# Condensed Consolidated Interim Financial Statements

Q3 2024

For the three and nine months ended December 31, 2023 and 2022

CMG

# Condensed Consolidated Statements of Financial Position

| UNAUDITED (thousands of Canadian $) | **December 31, 2023** | March 31, 2023 |
|---|---|---|
| **Assets** | | |
| Current assets: | | |
| Cash | **45,183** | 66,850 |
| Restricted cash | **158** | - |
| Trade and other receivables | **32,090** | 23,910 |
| Prepaid expenses | **1,652** | 1,060 |
| Prepaid income taxes (note 10) | **2,858** | 444 |
| | **81,941** | 92,264 |
| Intangible assets | **24,347** | 1,321 |
| Right-of-use assets | **30,008** | 30,733 |
| Property and equipment | **10,072** | 10,366 |
| Goodwill (note 3) | **3,787** | - |
| Deferred tax asset (note 10) | **-** | 2,444 |
| **Total assets** | **150,155** | 137,128 |
| **Liabilities and shareholders' equity** | | |
| Current liabilities: | | |
| Trade payables and accrued liabilities | **13,329** | 9,883 |
| Income taxes payable (note 10) | **1,027** | 33 |
| Acquisition holdback payable (note 3) | **2,283** | - |
| Deferred revenue (note 5) | **27,089** | 34,797 |
| Lease liabilities (note 6) | **2,738** | 1,829 |
| | **46,466** | 46,542 |
| Lease liabilities (note 6) | **35,017** | 36,151 |
| Stock-based compensation liabilities (note 11(c)) | **2,706** | 1,985 |
| Acquisition earnout (note 3) | **1,470** | - |
| Other long-term liabilities | **261** | - |
| Deferred tax liabilities (note 10) | **1,113** | - |
| Total liabilities | **87,033** | 84,678 |
| Shareholders' equity: | | |
| Share capital (note 11(b)) | **85,925** | 81,820 |
| Contributed surplus | **15,596** | 15,471 |
| Cumulative translation adjustment | **(448)** | - |
| Deficit | **(37,951)** | (44,841) |
| Total shareholders' equity | **63,122** | 52,450 |
| **Total liabilities and shareholders' equity** | **150,155** | 137,128 |

Subsequent event (note 15)

See accompanying notes to condensed consolidated interim financial statements.

# Condensed Consolidated Statements of Operations and Comprehensive Income

| UNAUDITED (thousands of Canadian $ except per share amounts) | Three months ended December 31 **2023** | 2022 (note 2(e)) | Nine months ended December 31 **2023** | 2022 (note 2(e)) |
|---|---|---|---|---|
| **Revenue (note 7)** | **33,007** | 19,392 | **76,388** | 53,581 |
| **Cost of revenue** | **6,356** | 1,695 | **10,754** | 5,116 |
| **Gross profit** | **26,651** | 17,697 | **65,634** | 48,465 |
| **Operating expenses** | | | | |
| Sales and marketing | **4,857** | 2,480 | **10,596** | 6,674 |
| Research and development (note 8) | **7,253** | 4,096 | **16,072** | 13,268 |
| General and administrative | **6,324** | 2,686 | **13,259** | 9,572 |
| | **18,434** | 9,262 | **39,927** | 29,514 |
| **Operating profit** | **8,217** | 8,435 | **25,707** | 18,951 |
| Finance income (note 9) | **986** | 548 | **2,438** | 2,028 |
| Finance costs (note 9) | **(1,086)** | (633) | **(2,087)** | (1,458) |
| **Profit before income and other taxes** | **8,117** | 8,350 | **26,058** | 19,521 |
| Income and other taxes (note 10) | **2,507** | 2,002 | **7,028** | 4,950 |
| **Net income for the period** | **5,610** | 6,348 | **19,030** | 14,571 |
| **Other comprehensive income:** | | | | |
| Foreign currency translation adjustment | **(453)** | - | **(449)** | - |
| **Other comprehensive income** | **(453)** | - | **(449)** | - |
| **Total comprehensive income** | **5,157** | 6,348 | **18,581** | 14,571 |
| Net income per share – basic (note 11(d)) | **0.07** | 0.08 | **0.24** | 0.18 |
| Net income per share – diluted (note 11(d)) | **0.07** | 0.08 | **0.23** | 0.18 |
| Dividend per share | **0.05** | 0.05 | **0.15** | 0.15 |

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, 2022 | 80,248 | 15,009 | - | (48,539) | 46,718 |
| Comprehensive income for the period | - | - | - | 14,571 | 14,571 |
| Dividends paid | - | - | - | (12,067) | (12,067) |
| Shares issued on redemption of restricted share units (note 11(b)) | 309 | - | - | - | 309 |
| Shares issued on exercise of stock options | 523 | (89) | - | - | 434 |
| Stock-based compensation: | | | | | |
| Current period expense (note 11(c)) | - | 518 | - | - | 518 |
| **Balance, December 31, 2022** | 81,080 | 15,438 | - | (46,035) | 50,483 |
| | | | | | |
| **Balance, April 1, 2023** | **81,820** | **15,471** | **-** | **(44,841)** | **52,450** |
| Net income for the period | **-** | **-** | **-** | **19,030** | **19,030** |
| Foreign currency translation adjustment | **-** | **-** | **(448)** | **-** | **(448)** |
| Dividends paid | **-** | **-** | **-** | **(12,140)** | **(12,140)** |
| Shares issued on exercise of stock options | **3,477** | **(481)** | **-** | **-** | **2,996** |
| Shares issued on redemption of restricted share units (note 11(b)) | **358** | **-** | **-** | **-** | **358** |
| Shares issued on redemption of performance share units (note 11(b)) | **270** | **-** | **-** | **-** | **270** |
| Stock-based compensation: | | | | | |
| Current period expense (note 11(c)) | **-** | **606** | **-** | **-** | **606** |
| **Balance, December 31, 2023** | **85,925** | **15,596** | **(448)** | **(37,951)** | **63,122** |

See accompanying notes to condensed consolidated interim financial statements.

# Condensed Consolidated Statements of Cash Flows

| UNAUDITED (thousands of Canadian $) | Three months ended December 31 2023 | 2022 | Nine months ended December 31 2023 | 2022 |
|---|---|---|---|---|
| **Operating activities** | | | | |
| Net income | **5,610** | 6,348 | **19,030** | 14,571 |
| Adjustments for: | | | | |
| Depreciation and amortization of property, equipment, right-of use assets | **890** | 864 | **2,686** | 2,732 |
| Amortization of intangible assets | **665** | - | **851** | - |
| Deferred income tax expense (recovery) (note 10) | **1,104** | (145) | **3,082** | (64) |
| Stock-based compensation (note 11(c)) | **513** | 1,102 | **2,222** | 462 |
| Foreign exchange and other non-cash items | **(305)** | - | **17** | - |
| Funds flow from operations | **8,477** | 8,169 | **27,888** | 17,701 |
| Movement in non-cash working capital: | | | | |
| Trade and other receivables | **(5,413)** | (4,872) | **(2,112)** | (1,048) |
| Trade payables and accrued liabilities | **2,413** | 649 | **24** | 27 |
| Prepaid expenses and other assets | **(639)** | 1 | **(349)** | (421) |
| Income taxes receivable (payable) | **(181)** | 1,157 | **(1,432)** | 733 |
| Deferred revenue | **(4,214)** | 2,553 | **(9,351)** | (3,737) |
| Change in non-cash working capital | **(8,034)** | (512) | **(13,220)** | (4,446) |
| **Net cash provided by operating activities** | **443** | 7,657 | **14,668** | 13,255 |
| **Financing activities** | | | | |
| Repayment of acquired line of credit | **-** | - | **(2,012)** | - |
| Proceeds from issuance of common shares | **1,783** | 19 | **2,996** | 434 |
| Repayment of lease liabilities (note 6) | **(364)** | (413) | **(1,188)** | (1,055) |
| Dividends paid | **(4,059)** | (4,025) | **(12,140)** | (12,067) |
| **Net cash used in financing activities** | **(2,640)** | (4,419) | **(12,344)** | (12,688) |
| **Investing activities** | | | | |
| Corporate acquisition, net of cash acquired (note 3) | **157** | - | **(22,893)** | - |
| Change in non-cash working capital | **(517)** | - | **(517)** | - |
| Property and equipment additions | **(459)** | (211) | **(555)** | (341) |
| **Net cash used in investing activities** | **(819)** | (211) | **(23,965)** | (341) |
| **Increase (decrease) in cash** | **(3,016)** | 3,027 | **(21,641)** | 226 |
| Effect of foreign exchange on cash | **(26)** | - | **(26)** | - |
| Cash, beginning of period | **48,225** | 56,859 | **66,850** | 59,660 |
| **Cash, end of period** | **45,183** | 59,886 | **45,183** | 59,886 |
| **Supplementary cash flow information** | | | | |
| Interest received (note 9) | **986** | 548 | **2,438** | 1,105 |
| Interest paid (notes 6 and 9) | **444** | 482 | **1,394** | 1,458 |
| Income taxes paid | **1,071** | 1,732 | **5,429** | 4,615 |

See accompanying notes to condensed consolidated interim financial statements.

# Notes to Condensed Consolidated Interim Financial Statements

For the three and nine months ended December 31, 2023 and 2022.

## 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 condensed consolidated interim financial statements as at and for the three and nine months ended December 31, 2023, comprise CMG Group and its subsidiaries: Computer Modelling Group Inc., CMG Middle East FZ LLC, CMGL Services Corporation Inc., CMG Europe Ltd., and CMG Collaboration Centre India Private Ltd., (together referred to as "CMG"), and CMG Holdings (USA), Inc., Bluware-Headwave Ventures Inc., Bluware Inc., Hue AS, and Kalkulo AS (together referred to as "BHV"). The Company is a global software and consulting technology company engaged in both the development and licensing of reservoir simulation and seismic interpretation software. The Company also provides professional services consisting of highly specialized support, consulting, training, and contract research activities.

## 2. Basis of Preparation:

### (a) Statement of Compliance:

These condensed consolidated interim financial statements have been prepared in accordance with International Accounting Standard ("IAS") 34 Interim Financial Reporting as issued by the International Accounting Standards Board ("IASB"). Accordingly, they do not include all of the information required for full annual financial statements and should be read in conjunction with the Company's most recent annual consolidated financial statements as at and for the year ended March 31, 2023, which have been prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB").

These unaudited condensed consolidated interim financial statements as at and for the three and nine months ended December 31, 2023, were authorized for issuance by the Board of Directors on February 7, 2024.

### (b) Basis of Measurement:

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

### (c) Functional and Presentation Currency:

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

### (d) Use of Estimates, Judgments and Assumptions:

The preparation of financial statements in conformity with IFRS requires management to make judgments, estimates and assumptions that affect the application of accounting policies, the reported amounts of assets and liabilities and the disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue, costs and expenses. Estimates and underlying assumptions are based on historical experience and other assumptions that are considered reasonable in the circumstances and are reviewed on an ongoing basis. Actual results may differ from such estimates and it is possible that the differences could be material. Revisions to accounting estimates are recognized in the period in which the estimates are revised and in any future periods affected. Unless otherwise noted within these condensed consolidated interim financial statements, the significant accounting policies are consistent with those used in the preparation of the 2023 annual financial statements. As a result of the BHV acquisition, significant accounting policies implemented by management in the preparation of these condensed interim consolidated financial statements are as follows:

### Revenue Recognition

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

| Type of products /service | Nature, timing of satisfaction of performance obligations, significant contract terms |
|---|---|
| Annuity license fee revenue<br><br>Annuity maintenance revenue | BHV enters into contracts that include combinations of software product licenses, upgrades, maintenance and support which are accounted for as separate performance obligations with differing revenue recognition patterns. Annuity agreements include a term-based software license, a single performance obligation and upgrades, maintenance and support services (“maintenance”) as a single performance obligation. We allocate the transaction price based on the standalone selling prices (“SSP”) of the software license and maintenance. Revenue from the annuity agreement fee that relates to the software license is recognized up front upon delivery of the licensed product and/or the utility that enables the customer to access authorization keys, provided an enforceable contract has been received. Revenue from the maintenance component of the contract is recognized on a straight-line basis over the term of the contract, as the Company satisfies the maintenance performance obligation over time.<br><br>Since BHV does not sell term-based annuity licenses individually without maintenance, all term-based licenses include the rights to a term software license and maintenance and there is no comparable product in the market. Therefore, there is no observable SSP for term-based annuity licenses. The Company allocates the value of bundled annual agreements between the software licenses and maintenance using the residual approach. Based on this calculation, the SSP of maintenance represents 50% of the total annual contract fee, leaving 50% to be allocated to the software license to be recognized upfront at the start of the license period. This determination considers the value relationship for the Company’s products between maintenance and the term-based software license, the economic life of products, the frequency of product upgrades, and software renewal rates. |

### Intangible Assets

Intangible assets consist of intellectual property, goodwill, customer relationships and trade name/trademarks.

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

The Company utilizes the discounted cash flow methodology which is a form of the income approach that begins with a forecast of the annual cash flows that a market participant would expect the subject intangible asset to generate over a discrete projection period. The forecasted cash flows for each of the years in the discrete projection period are then converted to their present value equivalent using a rate of return appropriate for the risk of achieving the intangible assets' projected cash flows, again, from a market participant perspective. The present value of the forecasted cash flows is then added to the present value of the residual value of the intangible asset (if any) at the end of the discrete projection period to arrive at a conclusion with respect to the estimated fair value of the subject intangible assets.

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

Amortization is recognized in profit or loss on a straight-line basis over the estimated useful lives of intangible assets, other than goodwill, from the date that they are acquired and available for use, since this most closely reflects the expected usage and pattern of consumption of the future economic benefits embodied in the asset. To determine the useful life of the technology assets, the Company considers the length of time over which it expects to earn or recover the majority of the present value of the forecasted cash flows of the related intangible assets. Amortization methods, useful lives, and the residual values are reviewed annually or more frequently if events or changes in circumstances indicate impairment.

The estimated useful lives for the current and comparative periods are as follows:

| | |
|---|---|
| Trade name and trademarks | 10 years |
| Customer Relationships | 10 years |
| Intellectual Property | 10 years |

### Goodwill

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

### Determination of Cash Generating Units (CGUs)

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

### (e) Change in Presentation of Operating Expenses:

Prior to April 1, 2023, CMG classified costs related to software licenses and professional services (including costs associated with customer support and training, and consulting services) under sales and marketing expenses, and costs related to public cloud hosting services under research and development expenses in the statement of operations. In order to better align with industry peers for comparability purposes, the Company has changed the presentation of the direct costs to deliver professional services and software licenses as a cost of revenue. Cost of revenue includes direct employee, external consultant and overhead costs associated with customer support, training, consulting, and public cloud hosting applications. The change in presentation had no effect on the reported results of operations. The comparative period has been updated to reflect this presentation change.

Three months ended December 31,

(thousands of $)

| | As presented December 31, 2022 | Reclassification in Presentation | Restated December 31, 2022 |
|---|---|---|---|
| Cost of revenue | - | 1,695 | **1,695** |
| Sales and marketing | 4,111 | (1,631) | **2,480** |
| Research and development | 4,160 | (64) | **4,096** |

Nine months ended December 31,

(thousands of $)

| | As presented December 31, 2022 | Reclassification in Presentation | Restated December 31, 2022 |
|---|---|---|---|
| Cost of revenue | - | 5,116 | **5,116** |
| Sales and marketing | 11,574 | (4,900) | **6,674** |
| Research and development | 13,484 | (216) | **13,268** |

## 3. Acquisitions:

### Bluware-Headwave Ventures Inc. Acquisition:

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

There is an earnout provision of up to US$8.0 million payable if certain revenue thresholds related to key contracts of BHV are met during the 18-month period after closing. Payments pursuant to the earnout will be settled in cash no later than 90 days following March 25, 2025. The earnout is treated as contingent consideration, measured at a fair value of $1.5 million and is considered a long-term liability in the condensed consolidated interim statement of financial position. The fair value of the contingent consideration will be assessed for remeasurement at each reporting period end until the earnout period expires. At December 31, 2023, there were no changes to the fair value measurement of contingent consideration. As part of the acquisition, $1.2 million is payable to employees of BHV of which $0.4 million is payable after three months, $0.5 million is payable at the end of the holdback period and $0.3 million is payable at the end of the earnout period, all of which are accounted for as post-combination remuneration and accrued as the service is provided. For the three and nine months ended December 31, 2023, $0.6 million of post-combination remuneration was recognized within general and administrative expenses.

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

Goodwill of $3.8 million recognized in connection with this acquisition is primarily attributable to CMG Group's best practices to improve the operations of the BHV, opportunities for BHV to increase sales to new customers and margins on revenue as the business expands, and other intangible assets that do not qualify for separate recognition including the assembled workforce. Goodwill is not expected to be deductible for income tax purposes.

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

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

| (thousands of $) | |
|---|---|
| Cash | **1,203** |
| Net working capital, excluding deferred revenue | **2,637** |
| Right-of-use assets | **1,332** |
| Lease liabilities | **(1,327)** |
| Deferred revenue | **(1,413)** |
| Line of credit(1) | **(2,012)** |
| Other assets and liabilities | **249** |
| Intangible assets: technology | **20,338** |
| Intangible assets: customer relationships | **2,349** |
| Intangible assets: trade name and trademarks | **1,176** |
| Deferred tax liability | **(463)** |
| Net assets acquired | **24,069** |
| Goodwill | **3,787** |
| Total purchase consideration | **27,856** |

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

These condensed consolidated interim financial statements include the results of BHV, Bluware Inc., Hue AS, and Kalkulo AS for the period following closing of the transaction on September 25, 2023. If the acquisition would have occurred on April 1, 2023, management estimates that the proforma revenues and net income before taxes would have increased by $11.2 million and $1.7 million and $26.9 million and $4.0 million, respectively, for the three and nine months ended December 31, 2023, due to the seasonality of BHV's revenue contract renewals. This proforma information is not necessarily indicative of the results of operations that would have resulted had the acquisition been reflected on the dates indicated, or that may be obtained in the future.

During the three and nine months ended December 31, 2023, the Company incurred $0.7 million of transaction costs, including consulting, legal, travel and professional services related to the acquisition of BHV within general and administrative expenses. Including the above $0.6 million of post-combination remuneration, CMG Group incurred acquisition costs of $1.3 million for the nine months ended December 31, 2023.

## 4. Segmented Information:

The Company provides professional services, consisting of support, training, consulting and contract research activities, to promote the use and development of its software; however, these activities are considered a single line of business and all products function around this purpose and are not evaluated as a separate business segment. As a result of CMG Group's acquisition of BHV on September 25, 2023, the Company's operations are now organized into two reportable operating segments represented by CMG, the development and licensing of reservoir simulation software, and BHV, the development and licensing of seismic interpretation software.

| Three months ended December 31 | CMG | | BHV | | CMG Group | |
|---|---|---|---|---|---|---|
| ($ thousands) | **2023** | 2022 | **2023** | 2022 | **2023** | 2022 |
| **Revenue** | **21,803** | 19,392 | **11,204** | - | **33,007** | 19,392 |
| **Cost of revenue** | **2,288** | 1,695 | **4,068** | - | **6,356** | 1,695 |
| **Gross profit** | **19,515** | 17,697 | **7,136** | - | **26,551** | 17,697 |
| **Operating expenses** | | | | | | |
| Sales and marketing | **4,379** | 2,480 | **478** | - | **4,857** | 2,480 |
| Research and development | **5,337** | 4,096 | **1,916** | - | **7,253** | 4,096 |
| General and administrative | **3,890** | 2,686 | **2,434** | - | **6,324** | 2,686 |
| | **13,606** | 9,262 | **4,828** | | **18,434** | 9,262 |
| **Operating profit** | **5,909** | 8,435 | **2,308** | - | **8,217** | 8,435 |
| Net finance income (cost) | **(186)** | (85) | **86** | - | **(100)** | (85) |
| **Profit before income and other taxes** | **5,723** | 8,350 | **2,394** | - | **8,117** | 8,350 |
| Income and other taxes | **1,805** | 2,002 | **702** | - | **2,507** | 2,002 |
| **Net income for the period** | **3,918** | 6,348 | **1,692** | - | **5,610** | 6,348 |

| Nine months ended December 31 | CMG | | BHV | | CMG Group | |
|---|---|---|---|---|---|---|
| ($ thousands) | **2023** | 2022 | **2023** | 2022 | **2023** | 2022 |
| **Revenue** | **64,620** | 53,581 | **11,768** | - | **76,388** | 53,581 |
| **Cost of revenue** | **6,464** | 5,116 | **4,290** | - | **10,754** | 5,116 |
| **Gross profit** | **58,156** | 48,465 | **7,478** | - | **65,634** | 48,465 |
| **Operating expenses** | | | | | | |
| Sales and marketing | **10,096** | 6,674 | **500** | - | **10,596** | 6,674 |
| Research and development | **14,040** | 13,268 | **2,032** | - | **16,072** | 13,268 |
| General and administrative | **10,776** | 9,572 | **2,483** | - | **13,259** | 9,572 |
| | **34,912** | 29,514 | **5,015** | | **39,927** | 29,514 |
| **Operating profit** | **23,244** | 18,951 | **2,463** | - | **25,707** | 18,951 |
| Net finance income (cost) | **289** | 570 | **62** | - | **351** | 570 |
| **Profit before income and other taxes** | **23,533** | 19,521 | **2,525** | - | **26,058** | 19,521 |
| Income and other taxes | **6,288** | 4,950 | **740** | - | **7,028** | 4,950 |
| **Net income for the period** | **17,245** | 14,571 | **1,785** | - | **19,030** | 14,571 |

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

| (thousands of $) | **December 31, 2023** | March 31, 2023 |
|---|---|---|
| Canada | **59,529** | 41,835 |
| United States | **4,695** | 345 |
| South America | **99** | 148 |
| Eastern Hemisphere[1] | **104** | 92 |
| | **64,427** | 42,420 |

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

Depreciation and amortization expense are primarily related to property and equipment, right-of-use and intangible assets. Depreciation and amortization expense for the three months and nine months ended December 31, 2023, includes recognized depreciation expense on right-of-use assets of $0.6 million and $1.8 million, respectively, (three and nine months ended December 31, 2022 - $0.6 million and $1.8 million, respectively).

## 5. Deferred Revenue:

The following table presents changes in the deferred revenue balance:

| (thousands of $) | **December 31, 2023** | March 31, 2023 |
|---|---|---|
| Balance, beginning of year | **34,797** | 30,454 |
| Acquired deferred revenue (note 3) | **1,413** | - |
| Invoiced during the period, excluding amounts recognized as revenue during the period | **28,594** | 33,533 |
| Recognition of deferred revenue included in the balance of acquired deferred revenue | **(5,104)** | - |
| Recognition of deferred revenue included in the balance at the beginning of the period | **(32,611)** | (29,190) |
| Balance, end of period | **27,089** | 34,797 |

## 6. Lease Liabilities:

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

| (thousands of $) | **December 31, 2023** | March 31, 2023 |
|---|---|---|
| Balance, beginning of year | **37,980** | 39,588 |
| Acquired lease liabilities (note 3) | **1,327** | - |
| Interest on lease liabilities (note 9) | **1,394** | 1,931 |
| Lease payments | **(2,946)** | (3,539) |
| Balance, end of period | **37,755** | 37,980 |
| | | |
| Current | **2,738** | 1,829 |
| Long-term | **35,017** | 36,151 |

The following table presents contractual undiscounted payments for lease liabilities as at December 31, 2023:

| (thousands of $) | |
|---|---|
| Less than one year | 4,595 |
| Between one and five years | 13,921 |
| More than five years | 33,515 |
| **Total undiscounted payments** | **52,031** |

## 7. Revenue:

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

| Three months ended December 31 | | | | | **2023** | | | | | **2022** |
|---|---|---|---|---|---|---|---|---|---|---|
| ($ thousands) | Canada | United States | South America | Eastern Hemisphere [(1)] | **Total** | Canada | United States | South America | Eastern Hemisphere [(1)] | Total |
| **CMG** | | | | | | | | | | |
| Annuity/maintenance | 3,339 | 4,455 | 2,323 | 7,508 | **17,625** | 3,268 | 4,061 | 2,247 | 5,957 | 15,533 |
| Perpetual license | 155 | - | - | 429 | **584** | - | - | - | 518 | 518 |
| Total software revenue | 3,494 | 4,455 | 2,323 | 7,937 | **18,209** | 3,268 | 4,061 | 2,247 | 6,475 | 16,051 |
| Professional services | 2,424 | 347 | 647 | 176 | **3,594** | 2,924 | 135 | 72 | 210 | 3,341 |
| **Total CMG revenue** | **5,918** | **4,802** | **2,970** | **8,113** | **21,803** | 6,192 | 4,196 | 2,319 | 6,685 | 19,392 |
| **BHV** | | | | | | | | | | |
| Annuity maintenance | - | 243 | 181 | 765 | **1,189** | - | - | - | - | - |
| Annuity license fee | - | 547 | - | 3,299 | **3,846** | - | - | - | - | - |
| Total software revenue | - | 790 | 181 | 4,064 | **5,035** | - | - | - | - | - |
| Professional services | - | 5,147 | - | 1,022 | **6,169** | - | - | - | - | - |
| **Total BHV revenue** | **-** | **5,937** | **181** | **5,086** | **11,204** | - | - | - | - | - |
| **Total revenue** | 5,918 | 10,739 | 3,151 | 13,199 | **33,007** | - | - | - | - | 19,392 |

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

| Nine months ended December 31 | | | | 2023 | | | | | 2022 |
|---|---|---|---|---|---|---|---|---|---|
| ($ thousands) | Canada | United States | South America | Eastern Hemisphere [(1)] | **Total** | Canada | United States | South America | Eastern Hemisphere [(1)] | **Total** |
| **CMG** | | | | | | | | | | |
| Annuity/maintenance | 9,898 | 13,250 | 6,603 | 20,922 | **50,673** | 9,399 | 11,115 | 5,840 | 17,533 | **43,887** |
| Perpetual license | 270 | 233 | 324 | 2,782 | **3,609** | - | 157 | - | 1,527 | **1,684** |
| Total software revenue | 10,168 | 13,483 | 6,927 | 23,704 | **54,282** | 9,399 | 11,272 | 5,840 | 19,060 | **45,571** |
| Professional services | 7,000 | 836 | 1,594 | 908 | **10,338** | 7,101 | 279 | 136 | 494 | **8,010** |
| **Total CMG revenue** | **17,168** | **14,319** | **8,521** | **24,612** | **64,620** | 16,500 | 11,551 | 5,976 | 19,554 | **53,581** |
| **BHV** | | | | | | | | | | |
| Annuity maintenance | - | 249 | 181 | 766 | **1,196** | - | - | - | - | **-** |
| Annuity license fee | - | 579 | 19 | 3,406 | **4,004** | - | - | - | - | **-** |
| Total software revenue | - | 828 | 200 | 4,172 | **5,200** | - | - | - | - | **-** |
| Professional services | - | 5,509 | - | 1,059 | **6,568** | - | - | - | - | **-** |
| **Total BHV revenue** | **-** | **6,337** | **200** | **5,231** | **11,768** | - | - | - | - | **-** |
| **Total revenue** | 17,168 | 20,656 | 8,721 | 29,843 | **76,388** | - | - | - | - | **53,581** |

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

The amount of revenue recognized during the nine months ended December 31, 2023 from performance obligations satisfied (or partially satisfied) in previous periods is $1.4 million (nine months ended December 31, 2022 – $2.0 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 $) | **December 31, 2023** | March 31, 2023 |
|---|---|---|
| Receivables | **29,087** | 22,901 |
| Contract assets | **2,102** | 462 |

During the nine months ended December 31, 2023, one customer comprised 18.3% of the Company's total revenue (nine months ended December 31, 2022 – one customer, 12.4%).

## 8. Research and Development Costs:

| | Three months ended December 31, | | Nine months ended December 31, | |
|---|---|---|---|---|
| (thousands of $) | **2023** | 2022 | **2023** | 2022 |
| Research and development, net of government grants | **7,350** | 4,214 | **16,376** | 13,786 |
| Scientific research and experimental development ("SR&ED") investment tax credits | **(97)** | (118) | **(304)** | (518) |
| | **7,253** | 4,096 | **16,072** | 13,268 |

## 9. Finance Income and Finance Costs:

| | Three months ended December 31, | | Nine months ended December 31, | |
|---|---|---|---|---|
| (thousands of $) | **2023** | 2022 | **2023** | 2022 |
| Interest income | **986** | 548 | **2,438** | 1,105 |
| Foreign exchange gain | **-** | - | **-** | 923 |
| Finance income | **986** | 548 | **2,438** | 2,028 |

| | | | | |
|---|---|---|---|---|
| Net foreign exchange loss | **(642)** | (151) | **(693)** | - |
| Interest expense on lease liabilities (note 6) | **(444)** | (482) | **(1,394)** | (1,458) |
| Finance costs | **(1,086)** | (633) | **(2,087)** | (1,458) |

## 10. Income and Other Taxes:

The major components of income tax expense are as follows:

| Nine months ended December 31,<br>(thousands of $) | **2023** | 2022 |
|---|---|---|
| Current year income tax expense | **3,111** | 4,714 |
| Adjustment for prior year | **139** | 50 |
| Current year income taxes | **3,250** | 4,764 |
| Deferred tax expense (recovery) | **3,082** | (64) |
| Foreign withholding and other taxes | **696** | 250 |
| | **7,028** | 4,950 |

The provision for income and other taxes reported differs from the amount computed by applying the combined Canadian Federal and Provincial statutory rate to the profit before income and other taxes. The reasons for this difference and the related tax effects are as follows:

| Nine months ended December 31,<br>(thousands of $, unless otherwise stated) | **2023** | 2022 |
|---|---|---|
| Combined statutory tax rate | **23.00%** | 23.00% |
| Expected income tax | **5,993** | 4,490 |
| Non-deductible costs | **365** | 321 |
| Withholding taxes | **474** | 180 |
| Effect of tax rates in foreign jurisdictions | **(83)** | (11) |
| Adjustment for prior year | **139** | 50 |
| Other | **140** | (80) |
| | **7,028** | 4,950 |

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

| (thousands of $) | **December 31, 2023** | March 31, 2023 |
|---|---|---|
| Other current liabilities | **286** | - |
| Right-of-use assets | **1,701** | 1,653 |
| Stock-based compensation liability | **1,264** | 1,041 |
| Property and equipment | **(106)** | 70 |
| Intangible Assets | **(4,189)** | (150) |
| SR&ED investment tax credits | **(69)** | (170) |
| Net deferred tax asset (liability) | **(1,113)** | 2,444 |

All movement in deferred tax assets and liabilities is recognized through net income of the respective period.

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

## 11. Share Capital:

### (a) Authorized:

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

### (b) Issued:

| (thousands of shares) | Common shares |
|---|---|
| Balance, April 1, 2022 | 80,335 |
| Issued on redemption of restricted share units | 67 |
| Issued on exercise of stock options | 109 |
| Balance, December 31, 2022 | 80,511 |
| | |
| Balance, April 1, 2023 | **80,637** |
| Issued on redemption of performance share units | **15** |
| Issued on redemption of restricted share units | **53** |
| Issued for cash on exercise of stock options | **477** |
| **Balance, December 31, 2023** | **81,182** |

### (c) Stock-Based Compensation:

**Stock-Based Compensation Expense**

The following table summarizes stock-based compensation expense:

| | Three months ended December 31, | | Nine months ended December 31, | |
|---|---|---|---|---|
| (thousands of $) | **2023** | 2022 | **2023** | 2022 |
| Equity-settled plans | **252** | 220 | **606** | 518 |
| Cash-settled plans | **2,722** | 874 | **4,764** | 1,078 |
| Total stock-based compensation expense | **2,974** | 1,094 | **5,370** | 1,596 |

**Liability Recognized for Stock-Based Compensation[1]**

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

| (thousands of $) | **December 31, 2023** | March 31, 2023 |
|---|---|---|
| SARs | **1,123** | 931 |
| RSUs | **1,692** | 1,975 |
| PSUs | **458** | 437 |
| DSUs | **2,224** | 1,184 |
| Total stock-based compensation liability | **5,497** | 4,527 |
| | | |
| Current, recorded within trade payables and accrued liabilities | **2,791** | 2,542 |
| Long-term | **2,706** | 1,985 |

(1) The intrinsic value of the vested awards at December 31, 2023 is $2.9 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 December 31, 2023, the Company may reserve up to 8,118,200 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. In fiscal 2023 and 2024, the Company granted stock options that vest when certain share price thresholds are achieved. All stock options have a five-year life.

The following table outlines changes in stock options:

| | **Nine months ended December 31, 2023** | | Year ended March 31, 2023 | |
|---|---|---|---|---|
| | **Number of Options (thousands)** | **Weighted Average Exercise Price ($/share)** | Number of Options (thousands) | Weighted Average Exercise Price ($/share) |
| Outstanding at beginning of period | **5,017** | **5.21** | 3,680 | 6.38 |
| Granted[1] | **376** | **8.52** | 3,196 | 4.86 |
| Exercised | **(477)** | **6.28** | (236) | 4.52 |
| Forfeited/expired | **(308)** | **7.90** | (1,623) | 7.30 |
| Outstanding at end of period | **4,608** | **5.18** | 5,017 | 5.21 |
| Options exercisable at end of period | **1,338** | **5.08** | 1,573 | 6.14 |

(1) 2,525,000 stock options granted during the year ended March 31, 2023 are exercisable when specified share price targets are achieved.

The range of exercise prices of stock options outstanding and exercisable at December 31, 2023 is as follows:

| | Outstanding | | | Exercisable | |
|---|---|---|---|---|---|
| Exercise Price ($/option) | Number of Options (thousands) | Weighted Average Remaining Contractual Life (years) | Weighted Average Exercise Price ($/option) | Number of Options (thousands) | Weighted Average Exercise Price ($/option) |
| 3.98 to 4.62 | 740 | 2.9 | 4.14 | 381 | 3.98 |
| 4.63 to 4.87 | 1,800 | 3.4 | 4.74 | - | - |
| 4.88 to 5.04 | 667 | 3.7 | 5.00 | 234 | 5.00 |
| 5.05 to 5.88 | 707 | 2.6 | 5.24 | 407 | 5.08 |
| 5.89 to 9.20 | 694 | 2.9 | 7.58 | 316 | 6.47 |
| | **4,608** | **3.1** | **5.18** | **1,338** | **5.08** |

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

| | Year ended March 31, 2023 |
|---|---|
| Fair value at grant date ($/option) | 0.10 to 1.37 |
| Share price at grant date ($/share) | 4.49 to 5.45 |
| Risk-free interest rate (%) | 2.55 to 3.76 |
| Estimated hold period prior to exercise (years) | 3 to 5 |
| Volatility in the price of common shares (%) | 39 to 45 |
| Dividend yield per common share (%) | 3.91 to 4.45 |

*(ii) Share Appreciation Rights Plan*

The Company adopted a share appreciation rights plan (“SAR Plan”) in November 2015. A share appreciation right (“SAR”) entitles the holder to receive a cash payment equal to the difference between the stated exercise price and the market price of the Company’s common shares on the date the SAR is exercised. SARs are granted to executive officers and employees residing and working outside of Canada. Fifty percent of SARs vest on the first year anniversary from the grant date and then 25% vest on each of the second and third year anniversary dates. SARs have a five-year life.

The following table outlines changes in SARs:

| | **Nine months ended December 31, 2023** | | Year ended March 31, 2023 | |
|---|---|---|---|---|
| | **Number of SARs (thousands)** | **Weighted Average Exercise Price ($/SAR)** | Number of SARs (thousands) | Weighted Average Exercise Price ($/SAR) |
| Outstanding at beginning of period | **957** | **6.47** | 1,395 | 7.11 |
| Granted | **131** | **8.52** | 304 | 6.25 |
| Exercised | **(345)** | **5.99** | (23) | 5.42 |
| Forfeited/expired | **(180)** | **8.88** | (719) | 7.64 |
| Outstanding at end of period | **563** | **6.50** | 957 | 6.47 |
| SARs exercisable at end of period | **138** | **5.25** | 544 | 7.04 |

*(iii) Share Unit Plans*

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

The Performance Share Unit and Restricted Share Unit Plan (“PSU & RSU Plan”) is open to all employees and contractors of the Company. PSUs cliff-vest at the end of three years, with the vesting multiplier ranging from 0.0 to 2.0 contingent upon achieving certain corporate performance criteria. RSUs vest annually over a three-year period. Upon vesting, PSUs and RSUs can be exchanged for common shares of the Company or surrendered for cash at the option of the holder. As such, the Company accounts for PSUs and RSUs as cash-settled awards and recognizes a liability for potential cash settlements.

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. As such, the Company accounts for PSUs and RSUs issued under the International Employees PSU & RSU Plan as cash-settled awards and recognizes a liability for potential cash settlements.

**Deferred Share Units (DSUs)**

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

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

| (thousands) | **Nine months ended December 31, 2023** | | | Year ended March 31, 2023 | | |
|---|---|---|---|---|---|---|
| | **RSUs** | **PSUs** | **DSUs** | RSUs | PSUs | DSUs |
| Outstanding at beginning of period | **542** | **68** | **163** | 722 | 165 | 123 |
| Granted | **156** | **86** | **56** | 305 | 3 | 82 |
| Exercised | **(240)** | **(38)** | **-** | (273) | - | (42) |
| Forfeited/expired | **(58)** | **-** | **-** | (212) | (100) | - |
| Outstanding at end of period | **400** | **116** | **219** | 542 | 68 | 163 |

## (d) Earnings Per Share:

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

| Three months ended December 31, (thousands except per share amounts) | **2023** | | | 2022 | | |
|---|---|---|---|---|---|---|
| | **Earnings ($)** | **Weighted average shares outstanding** | **Earnings per share ($/share)** | Earnings ($) | Weighted average shares outstanding | Earnings per share ($/share) |
| Basic | **5,610** | **81,067** | **0.07** | 6,348 | 80,511 | 0.08 |
| Dilutive effect of share-based awards | | **2,312** | | | 414 | |
| Diluted | **5,610** | **83,379** | **0.07** | 6,348 | 80,925 | 0.08 |

| Nine months ended December 31, (thousands except per share amounts) | | **2023** | | | | 2022 |
|---|---|---|---|---|---|---|
| | **Earnings ($)** | **Weighted average shares outstanding** | **Earnings per share ($/share)** | Earnings ($) | Weighted average shares outstanding | Earnings per share ($/share) |
| Basic | **19,030** | **80,863** | **0.24** | 14,571 | 80,419 | 0.18 |
| Dilutive effect of share-based awards | | **2,115** | | | 523 | |
| Diluted | **19,030** | **82,978** | **0.23** | 14,571 | 80,942 | 0.18 |

During the three and nine months ended December 31, 2023, 41,000 and 239,000 awards, respectively were excluded from the computation of the weighted average number of diluted shares outstanding because their effect was not dilutive (three and nine months ended December 31, 2022 – 82,000 and 174,000 awards, respectively).

## 12. Financial Instruments and Risk Management:

Financial assets include cash, restricted cash and trade and other receivables which are classified as and measured at amortized cost, which approximates their fair values.

Financial liabilities include trade payables and accrued liabilities, acquisition holdback payable, and other long-term liabilities which are classified as other financial liabilities and are measured at amortized cost, which approximates their fair values. The acquisition earnout liability is classified as long-term and recorded at an estimated fair value of $1.5 million as at December 31, 2023 ($nil – March 31, 2023). Adjustments to the estimated fair value will be recorded in the statement of operations and comprehensive income.

## 13. Commitments:

### (a) Research Commitment:

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

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

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

During the three and nine months ended December 31, 2023, CMG recorded professional services revenue of $1.9 million and $5.7 million, respectively (three and nine months ended December 31, 2022 – $1.9 million and $5.9 million, respectively), and CoFlow costs of $2.2 million and $5.8 million, respectively, to research and development expenses (three and nine months ended December 31, 2022 – $1.7 million and $5.5 million).

### (b) Commitments:

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

| (thousands of $) | December 31, 2023 |
|---|---|
| Less than one year | **1,193** |
| Between one and five years | **4,332** |
| More than five years | **9,296** |
| | **14,821** |

## 14. Line of Credit:

The Company has arranged for a $2.0 million line of credit with its principal banker, which can be drawn down by way of a demand operating credit facility or may be used to support letters of credit. As at December 31, 2023, $1.3 million (December 31, 2022 – $1.1 million) had been reserved on this line of credit for letters of credit supporting performance bonds.

## 15. Subsequent Event:

On February 7, 2024, the Board of Directors declared a quarterly cash dividend of $0.05 per share on its common shares, payable on March 15, 2024 to all shareholders of record at the close of business on March 7, 2024.