	**13,395**
Acquisition holdback payable	**1,375**
Total consideration	**14,770**

(b) SeisWare International Inc. Acquisition:

On July 30, 2025, CMG Group completed the acquisition of 100% of the outstanding shares of SeisWare International Inc., a Calgary-based software company specializing in geoscience interpretation and field development solutions to support subsurface exploration and development projects ("the Seisware acquisition"). The acquisition of SeisWare International Inc 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. The purchase price was US$6.6 million ($8.9 million)

Goodwill of $3.0 million recognized in connection with this acquisition was primarily attributable to CMG Group's strategy to improve the operations of SeisWare, opportunities for SeisWare to increase sales to new customers and margins on revenue as the business expands, and other intangible assets that do not qualify for separate recognition including the assembled workforce.

During the three months ended June 30, 2026, the measurement period for the SeisWare acquisition expired. No measurement period adjustments were recorded. As a result, the purchase price allocation was finalized with no changes to the previously reported fair values of the identifiable assets acquired and liabilities assumed as disclosed in the Company's 2026 Annual Consolidated Financial Statements.

4. Segmented Information:

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

The Company provides professional services, consisting of support, training, consulting and contract research activities, to promote the use and development of its software; however, these activities are considered a single line of business and all products function around this purpose and are not evaluated as a separate business segment.

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

(thousands of $)	**June 30, 2026**	March 31, 2026
Canada	**58,107**	59,707
United States	**22,868**	22,718
South America	**667**	514
Eastern Hemisphere[(1)]	**49,779**	49,927
	131,421	132,866

(1) Includes Europe, Africa, Asia and Australia. Included in this balance is $48.8 million located in Germany ($48.8 million at March 31, 2026)

5. Deferred Revenue:

The following table presents changes in the deferred revenue balance:

(thousands of $)	**June 30, 2026**	March 31, 2026
Balance, beginning of year	**39,294**	40,276
Acquired deferred revenue (note 3)	**—**	3,029
Invoiced during the year, excluding amounts recognized as revenue during the year	**8,017**	37,384
Recognition of deferred revenue included in the balance of acquired deferred revenue in the current year	**—**	(1,387)
Recognition of deferred revenue included in the balance at the beginning of the year	**(15,936)**	(40,109)
Impact of foreign exchange	**230**	101
Balance, end of year	**31,605**	39,294

6. Lease Liabilities:

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

(thousands of $)	**June 30, 2026**	March 31, 2026
Balance, beginning of year	**35,205**	36,946
Additions	**—**	428
Acquired lease liabilities (note 4)	**—**	113
Interest on lease liabilities (note 9)	**452**	1,844
Lease payments	**(1,035)**	(4,131)
Impact of foreign exchange	**22**	5
Balance, end of period	**34,644**	35,205
Current	**2,594**	2,549
Long-term	**32,050**	32,656

The following table presents contractual undiscounted payments for lease liabilities as at June 30, 2026:

(thousands of $)	
Less than one year	4,293
Between one and five years	16,381
More than five years	24,289
Total undiscounted payments	44,963

7. Revenue:

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

Three months ended June 30,					**2026**					**2025**
($ thousands)	Canada	United States	South America	Eastern Hemisphere (1)	**Total**	Canada	United States	South America	Eastern Hemisphere (1)	**Total**
Annuity/maintenance	2,802	4,294	2,141	10,011	**19,248**	2,898	4,520	2,709	10,207	**20,334**
Annuity license fee	435	162	84	360	**1,041**	13	52	33	420	**518**
Perpetual license	—	42	—	455	**497**	—	94	—	284	**378**
Total software revenue (2)	3,237	4,498	2,225	10,826	**20,786**	2,911	4,666	2,742	10,911	**21,230**
Professional services	187	4,219	608	2,045	**7,059**	1,744	4,070	507	2,082	**8,403**
Total revenue	3,424	8,717	2,833	12,871	**27,845**	4,655	8,736	3,249	12,993	**29,633**

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

(2) Total software revenue includes the amortization of a fair value reduction of deferred revenue recognized on acquisition, which has reduced post-acquisition revenues by $0.3 million (June 30, 2025 - $0.2 million).

(3) Annuity/ maintenance and professional service revenue are recognized over the contract. Annuity license fee and perpetual license revenue are recognized at a point in time upon completion of the Company's obligation.

The amount of revenue recognized during the three months ended June 30, 2026 from performance obligations satisfied (or partially satisfied) in previous periods is $0.1 million (June 30, 2025 – $0.4 million).

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

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

(thousands of $)	**June 30, 2026**	March 31, 2026
Receivables	**21,093**	24,585
Contract assets	**798**	888

During the three months ended June 30, 2026, one customer comprised 13% of the Company’s total revenue (June 30, 2025 – one customer, 16%).

8. Research and Development Costs:

Three months ended June 30, (thousands of $)	**2026**	2025
Research and development	**7,926**	8,123
Government grants for research and development	**(147)**	(90)
	7,779	8,033

9. Finance Income and Finance Costs:

Three months ended June 30, (thousands of $)	**2026**	2025
Interest income	**41**	314
Finance income	**41**	314
Interest expense on lease liabilities (note 6)	**(452)**	(470)
Net foreign exchange loss	**(773)**	(907)
Interest on loan and revolving credit facility	**(72)**	(4)
Other finance cost	**(133)**	—
Finance costs	**(1,430)**	(1,381)

10. Income and Other Taxes:

The major components of income tax expense are as follows:

Three months ended June 30, (thousands of $)	**2026**	2025
Current year income tax expense	**1,212**	1,070
Adjustment for prior year	**400**	(119)
Current year income taxes	**1,612**	951
Deferred tax expense (recovery)	**(330)**	(383)
Foreign withholding and other taxes	**267**	349
	1,549	917

During the three months ended June 30, 2026, the statutory tax rate was 23% (June 30, 2025 – 23%).

11. Share Capital

(a) Authorized:

An unlimited number of common shares, an unlimited number of non-voting shares, and an unlimited number of preferred shares, issuable in series without par value.

(b) Issued:

(thousands of shares)	Common shares
Balance, April 1, 2025	82,540
Issued for cash on exercise of stock options	47
Balance, June 30, 2025	82,587
Balance, April 1, 2026	**78,340**
Shares repurchased through NCIB	**(346)**
Balance, June 30, 2026	**77,994**

(c) Stock-Based Compensation:

Stock-Based Compensation Expense

The following table summarizes stock-based compensation expense:

Three months ended June 30, (thousands of $)	**2026**	2025
Equity-settled plans	**137**	213
Cash-settled plans	**(55)**	(36)
Total stock-based compensation expense	**82**	177

Liability Recognized for Stock-Based Compensation(1)

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

(thousands of $)	**June 30, 2026**	March 31, 2026
SARs	**89**	89
RSUs	**47**	183
PSUs	**162**	139
DSUs	**711**	653
Total stock-based compensation liability	**1,009**	1,064
Current, recorded within trade payables and accrued liabilities	**952**	1,017
Long-term	**57**	47

(1) The intrinsic value of the vested awards at June 30, 2026 is $0.7 million (March 31, 2026 is $0.7 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, 2026, the Company may reserve up to 7,799,423 common shares for issuance under its security-based compensation plans.

i Stock Option Plan

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

The following table outlines changes in stock options:

	Three months ended June 30, 2026		Year ended March 31, 2026	
	Number of Options (thousands)	**Weighted Average Exercise Price ($/share)**	Number of Options (thousands)	Weighted Average Exercise Price ($/share)
Outstanding at beginning of year	**4,012**	**5.61**	3,553	5.84
Granted	**189**	**3.85**	1,210	6.49
Exercised	**—**	**—**	(187)	4.43
Forfeited/expired	**(352)**	**5.52**	(564)	9.46
Outstanding at end of year	**3,849**	**5.53**	4,012	5.62
Options exercisable at end of year	**1,012**	**5.56**	1,128	5.64

The range of exercise prices of stock options outstanding and exercisable at June 30, 2026 is as follows:

			Outstanding		Exercisable
Exercise Price ($/option)	Number of Options (thousands)	Weighted Average Remaining Contractual Life (years)	Weighted Average Exercise Price ($/option)	Number of Options (thousands)	Weighted Average Exercise Price ($/option)
3.85 to 3.98	358	3.6	3.97	98	3.98
3.99 to 4.62	1,792	0.9	4.74	492	4.74
4.63 to 4.87	356	1.2	5.00	206	5.00
4.88 to 5.04	468	1.7	6.13	—	—
5.05 to 6.61	573	1.6	6.91	37	6.91
6.62 to 7.06	302	3.0	9.14	179	9.04
	3,849	**1.5**	**5.53**	**1,012**	**5.56**

During the three months ended June 30, 2026, CMG Group issued grants of 189,395 stock options, none of which have performance based vesting criteria.

a Share Appreciation Rights Plan

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

	Three months ended June 30, 2026		Year ended March 31, 2026	
	Number of SARs (thousands)	**Weighted Average Exercise Price ($/SAR)**	Number of SARs (thousands)	Weighted Average Exercise Price ($/SAR)
Outstanding at beginning of year	**28**	**3.98**	52	4.50
Exercised	**—**	**—**	(24)	5.08
Forfeited/expired	**—**	**—**	—	—
Outstanding at end of year	**28**	**3.98**	28	3.98
SARs exercisable at end of year	**28**	**3.98**	28	3.98

b Share Unit Plans

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

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

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

Deferred Share Units (DSUs)

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

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

	Three months ended June 30, 2026			Year ended March 31, 2026		
	RSUs	**PSUs**	**DSUs**	RSUs	PSUs	DSUs
Outstanding at beginning of year	**23**	**192**	**170**	153	96	196
Granted	**—**	**100**	**32**	1	163	110
Exercised	**—**	**—**	**—**	(105)	—	(136)
Forfeited/expired	**(3)**	**(81)**	**—**	(26)	(67)	—
Outstanding at end of year	**20**	**211**	**202**	23	192	170

(d) Normal Course Issuer Bid

On November 11, 2025, the Company announced plans to undertake a Normal Course Issuer Bid to repurchase up to 5% of outstanding shares as at November 3, 2025. This was amended on February 23, 2026 to 10% of the outstanding shares held by all shareholders other than restricted shares and shares held by the Company's directors, senior officers and shareholders who held 10% or more of the Company's outstanding shares as of the close of business on November 3, 2025.

During the three months ended June 30, 2026, the Company purchased for cancellation 292,700 common shares (June 30, 2025 - nil) for a total of 1.3 million (June 30, 2025 - nil) under the NCIB program. As at June 30, 2026, the Group has fully repurchased the shares allowable under the NCIB program.

(e) 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)		**2026**			2025	
	Earnings ($)	**Weighted average shares outstanding**	**Earnings per share ($/share)**	Earnings ($)	Weighted average shares outstanding	Earnings per share ($/share)
Basic	**1,326**	**78,013**	**0.02**	3,309	83,090	0.04
Dilutive effect of share-based awards		**117**			1,085	
Diluted	**1,326**	**78,130**	**0.02**	3,309	83,345	0.04

During the three months ended June 30, 2026, 124,235 awards (June 30, 2025 – 10,010 awards) were excluded from the computation of the weighted average number of diluted shares outstanding because their effect was not dilutive.

12. Financial Instruments and Risk Management

The Company's financial instruments consist of cash, restricted cash, short-term investment, trade and other receivables, trade payables and accrued liabilities (excluding stock-based compensation payable), acquisition holdback payable, other long-term liabilities (excluding stock-based compensation payable), government loan and revolving credit facility. These financial instruments are classified and measured at amortized cost and their carrying amounts approximate their fair values .

Cash and restricted cash are held in demand deposits carried at face value, which by their nature equals fair value at all times. Trade and other receivables and trade payables and accrued liabilities (excluding stock-based compensation) arise from ordinary trading transactions and are short-term in nature, typically settling within 30 to 90 days. They are initially recognized at transaction price and are not subject to significant interest rate or market price variability over their collection or settlement period. Revolving credit facility bears interest at a floating rate that resets periodically in line with prevailing market rates, ensuring that the contractual rate of return reflects current market conditions at all times. Accordingly, the present value of future cash flows under the facility does not differ materially from its carrying amount. For acquisition holdback payable, government loan and other long-term liability, there is no significant effect of discounting as such the carrying amounts represent the fair values. The estimated fair value are based on level 2 inputs

13. Commitments:

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

(thousands of $)	**June 30, 2026**
Less than one year	**1,674**
Between one and five years	**4,632**
More than five years	**6,236**
	12,542

14. Credit Facilities:

i. Revolving credit facility

As at June 30, 2026, CMG Group has access to a committed revolving credit facility with a total limit of $100 million maturing November 7, 2029 at which point all amounts drawn and accrued interest thereon are due in full. Borrowings under the facility bear a variable interest rate with no fixed repayments over the term to maturity. Interest rates are calculated at standard Canadian, U.S., and European reference rates plus interest rate spreads based on a leverage table.

As at the reporting date, the Company has drawn down $7.8 million bearing interest at the lender's prime rate plus an applicable margin. Interest expense on the facility is recognized under finance cost in the statement of operations and comprehensive income using the effective interest method.

The credit facility is subject to customary positive, negative, reporting and financial covenants. The financial covenants require the Company to maintain, at all times, (A) a leverage ratio for the preceding four quarter period not greater than: (I) 3.75:1.00; or (II) for the four immediately subsequent fiscal quarters following completion of a material acquisition, 4.00:1.00 (and thereafter, 3.75:1.00) and (B) an interest coverage ratio with respect to the immediately preceding four quarter period is not less than 3.00:1.00. As at June 30, 2026 the Company had a leverage ratio of 1.02 and interest coverage ratio of 17.71. The Company was in full compliance with all covenants as at the reporting date.

As at June 30, 2026, the Company had $92.2 million of undrawn committed borrowing facility which are available to support CMG Group's liquidity requirements.

ii. Other credit facility

The Company has arranged for a $2.5 million (June 30, 2025 - $2.5 million) line of credit with a lender, which may be used to support letters of credit and is collateralized by the Short-term Investment. As at June 30, 2026, $2.0 million (June 30, 2025 – $2.0 million) had been reserved on this credit facility for letters of credit supporting performance bonds.

15. Subsequent Event:

i. On August 11, 2026, the Board of Directors declared a quarterly cash dividend of $0.01 per share on its common shares, payable on September 15, 2026 to all shareholders of record at the close of business on September 4, 2026.

ii. On August 11, 2026, the Company announced that the Board had approved a substantial issuer bid (the "SIB") under which the Company will offer to repurchase for cancellation up to $20 million of its Shares at a price of not less than $4.00 and not more than $4.50 per share (the "Offer"). It is anticipated that the SIB will commence on August 14, 2026, and expire on September 21, 2026, unless extended, varied or withdrawn.

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