



CEO Letter to Shareholders

February 8, 2023

Dear fellow shareholders,

In the third quarter, our comparative quarterly revenue grew by 14% which represents the fifth consecutive period of growth. With increased licensing by existing customers and the addition of new customers, our annuity and maintenance revenue grew in all regions except Canada which remained flat due to the negative impact of consolidation activity that occurred in the first quarter. Strength in the U.S. and Europe in particular, continues to be buoyed by increased interest in our technology for use in carbon capture projects.

Approximately 15% of third quarter and 13% of year-to-date total software revenue has been generated by energy transition projects. This will be an important indicator of success as we capitalize on CMG as the technology of choice in Carbon Capture and Storage (CCS) and other energy transition projects.

CMG 4.0: Energy Transition

With evidence of immediate market demand for our simulators in the energy transition market, we have several initiatives that support us in capitalizing on our leadership position and continuing to define the role simulation technology plays in achieving success in the energy transition space.

First is the ground-breaking, innovative research being done in a Joint Industry Partnership (JIP) with Kongsberg. With the participation and support of numerous leading energy companies, this project attempts to solve one of the most challenging issues in CCS and emphasizes the acceptance of CMG's established technology within the carbon capture space.

Second is our recently announced agreement with [Hatch and McDaniel](#) which demonstrates how we are embracing partnerships with industry leaders to underscore the integral part we play in providing technology and consulting expertise in CCS.

CMG 4.0: CoFlow | Integrated Decision Making

During my first nine months at CMG, I have travelled through the Americas, the Middle East and India, listening to and learning from our customers. The industry shift towards maximizing existing reserves, often in aging fields, and away from reserve replacement through exploration is underlining a new need for integrated decision making to optimize increasingly complex reserve recovery.

Integrated decision making is not unique to the energy industry. It was evident in my previous career in travel technology, and it has been on clear display in the past few months as holiday travel was upended by weather and airline disruptions.

For airlines, sorting out the crew, the aircraft, and the passengers needs to be done simultaneously to recover schedules quickly and efficiently. In reality, this is a problem with almost infinite variables, and it is incredibly difficult to solve. As a result, the problems are solved independent of one another and, as is evident to anyone who tried to travel over the holidays, are inefficient, costly and time consuming.

At the most senior executive level, the benefit of removing silos to optimize decision making is clear. The energy industry today is limiting its potential by engaging in siloed decision making. Having used advanced physics, mathematics, chemistry and high-performance computing for decades to address the unknown risks and mysteries of subsurface reservoirs, the industry must now embrace technology to break down barriers amongst functional groups and share decision making.

Connecting sub-surface expertise and understanding with the surface and production engineering has the potential to achieve yet another level of optimization to drive profitable, sustainable and critical resource development. Key development choices are improved by the ability of multiple disciplines to efficiently understand the end-to-end system from subsurface realizations through surface constraints. This is the vision of CoFlow, as a comprehensive platform of both surface and subsurface simulation. Our strategic partners in the development of CoFlow have embraced the benefits of this new approach.

This technology is a true differentiator for CMG, but not without risk. Developing our organizational sales strategy to properly educate the market will be critical in the successful commercialization of this tool, and our expectation is that, of all our growth initiatives, CoFlow will require the most time to execute.

CMG 4.0: CMG Collaboration Centre (C3)

For the past several days I have been in India, wrapping up CMG's participation in [India Energy Week](#). The event connected the global energy community for innovation, ideas and investment and I was both honored and excited to have joined our team for the occasion.

As the world's third largest energy consumer with increasing energy needs, India is projected to experience the largest increase in energy demand of any country over the next two decades. Amid the vision to become self-reliant and increase domestic production of oil and gas with a parallel focus on energy transition, CMG has the cutting-edge specialized software and technical expertise to support these goals.

To this end, I am also excited to share that we opened a new CMG Collaboration Centre in Bengaluru, India, which we are calling C3. This new Centre is a component of the CMG 4.0 strategy focused on driving organic growth. As we transform CMG to a market-focused product organization, we require product strategy that builds on our leadership in reservoir simulation while meeting the evolving demand for simplified, fit-for-purpose applications and workflows. This Centre will leverage over 15 years of collaboration with educational institutions in the country to expand specific research and development capabilities, to support our core team based in Calgary, and advance our product development.

In addition, with over a third of our business regularly derived from the Eastern Hemisphere, C3 will have a team that is focused and dedicated to supporting our sales efforts in the region with both consulting and customer care capabilities and marketing efforts.

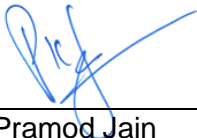
CMG 4.0: Organic and Inorganic Growth

Our commitment to leadership in energy transition, R&D and product development, and a long-term vision with CoFlow can drive organic growth within the context of strong industry trends.

Equally important, we continue to build a pipeline of opportunities for our inorganic growth strategy. We are evaluating where we can efficiently deploy capital to accelerate growth. This includes solutions within or as an extension to our core competencies to increase the value we deliver or technology acquisitions that serve as an entry into adjacent markets.

I look forward to continuing to provide updates on our progress as we execute on our CMG 4.0 strategy.

Sincerely,



Pramod Jain
Chief Executive Officer

Computer Modelling Group Ltd. announces its third quarter results for the three and nine months ended December 31, 2022.

Third Quarter Highlights

Three months ended December 31, (\$ thousands, except per share data)	2022	2021	\$ change	% change
Annuity/maintenance software licenses	15,533	13,575	1,958	14%
Perpetual software licenses	518	1,497	(979)	-65%
Total revenue	19,392	17,045	2,347	14%
Operating profit	8,435	7,755	680	9%
Net income	6,348	5,574	774	14%
Earnings per share - basic	0.08	0.07	0.01	14%
Funds flow from operations per share - basic	0.10	0.09	0.01	11%
Free cash flow per share - basic ⁽¹⁾	0.09	0.08	0.01	13%

Nine months ended December 31, (\$ thousands, except per share data)	2022	2021	\$ change	% change
Annuity/maintenance software licenses	43,887	39,100	4,787	12%
Perpetual software licenses	1,684	2,468	(784)	-32%
Total revenue	53,581	47,408	6,173	13%
Operating profit	18,951	18,768	183	1%
Net income	14,571	13,453	1,118	8%
Earnings per share - basic	0.18	0.17	0.01	6%
Funds flow from operations per share - basic	0.22	0.21	0.01	5%
Free cash flow per share - basic ⁽¹⁾	0.20	0.19	0.01	5%

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

Management's Discussion and Analysis

This Management's Discussion and Analysis ("MD&A") for Computer Modelling Group Ltd. ("CMG", the "Company", "we" or "our"), presented as at February 8, 2023, should be read in conjunction with the unaudited condensed consolidated interim financial statements and related notes of the Company for the three and nine months ended December 31, 2022 and 2021. Additional information relating to CMG, including our Annual Information Form, can be found at www.sedar.com. The financial data contained herein have been prepared in accordance with International Financial Reporting Standards ("IFRS") and, unless otherwise indicated, all amounts in this report are expressed in Canadian dollars.

Forward-Looking Information

Certain information included in this MD&A is forward-looking. Forward-looking information includes statements that are not statements of historical fact and which address activities, events or developments that the Company expects or anticipates will or may occur in the future, including such things as investment objectives and strategy, the development plans and status of the Company's software development projects, the Company's intentions, results of operations, levels of activity, future capital and other expenditures (including the amount, nature and sources of funding thereof), business prospects and opportunities, research and development timetable, and future growth and performance. When used in this MD&A, statements to the effect that the Company or its management "believes", "expects", "expected", "plans", "may", "will", "projects", "anticipates", "estimates", "would", "could", "should", "endeavours", "seeks", "predicts" or "intends" or similar statements, including "potential", "opportunity", "target" or other variations thereof that are not statements of historical fact should be construed as forward-looking information. These statements reflect management's current beliefs with respect to future events and are based on information

currently available to management of the Company. The Company believes that the expectations reflected in such forward-looking information are reasonable, but no assurance can be given that these expectations will prove to be correct and such forward-looking information should not be unduly relied upon.

With respect to forward-looking information contained in this MD&A, we have made assumptions regarding, among other things:

- future software license sales;
- the continued financing by and participation of the Company's CoFlow partner and it being completed in a timely manner, associated costs and future revenue;
- the Company's ability to increase or sustain its revenue in a volatile oil price environment;
- the Company's ability to pay dividends;
- ability to enter into additional software license agreements;
- ability to continue current research and new product development;
- ability to recruit and retain qualified staff; and
- the impact of the ongoing COVID-19 pandemic on the global economy and the Company.

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

- Economic conditions in the energy industry;
- Reliance on key customers;
- Foreign exchange;
- Economic and political risks in countries where the Company currently does or proposes to do business;
- Increased competition;
- Reliance on employees with specialized skills or knowledge;
- Protection of proprietary rights.

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.

Additional IFRS Measure

Funds flow from operations is an additional IFRS measure that the Company presents in its consolidated statements of cash flows. Funds flow from operations is calculated as cash flows provided by operating activities adjusted for changes in non-cash working capital. 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.

Non-IFRS Financial Measures

Certain financial measures in this MD&A – namely, adjusted total operating expenses, direct employee costs, adjusted direct employee costs, other corporate costs, adjusted other corporate costs, adjusted operating profit, adjusted net income, EBITDA, adjusted EBITDA and free cash flow – 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.

Direct employee costs include salaries (net of CEWS), bonuses, stock-based compensation, benefits, commission expenses, and professional development. Other corporate costs include facility-related expenses, corporate reporting, professional services, marketing and promotion, computer expenses, travel, and other office-related expenses. Direct employee costs and other corporate costs should not be considered an alternative to total operating expenses as determined in accordance with IFRS. People-related costs represent the Company's largest area of expenditure; hence, management considers highlighting separately corporate and direct employee costs to be important in evaluating the quantitative impact of cost management of these two major expenditure pools. See "Expenses" heading for a reconciliation of direct employee costs and other corporate costs to total operating expenses.

EBITDA refers to net income before adjusting for depreciation expense, finance income, finance costs, and income and other taxes. Adjusted EBITDA also excludes CEWS and CERS subsidies and restructuring charges. EBITDA/adjusted EBITDA should not be construed as an alternative to net income as determined by IFRS. The Company believes that EBITDA/adjusted EBITDA 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. See "Adjusted EBITDA" heading for a reconciliation of EBITDA and adjusted EBITDA to net income.

Free cash flow is a non-IFRS financial measure that is calculated as funds flow from operations less capital expenditures and repayment of lease liabilities. Free cash flow per share is calculated by dividing free cash flow by the number of weighted average outstanding shares during the period. Management 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.

Free Cash Flow Reconciliation to Funds Flow from Operations

(\$ thousands, unless otherwise stated)	Fiscal 2021		Fiscal 2022		Fiscal 2023			Q3
	Q4	Q1	Q2	Q3	Q4	Q1	Q2	
Funds flow from operations	6,267	4,811	4,904	7,022	7,105	4,558	4,974	8,169
Capital expenditures	(41)	(27)	(133)	(481)	(62)	-	(130)	(211)
Repayment of lease liabilities	(471)	(306)	(277)	(314)	(459)	(303)	(339)	(413)
Free cash flow	5,755	4,478	4,494	6,227	6,584	4,255	4,505	7,545
Weighted average shares – basic (thousands)	80,286	80,286	80,307	80,335	80,335	80,335	80,412	80,511
Free cash flow per share – basic	0.07	0.06	0.06	0.08	0.08	0.05	0.06	0.09

Corporate Profile

CMG is a computer software technology company serving the energy industry. The Company is a leading supplier of advanced process reservoir modelling software, with a diverse customer base of international oil companies and technology centers in approximately 60 countries. CMG's existing technology has differentiating capabilities built into its software products that can also be directly applied to the energy transition needs of its customers. The Company also provides professional services consisting of highly specialized support, consulting, training, and contract research activities. CMG has sales and technical support services based in Calgary, Houston, London, Dubai, Bogota and Kuala Lumpur. CMG's Common Shares are listed on the Toronto Stock Exchange ("TSX") and trade under the symbol "CMG".

Quarterly Performance

(\$ thousands, unless otherwise stated)	Fiscal 2021 ⁽²⁾		Fiscal 2022 ⁽³⁾		Fiscal 2023 ⁽⁴⁾			
	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3
Annuity/maintenance license revenue	13,790	12,286	13,239	13,575	14,306	13,529	14,825	15,533
Perpetual license revenue	1,184	125	846	1,497	2,351	386	780	518
Software license revenue	14,974	12,411	14,085	15,072	16,657	13,915	15,605	16,051
Professional services revenue	1,827	2,003	1,864	1,973	2,137	2,192	2,477	3,341
Total revenue	16,801	14,414	15,949	17,045	18,794	16,107	18,082	19,392
Operating profit	6,556	5,573	5,440	7,755	7,312	4,961	5,555	8,435
Operating profit (%)	39	39	34	45	39	31	31	43
Profit before income and other taxes	5,747	4,827	5,321	7,310	6,563	5,182	5,989	8,350
Income and other taxes	1,454	1,094	1,175	1,736	1,611	1,369	1,579	2,002
Net income for the period	4,293	3,733	4,146	5,574	4,952	3,813	4,410	6,348
EBITDA ⁽¹⁾	7,627	6,596	6,473	8,843	8,366	5,892	6,492	9,300
Cash dividends declared and paid	4,014	4,015	4,016	4,017	4,016	4,017	4,025	4,025
Funds flow from operations	6,267	4,811	4,904	7,022	7,105	4,558	4,974	8,169
Free cash flow ⁽¹⁾	5,755	4,478	4,494	6,227	6,584	4,255	4,505	7,545
Per share amounts – (\$/share)								
Earnings per share (EPS) – basic and diluted	0.05	0.05	0.05	0.07	0.06	0.05	0.05	0.08
Cash dividends declared and paid	0.05	0.05	0.05	0.05	0.05	0.05	0.05	0.05
Funds flow from operations per share – basic	0.08	0.06	0.06	0.09	0.09	0.06	0.06	0.10
Free cash flow per share – basic ⁽¹⁾	0.07	0.06	0.06	0.08	0.08	0.05	0.06	0.09

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

(2) Q4 of fiscal 2021 includes \$1.1 million in revenue that pertains to usage of CMG's products in prior quarters.

(3) Q1, Q2 Q3 and Q4 of fiscal 2022 include \$nil, \$0.5 million, \$nil and \$0.8 million, respectively, in revenue that pertains to usage of CMG's products in prior quarters.

(4) Q1, Q2 and Q3 of fiscal 2023 include \$0.2 million, \$0.3 million, and \$0.3 million, respectively, in revenue that pertains to usage of CMG's products in prior quarters.

Commentary on Quarterly Performance

For the Three Months Ended

For the Nine Months Ended

December 31, 2022 and compared to the same period of the previous fiscal year, when appropriate:

- Annuity/maintenance license revenue increased by 14%;
- Total revenue increased by 14%;
- Total operating expenses increased by 18%. Adjusted for the restructuring charges, operating expenses increased by 13%, primarily due to an increase in variable direct employee costs;
- Quarterly operating profit margin was 43%, decreasing from 45% in the comparative quarter of the prior year. Adjusted for the restructuring charges, operating profit margin was 43%, consistent with the adjusted operating profit margin of the comparative quarter;
- Basic EPS of \$0.08 was higher than the comparative quarter's EPS of \$0.07;
- Achieved free cash flow per share of \$0.09;
- Declared and paid a dividend of \$0.05 per share.
- Annuity/maintenance license revenue increased by 12%;
- Total revenue increased by 13%;
- Total operating expenses increased by 21%. Adjusted for the restructuring charges and CEWS/CERS benefits, operating expenses increased by 7%, primarily due to higher professional services and travel-related costs;
- Year-to-date operating profit margin was 35%, decreasing from 40% in the comparative period. Adjusted for the restructuring charges and the CEWS/CERS benefits, operating profit margin was 43%, increasing from 40%, in the comparative quarter;
- Basic EPS of \$0.18 was higher than the comparative period's EPS of \$0.17;
- Achieved free cash flow per share of \$0.20;
- Declared and paid dividends of \$0.15 per share.

Revenue

Three months ended December 31, (\$ thousands)	2022	2021	\$ change	% change
Software license revenue	16,051	15,072	979	6%
Professional services revenue	3,341	1,973	1,368	69%
Total revenue	19,392	17,045	2,347	14%
Software license revenue as a % of total revenue	83%	88%		
Professional services revenue as a % of total revenue	17%	12%		

Nine months ended December 31, (\$ thousands)	2022	2021	\$ change	% change
Software license revenue	45,571	41,568	4,003	10%
Professional services revenue	8,010	5,840	2,170	37%
Total revenue	53,581	47,408	6,173	13%
Software license revenue as a % of total revenue	85%	88%		
Professional services revenue as a % of total revenue	15%	12%		

CMG's revenue is comprised of software license sales, which provides the majority of the Company's revenue, and fees for professional services.

Total revenue for the three and nine months ended December 31, 2022 increased by 14% and 13%, respectively, due to increases in both software license revenue and professional services revenue.

Software License Revenue

Software license revenue is made up of annuity/maintenance license fees charged for the use of the Company's software products, which is generally for a term of one year or less, and perpetual software license sales, whereby the customer purchases the then-current version of the software and has the right to use that version in perpetuity. Annuity/maintenance license fees have historically had a high renewal rate and, accordingly, provide a recurring revenue stream, while perpetual license sales are more variable and unpredictable in nature as the purchase decision and its timing fluctuate with the customers' needs and budgets. The majority of CMG's customers who have acquired perpetual software licenses subsequently purchase our maintenance package to ensure ongoing product support and access to current versions of CMG's software.

Three months ended December 31, (\$ thousands)	2022	2021	\$ change	% change
Annuity/maintenance license revenue	15,533	13,575	1,958	14%
Perpetual license revenue	518	1,497	(979)	-65%
Total software license revenue	16,051	15,072	979	6%
Annuity/maintenance as a % of total software license revenue	97%	90%		
Perpetual as a % of total software license revenue	3%	10%		

Nine months ended December 31, (\$ thousands)	2022	2021	\$ change	% change
Annuity/maintenance license revenue	43,887	39,100	4,787	12%
Perpetual license revenue	1,684	2,468	(784)	-32%
Total software license revenue	45,571	41,568	4,003	10%
Annuity/maintenance as a % of total software license revenue	96%	94%		
Perpetual as a % of total software license revenue	4%	6%		

Total software license revenue for the three and nine months ended December 31, 2022 increased by 6% and 10%, respectively, compared to the same periods of the previous fiscal year, due to the increases in annuity/maintenance license revenue, partially offset by the decreases in perpetual license revenue.

Annuity/maintenance license revenue increased by 14% and 12% during the three and nine months ended December 31, 2022, respectively, due to increases in all regions except Canada, supported by license fee increases, increased license usage by existing customers and the addition of new customers. In particular, we are seeing an increase in revenue from the customers involved in carbon capture and storage projects, and estimate that about 15% and 13% of total software revenue for the three and nine months ended December 31, 2022, respectively, is attributable to the energy transition segment.

Perpetual license revenue during the three and nine months ended December 31, 2022 decreased by 65% and 32%, respectively, compared to the same periods of the previous fiscal year. Sales of perpetual licenses may fluctuate significantly between periods due to the uncertainty associated with the timing and the location where sales are generated. For this reason, even though we expect to achieve a certain level of perpetual sales on an annual basis, we expect to observe fluctuations in the quarterly perpetual revenue amounts throughout the fiscal year. In our experience, the majority of perpetual sales are generated in South America and the Eastern Hemisphere, as North American customers usually prefer annuity licenses to perpetual purchases.

We can observe from the tables below that the change in the exchange rate used to convert US dollar denominated revenue to Canadian dollars had a positive impact on reported annuity/maintenance license revenue during the three and nine months ended December 31, 2022, compared to the same periods of the previous fiscal year.

Three months ended December 31, (\$ thousands)	2021	Incremental License Growth/(Decrease)	Foreign Exchange Impact	2022
Annuity/maintenance license revenue	13,575	1,763	195	15,533
Perpetual license revenue	1,497	(1,057)	78	518
Total software license revenue	15,072	706	273	16,051

Nine months ended December 31, (\$ thousands)	2021	Incremental License Growth/(Decrease)	Foreign Exchange Impact	2022
Annuity/maintenance license revenue	39,100	4,636	151	43,887
Perpetual license revenue	2,468	(918)	134	1,684
Total software license revenue	41,568	3,718	285	45,571

Software Revenue by Geographic Region

Three months ended December 31, (\$ thousands)	2022	2021	\$ change	% change
Annuity/maintenance license revenue				
Canada	3,268	3,303	(35)	-1%
United States	4,061	3,429	632	18%
South America	2,247	1,884	363	19%
Eastern Hemisphere ⁽¹⁾	5,957	4,959	998	20%
	15,533	13,575	1,958	14%
Perpetual license revenue				
Canada	-	-	-	0%
United States	-	180	(180)	-100%
South America	-	-	-	0%
Eastern Hemisphere	518	1,317	(799)	-61%
	518	1,497	(979)	-65%
Total software license revenue				
Canada	3,268	3,303	(35)	-1%
United States	4,061	3,609	452	13%
South America	2,247	1,884	363	19%
Eastern Hemisphere	6,475	6,276	199	3%
	16,051	15,072	979	6%

Nine months ended December 31, (\$ thousands)	2022	2021	\$ change	% change
Annuity/maintenance license revenue				
Canada	9,399	9,425	(26)	0%
United States	11,115	9,502	1,613	17%
South America	5,840	5,195	645	12%
Eastern Hemisphere ⁽¹⁾	17,533	14,978	2,555	17%
	43,887	39,100	4,787	12%
Perpetual license revenue				
Canada	-	-	-	0%
United States	157	401	(244)	-61%
South America	-	-	-	0%
Eastern Hemisphere	1,527	2,067	(540)	-26%
	1,684	2,468	(784)	-32%
Total software license revenue				
Canada	9,399	9,425	(26)	0%
United States	11,272	9,903	1,369	14%
South America	5,840	5,195	645	12%
Eastern Hemisphere	19,060	17,045	2,015	12%
	45,571	41,568	4,003	10%

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

During the three and nine months ended December 31, 2022, compared to the same periods of the previous fiscal year, total software license revenue increased in all regions except Canada.

The Canadian region's (representing 22% of year-to-date total software license revenue) annuity/maintenance revenue remained consistent during the three and nine months ended December 31, 2022, compared to the same periods of the previous

fiscal year, due to the region continuing to be negatively affected by consolidation activity that started affecting its annuity/maintenance revenue in the first quarter of the current fiscal year.

The United States (representing 25% of year-to-date total software license revenue) experienced increases of 18% and 17% in annuity/maintenance license revenue during the three and nine months ended December 31, 2022, respectively, due to new customers, including those within the carbon capture and storage industry, and increased licensing by existing customers.

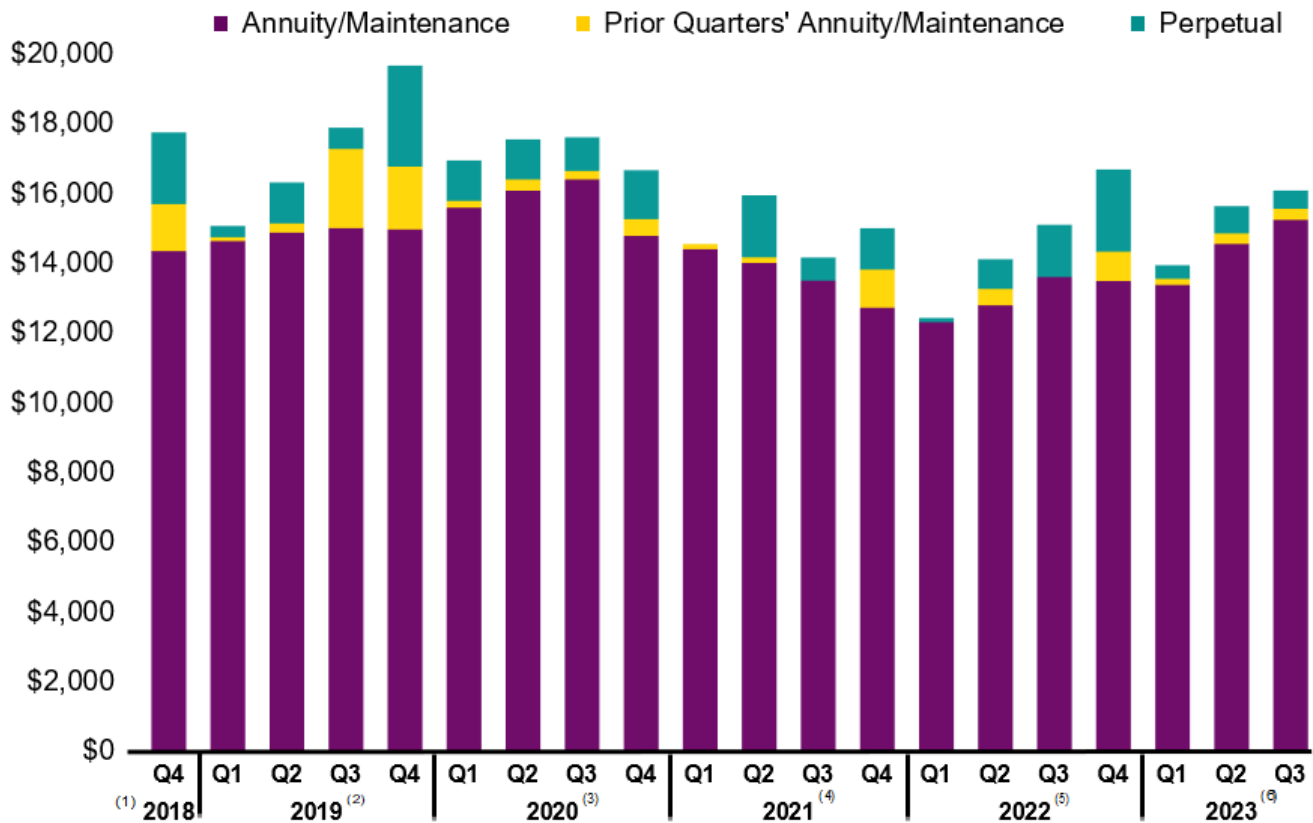
South America (representing 13% of year-to-date total software license revenue) experienced increases of 19% and 12% in annuity/maintenance license revenue during the three and nine months ended December 31, 2022, respectively, due to increased licensing by new and existing customers as well as due to a multi-year lease that commenced in the second quarter of the previous fiscal year.

The Eastern Hemisphere (representing 40% of year-to-date total software license revenue) experienced increases of 20% and 17% in annuity/maintenance license revenue during the three and nine months ended December 31, 2022, respectively, due to increased license fees as well as increased licensing by existing customers, and the addition of new customers, including new customers in the carbon capture and storage industry in Europe. Perpetual revenue decreased by 61% and 26%, respectively, during the three and nine months ended December 31, 2022, relative to the same period of the previous fiscal year.

As footnoted in the Quarterly Software License Revenue graph, during the normal course of business CMG may complete the negotiation of certain annuity/maintenance contracts and/or fulfill revenue recognition requirements within a current quarter that includes usage of CMG's products in prior quarters. This situation particularly affects contracts negotiated with countries that face increased economic and political risks, leading to the revenue recognition criteria being satisfied only at the time of the receipt of cash. The dollar magnitude of such contracts may be significant to the quarterly comparatives of our annuity/maintenance license revenue stream. To provide a normalized comparison, we specifically identify the revenue component where revenue recognition is satisfied in the current period for products provided in previous quarters. Please refer to the yellow bars and the footnotes in the following graph:

Quarterly Software License Revenue

(\$ thousands)



- (1) Q4 of fiscal 2018 includes \$0.6 million in revenue that pertains to usage of CMG's products in prior quarters.
- (2) Q1, Q2, Q3 and Q4 of fiscal 2019 include \$0.1 million, \$0.3 million, \$2.3 million, and \$1.8 million, respectively, in revenue that pertains to usage of CMG's products in prior quarters.
- (3) Q1, Q2, Q3 and Q4 of fiscal 2020 include \$0.2 million, \$0.3 million, \$0.2 million and \$0.5 million, respectively, in revenue that pertains to usage of CMG's products in prior quarters.
- (4) Q1, Q2, Q3 and Q4 of fiscal 2021 include \$0.2 million, \$0.2 million, \$nil and \$1.1 million, respectively, in revenue that pertains to usage of CMG's products in prior quarters.
- (5) Q1, Q2, Q3 and Q4 of fiscal 2022 include \$nil, \$0.5 million, \$nil and \$0.8 million, respectively, in revenue that pertains to usage of CMG's products in prior quarters.
- (6) Q1, Q2 and Q3 of fiscal 2023 include \$0.2 million, \$0.3 million and \$0.3 million, respectively, in revenue that pertains to usage of CMG's products in prior quarters.

Deferred Revenue

(\$ thousands)	Fiscal 2023	Fiscal 2022	Fiscal 2021	\$ change	% change
Deferred revenue at:					
Q1 (June 30)	24,409	23,451		958	4%
Q2 (September 30)	24,164	21,242		2,922	14%
Q3 (December 31)	26,717	23,056		3,661	16%
Q4 (March 31)		30,454	30,461	(7)	0%

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

The above table illustrates the normal trend in the deferred revenue balance from the beginning of the calendar year (which corresponds with Q4 of our fiscal year), when most renewals occur, to the end of the calendar year (which corresponds with Q3

of our fiscal year). Our fourth quarter corresponds with the beginning of the fiscal year for most oil and gas companies, representing a time when they enter a new budget year and sign/renew their contracts.

The deferred revenue balance at the end of Q3 of fiscal 2023 was 16% higher than Q3 of fiscal 2022 with only minor impact of timing differences on the balance.

Professional Services Revenue

Professional services revenue for the three and nine months ended December 31, 2022 was \$3.3 million and \$8.0 million which represents the increases of 69% and 37%, respectively, compared to the same periods of the previous fiscal year. These increases were due to increased revenue from consulting projects and due to receiving development funding from Kongsberg Digital ("Kongsberg"). During the quarter, CMG entered into a joint development agreement with Kongsberg to research and develop a new technology focused on carbon capture and storage.

Professional services revenue consists of specialized consulting, training, and contract research activities. CMG performs consulting and contract research activities on an ongoing basis. Our experience is that consulting activities are variable in nature as both the timing and dollar magnitude of work are dependent on activities and budgets within customer companies.

Expenses

Three months ended December 31, (\$ thousands)	2022	2021	\$ change	% change
Sales, marketing and professional services	4,111	3,810	301	8%
Research and development	4,160	3,926	234	6%
General and administrative	2,686	1,554	1,132	73%
Total operating expenses	10,957	9,290	1,667	18%
Direct employee costs ⁽¹⁾	8,304	7,054	1,250	18%
Other corporate costs ⁽¹⁾	2,653	2,236	417	19%
	10,957	9,290	1,667	18%

Nine months ended December 31, (\$ thousands)	2022	2021	\$ change	% change
Sales, marketing and professional services	11,574	11,062	512	5%
Research and development	13,484	12,599	885	7%
General and administrative	9,572	4,979	4,593	92%
Total operating expenses	34,630	28,640	5,990	21%
Direct employee costs ⁽¹⁾	26,748	22,703	4,045	18%
Other corporate costs ⁽¹⁾	7,882	5,937	1,945	33%
	34,630	28,640	5,990	21%

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

Adjusted total operating expenses, adjusted direct employee costs and adjusted other corporate costs are non-IFRS financial measures. They do not have a standard meaning prescribed by IFRS and, accordingly, may not be comparable to measures used by other companies. They are calculated by excluding CEWS subsidies, CERS subsidies and restructuring charges, as applicable, from the related non-adjusted measures. Management believes that analyzing the Company's expenses exclusive of these items illustrates underlying trends in our costs and provides better comparability between periods.

The following tables provide a reconciliation of total operating expenses to adjusted total operating expenses, direct employee costs to adjusted direct employee costs and other corporate costs to adjusted other corporate costs:

Three months ended December 31 (\$ thousands)	2022	2021
Total operating expenses	10,957	9,290
CEWS	-	259
CERS	-	140
Adjusted total operating expenses	10,957	9,689
Direct employee costs	8,304	7,054
CEWS	-	259
Adjusted direct employee costs	8,304	7,313
Other corporate costs	2,653	2,236
CERS	-	140
Adjusted other corporate costs	2,653	2,376
Nine months ended December 31 (\$ thousands)	2022	2021
Total operating expenses	34,630	28,640
CEWS	-	583
CERS	-	183
Restructuring charge	(3,943)	(851)
Adjusted total operating expenses	30,687	28,555
Direct employee costs	26,748	22,703
CEWS	-	583
Restructuring charge	(3,771)	(851)
Adjusted direct employee costs	22,977	22,435
Other corporate costs	7,882	5,937
CERS	-	183
Restructuring charge	(172)	-
Adjusted other corporate costs	7,710	6,120

Total operating expenses for the three and nine months ended December 31, 2022 increased by 18% and 21%, respectively, compared to the same periods of the previous fiscal year. Adjusted total operating expenses increased by 13% and 7%, respectively, for the three and nine months ended December 31, 2022, compared to the same periods of the previous fiscal year.

Direct Employee Costs

As a technology company, CMG's largest investment is its people, and approximately 77% of total operating expenses during the nine months ending December 31, 2022 relate to direct employee costs (nine months ended December 31, 2021 – 80%).

In May 2022, Ryan Schneider stepped down as the Company's President and CEO and Pramod Jain was appointed CEO. This change resulted in restructuring costs of \$1.6 million in the first quarter of the current fiscal year. During the second quarter of the current fiscal year, the Company restructured primarily its Calgary office, resulting in additional restructuring costs of \$2.3

million in the second quarter and bringing the total restructuring charges for the fiscal year to \$3.9 million. The restructuring that occurred in the second quarter was mainly aimed at streamlining operations to align resources with the Company's priorities. This prioritization will allow the Company to strengthen other business operations that are necessary for the Company to be responsive, resilient and able to adapt more quickly to changing business priorities.

The restructuring decreased our headcount and at December 31, 2022, CMG's full-time equivalent staff complement was 164 employees and consultants (December 31, 2021 – 178 employees).

In the three months ended December 31, 2022, adjusted direct employee costs increased by 14% due to increased variable compensation expense as well as a result of increased stock-based compensation expense due to the increase in share price during the current quarter. In the nine months ended December 31, 2022, adjusted direct employee costs increased by 2% due to the increase in direct employee costs experienced during the current quarter.

Other Corporate Costs

Adjusted other corporate costs increased by 12% and 26% for the three and nine months ended December 31, 2022, respectively, compared to the same periods of the previous fiscal year, primarily due to higher professional services costs and travel-related costs.

Research and Development

Three months ended December 31, (\$ thousands)	2022	2021	\$ change	% change
Research and development, net of government grants	4,278	4,104	174	4%
SR&ED credits	(118)	(178)	60	34%
Research and development	4,160	3,926	234	6%
Research and development as a % of total revenue	21%	23%		

Nine months ended December 31, (\$ thousands)	2022	2021	\$ change	% change
Research and development, net of government grants	14,002	13,263	739	6%
SR&ED credits	(518)	(664)	146	22%
Research and development	13,484	12,599	885	7%
Research and development as a % of total revenue	25%	27%		

CMG works closely with its customers to provide solutions to complex problems related to proven and new advanced recovery processes through investment in research and development.

The above research and development costs include \$1.7 million and \$5.5 million of costs for CoFlow for the three and nine months ended December 31, 2022, respectively, consistent with \$1.8 million and \$5.6 million in the same periods of the previous fiscal year. See discussion under "Commitments, Off Balance Sheet Items and Transactions with Related Parties".

Research and development costs for the three months ended December 31, 2022 increased by 6%, compared to the same period of the previous fiscal year, as a result of the increase in direct employee costs due to increased stock-based compensation expense during the quarter. In the nine months ended December 31, 2022 research and development costs increased by 7%, compared to the same period of the previous fiscal year, primarily due to higher restructuring costs incurred in the current fiscal year compared to the previous fiscal year, partially offset by CEWS benefits received during the previous fiscal year which did not occur in the current fiscal year, and fewer full-time employees during the current fiscal year.

Depreciation

Three months ended December 31, (\$ thousands)	2022	2021	\$ change	% change
Depreciation of property and equipment, allocated to:				
Sales, marketing and professional services	192	233	(41)	-18%
Research and development	538	719	(181)	-25%
General and administrative	135	136	(1)	-1%
Total depreciation	865	1,088	(223)	-20%

Nine months ended December 31, (\$ thousands)	2022	2021	\$ change	% change
Depreciation of property and equipment, allocated to:				
Sales, marketing and professional services	623	669	(46)	-7%
Research and development	1,746	2,066	(320)	-15%
General and administrative	364	409	(45)	-11%
Total depreciation	2,733	3,144	(411)	-13%

Depreciation for the three and nine months ended December 31, 2022 decreased by 20% and 13%, respectively, compared to the same periods of the previous fiscal year.

Finance Income and Costs

Three months ended December 31, (\$ thousands)	2022	2021	\$ change	% change
Interest income	548	115	433	377%
Total finance income	548	115	433	377%
Interest expense on lease liability	(482)	(500)	(18)	-4%
Net foreign exchange loss	(151)	(60)	91	152%
Total finance costs	(633)	(560)	73	13%

Nine months ended December 31, (\$ thousands)	2022	2021	\$ change	% change
Interest income	1,105	339	766	226%
Net foreign exchange gain	923	-	923	100%
Total finance income	2,028	339	1,689	498%
Interest expense on lease liability	(1,458)	(1,510)	(52)	-3%
Net foreign exchange loss	-	(139)	(139)	-100%
Total finance costs	(1,458)	(1,649)	(191)	-12%

Interest income for the three and nine months ended December 31, 2022 was significantly higher compared to the same periods of the previous fiscal year, mainly due to higher interest rates.

Interest expense on the lease liabilities for the three and nine months ended December 31, 2022 was consistent with the comparative period.

CMG is impacted by foreign exchange fluctuations, as 70% of CMG's revenue for the nine months ended December 31, 2022 (2021 – 69%) is denominated in US dollars, whereas only 22% (2021 – 24%) of CMG's total costs are denominated in US dollars.

The following chart shows the exchange rates used to translate CMG's USD-denominated working capital at December 31, 2022, 2021 and 2020 and the average exchange rate used to translate income statement expense items during the nine months ended December 31, 2022, 2021 and 2020:

CDN\$ to US\$	At June 30	At September 30	At December 31	Nine month trailing average
2020	0.7338	0.7497	0.7854	0.7408
2021	0.8068	0.7849	0.7888	0.8015
2022	0.7744	0.7302	0.7370	0.7581

CMG recorded a net foreign exchange loss of \$0.6 million for the three months ended December 31, 2022, due to a weakening of the US dollar during the quarter, which negatively affected the valuation of the USD- denominated portion of the Company's working capital. For the nine months ended December 31, 2022, CMG recorded a net foreign exchange gain of \$0.5 million due to strengthening of the US dollar during the period.

Income and Other Taxes

CMG's effective tax rate for the nine months ended December 31, 2022 is 25.4% (2021 – 22.9%), whereas the Canadian statutory tax rate for the Company's 2023 fiscal year is 23% (December 31, 2021 – 23%). The difference between the effective rate and the statutory rate is primarily due to the non-tax deductibility of stock-based compensation expense.

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

Operating Profit and Net Income

Three months ended December 31, (\$ thousands, except per share data)	2022	2021	\$ change	% change
Total revenue	19,392	17,045	2,347	14%
Operating expenses	(10,957)	(9,290)	(1,667)	-18%
Operating profit	8,435	7,755	680	9%
Operating profit as a % of revenue	43%	45%		
Net income	6,348	5,574	774	14%
Net income as a % of total revenue	33%	33%		
Basic earnings per share (\$/share)	0.08	0.07	0.01	14%

Nine months ended December 31, (\$ thousands, except per share data)	2022	2021	\$ change	% change
Total revenue	53,581	47,408	6,173	13%
Operating expenses	(34,630)	(28,640)	(5,990)	-21%
Operating profit	18,951	18,768	183	1%
Operating profit as a % of revenue	35%	40%		
Net income	14,571	13,453	1,118	8%
Net income as a % of total revenue	27%	28%		
Basic earnings per share (\$/share)	0.18	0.17	0.01	6%

Adjusted operating profit and adjusted net income are non-IFRS financial measures. They do not have a standard meaning prescribed by IFRS and, accordingly, may not be comparable to measures used by other companies. Adjusted operating profit is calculated as operating profit excluding CEWS and CERS subsidies and restructuring charges. Adjusted net income is calculated as net income excluding tax-affected CEWS and CERS subsidies and restructuring charges. Management believes that analyzing the Company's performance exclusive of these items illustrates underlying trends in our business and provides better comparability between periods.

The following table provides a reconciliation of operating profit to adjusted operating profit and net income to adjusted net income:

Three months ended December 31, (\$thousands)	2022	2021
Operating profit	8,435	7,755
CEWS	-	(259)
CERS	-	(140)
Adjusted operating profit	8,435	7,356
Adjusted operating profit as a % of revenue	43%	43%
Net income	6,348	5,574
CEWS	-	(259)
CERS	-	(140)
Tax impact of adjusting items	-	91
Adjusted net income	6,348	5,266
Adjusted net income as a % of total revenue	33%	31%

Nine months ended December 31, (\$thousands)	2022	2021
Operating profit	18,951	18,768
CEWS	-	(583)
CERS	-	(183)
Restructuring charge	3,943	851
Adjusted operating profit	22,894	18,853
Adjusted operating profit as a % of revenue	43%	40%
Net income	14,571	13,453
CEWS	-	(583)
CERS	-	(183)
Restructuring charge	3,943	851
Tax impact of adjusting items	(907)	(20)
Adjusted net income	17,607	13,518
Adjusted net income as a % of total revenue	33%	29%

Operating profit as a percentage of total revenue for the three months ended December 31, 2022 was 43%, down from 45% in the comparative quarter. Adjusted operating profit was 43%, consistent with the comparative quarter, due to an increase in revenue, partially offset by an increase in operating expenses.

Operating profit as a percentage of total revenue for the nine months ended December 31, 2022 was 35%, down from 40% in the comparative quarter. Adjusted operating profit was 43%, up from 40% in the comparative quarter, due to an increase in revenue, partially offset by a lower increase in operating expenses.

Net income as a percentage of total revenue for the three months ended December 31, 2022 was 33%, consistent with the comparative quarter. Adjusted net income as a percentage of total revenue was 33% in the current quarter, up from 31% in the comparative quarter, due to an increase in revenues, partially offset by a lower increase in operating expenses.

Net income as a percentage of total revenue for the nine months ended December 31, 2022 was 27%, down from 28% in the comparative period. Adjusted net income as a percentage of total revenue was 33% in the current period, up from 29% in the comparative period, primarily due to the same factors impacting adjusted operating profit and higher foreign exchange gains in the current period relative to the comparative period as a result of the impact of a stronger US dollar on CMG's earnings.

Adjusted EBITDA⁽¹⁾

Three months ended December 31, (\$ thousands)	2022	2021	\$ change	% change
Net income	6,348	5,574	774	14%
Add (deduct):				
Depreciation	865	1,088	(223)	-20%
Finance (income) costs	85	445	(360)	-81%
Income and other taxes	2,002	1,736	266	15%
EBITDA ⁽¹⁾	9,300	8,843	457	5%
Add (deduct):				
CEWS	-	(259)	259	100%
CERS	-	(140)	140	100%
Adjusted EBITDA ⁽¹⁾	9,300	8,444	856	10%
Adjusted EBITDA ⁽¹⁾ as a % of total revenue	48%	50%		

Nine months ended December 31, (\$ thousands)	2022	2021	\$ change	% change
Net income	14,571	13,453	1,118	8%
Add (deduct):				
Depreciation	2,733	3,144	(411)	-13%
Finance (income) costs	(570)	1,310	(1,880)	-144%
Income and other taxes	4,950	4,005	945	24%
EBITDA ⁽¹⁾	21,684	21,912	(228)	-1%
Add (deduct):				
CEWS	-	(583)	583	-100%
CERS	-	(183)	183	-100%
Restructuring charge	3,943	851	3,092	363%
Adjusted EBITDA ⁽¹⁾	25,627	21,997	3,630	17%
Adjusted EBITDA ⁽¹⁾ as a % of total revenue	48%	46%		

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

Adjusted EBITDA as a percentage of total revenue for the three and nine months ended December 31, 2022 was 48% for both periods, compared to 50% and 46% in the same periods of the previous fiscal year, primarily due to the same factors impacting adjusted operating profit.

Liquidity and Capital Resources

Three months ended December 31, (\$ thousands)	2022	2021	\$ change	% change
Cash, beginning of period	56,859	48,012	8,847	18%
Cash provided by (used in):				
Operating activities	7,657	4,527	3,130	69%
Financing activities	(4,419)	(4,331)	(88)	-2%
Investing activities	(211)	(481)	270	56%
Cash, end of period	59,886	47,727	12,159	25%

Nine months ended December 31, (\$ thousands)	2022	2021	\$ change	% change
Cash, beginning of period	59,660	49,068	10,592	22%
Cash provided by (used in):				
Operating activities	13,255	12,245	1,010	8%
Financing activities	(12,688)	(12,945)	257	2%
Investing activities	(341)	(641)	300	47%
Cash, end of period	59,886	47,727	12,159	25%

At December 31, 2022, CMG had \$59.9 million in cash, no borrowings and access to approximately \$0.9 million under a line of credit with its principal banker. The Company's primary non-operating use of cash is dividend payments. Management believes that the Company has sufficient capital resources to meet its operating and capital expenditure needs.

During the nine months ended December 31, 2022, 11.2 million shares of CMG's public float were traded on the TSX. As at December 31, 2022, CMG's market capitalization based upon its December 31, 2022 closing price of \$5.83 was \$469.4 million.

Operating Activities

Cash provided by operating activities increased by \$3.1 million during the three months ended December 31, 2022, compared to the same period of the previous fiscal year. The increase is mainly due to higher funds flow from operations as a result of higher revenues and changes in non-cash working capital.

Cash provided by operating activities increased by \$1.0 million during the nine months ended December 31, 2022, compared to the same period of the previous fiscal year due to higher revenue.

Financing Activities

Cash used in financing activities during the three and nine months ended December 31, 2022 was comparable with the amounts in the same period of the previous fiscal year.

In the nine months ended December 31, 2022, CMG paid \$12.1 million in dividends, representing the following quarterly dividends:

(\$ per share)	Q1	Q2	Q3
Total dividends declared and paid	0.05	0.05	0.05

In the nine months ended December 31, 2021, CMG paid \$12.0 million in dividends, representing the following quarterly dividends:

(\$ per share)	Q1	Q2	Q3
Total dividends declared and paid	0.05	0.05	0.05

On February 8, 2023, CMG announced the payment of a quarterly dividend of \$0.05 per share on CMG's common shares. The dividend will be paid on March 15, 2023 to shareholders of record at the close of business on March 7, 2023. Decisions with respect to dividend payments are made by the Board of Directors on a quarterly basis and take into account market conditions and the financial performance of the Company.

Investing Activities

CMG's investing activities consist of capital asset additions, all which are funded internally. During the nine months ended December 31, 2022, CMG's capital asset additions were composed of computer equipment and totalled \$0.3 million, a

decrease compared to \$0.6 million in the same period of the previous fiscal year. CMG's revised capital budget for fiscal 2023 is \$1.5 million.

Commitments, Off Balance Sheet Items and Transactions with Related Parties

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

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

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

CMG 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 December 31, 2022:

(thousands of \$)	Undiscounted lease liability payments	Operating costs and short-term leases	Total commitments
Less than one year	3,670	1,096	4,766
Between one and five years	13,815	4,332	18,147
More than five years	37,209	10,379	47,588
	54,694	15,807	70,501

Business Risks, Critical Accounting Estimates and Judgments

These remain unchanged from the factors detailed in CMG's 2022 Financial Report.

Outstanding Share Data

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

As at February 8, 2023	
(thousands)	
Common shares	80,511
Stock options	5,332
Restricted share units ⁽¹⁾	564
Performance share units ⁽¹⁾	84

(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 February 8, 2023, CMG could reserve up to 8,051,067 common shares for issuance under its security-based compensation plans.

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. These controls and procedures were reviewed and the effectiveness of their design and operation was evaluated in fiscal 2022 in accordance with the COSO control framework (2013). The evaluation confirmed the effectiveness of DC&P and ICFR at March 31, 2022. During the 2023 fiscal year, we continue to monitor and review our controls and procedures.

During the three months ended December 31, 2022, 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.

Quarterly Summary

Fiscal 2023 continues to be positive, with the strengthening fundamentals across the oil and gas sector, and new opportunities created by demand for energy transition projects.

During the three and nine months ended December 31, 2022, CMG's annuity/maintenance revenue increased by 14% and 12%, respectively, compared to the same periods of the previous fiscal year, continuing the trend of comparative quarterly increases that started in the third quarter of the previous fiscal year, supported by improved industry conditions.

Geographically, all regions saw increases in annuity/maintenance revenue, except Canada which remained flat, due to the addition of new customers, including carbon capture and storage companies, increased license fees and increased licensing by some existing customers.

Perpetual license revenue decreased by 65% and 32% during the three and nine months ended December 31, 2022, compared to the same periods of the prior fiscal year, primarily due to lower perpetual license sales in the Eastern Hemisphere.

During nine months ended December 31, 2022, CMG's expenses were impacted by restructuring charges of \$3.9 million, which resulted in reduced full-time equivalent staff compared to the same period of the previous fiscal year. The Company made these changes to concentrate the focus of our research and development activities into the areas with the potential to deliver the greatest value to our customers and have the greatest commercial impact on the business. This allows the Company to reinvest to strengthen other business operations that are necessary to support our growth strategy without materially altering the current cost structure. When adjusted for the restructuring charges, as well as CEWS and CERS subsidies in the comparative periods of the previous year, total operating expenses increased by 13% and 7% in the three and nine months ended December 31, 2022, respectively, due to increases in professional services and travel costs as COVID-19 related travel restrictions eased.

Adjusted operating profit margins were 43% and 43% during the three and nine months ended December 31, 2022, respectively, compared to 43% and 40% during the same periods in the previous fiscal year which is reflective of CMG's continuous cost management. Basic earnings per share were \$0.08 and \$0.18 for the three and nine months ended December 31, 2022, compared to \$0.07 and \$0.17 recorded in the same periods of the previous fiscal year.

CMG maintains a strong financial position and closed the period with \$59.9 million of cash and no debt. Despite the restructuring charges and the increase in professional fees year-to-date, CMG generated \$0.09 and \$0.20 per share of free cash flow for the three and nine months ended December 31, 2022, respectively, representing a slight increase compared to the same periods of fiscal 2022.

Condensed Consolidated Statements of Financial Position

UNAUDITED (thousands of Canadian \$)	December 31, 2022	March 31, 2022
Assets		
Current assets:		
Cash	59,886	59,660
Trade and other receivables	18,555	17,507
Prepaid expenses	1,213	792
Prepaid income taxes (note 10)	213	959
	79,867	78,918
Property and equipment	10,302	10,908
Right-of-use assets	31,328	33,113
Deferred tax asset (note 10)	2,273	2,209
Total assets	123,770	125,148
Liabilities and shareholders' equity		
Current liabilities:		
Trade payables and accrued liabilities	6,625	6,819
Income taxes payable (note 10)	-	13
Deferred revenue (note 4)	26,717	30,454
Lease liabilities (note 5)	1,803	1,626
	35,145	38,912
Long-term stock-based compensation liabilities (note 11(c))	1,412	1,556
Long-term lease liabilities (note 5)	36,730	37,962
Total liabilities	73,287	78,430
Shareholders' equity:		
Share capital (note 11(b))	81,080	80,248
Contributed surplus	15,438	15,009
Deficit	(46,035)	(48,539)
Total shareholders' equity	50,483	46,718
Total liabilities and shareholders' equity	123,770	125,148

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		Nine months ended December 31	
	2022	2021	2022	2021
Revenue (note 6)	19,392	17,045	53,581	47,408
Operating expenses (note 7)				
Sales, marketing and professional services	4,111	3,810	11,574	11,062
Research and development (note 8)	4,160	3,926	13,484	12,599
General and administrative	2,686	1,554	9,572	4,979
	10,957	9,290	34,630	28,640
Operating profit	8,435	7,755	18,951	18,768
Finance income (note 9)	548	115	2,028	339
Finance costs (note 9)	(633)	(560)	(1,458)	(1,649)
Profit before income and other taxes	8,350	7,310	19,521	17,458
Income and other taxes (note 10)	2,002	1,736	4,950	4,005
Net and total comprehensive income	6,348	5,574	14,571	13,453
Earnings per share – basic and diluted (note 11(d))	0.08	0.07	0.18	0.17
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	Contribute surplus	Deficit	Total equity
Balance, April 1, 2021	80,051	14,251	(50,880)	43,422
Total comprehensive income for the period	-	-	13,453	13,453
Dividends paid	-	-	(12,048)	(12,048)
Shares issued on redemption of restricted share units (note 11(b))	197	-	-	197
Stock-based compensation expense (note 11(c))	-	567	-	567
Balance, December 31, 2021	80,248	14,818	(49,475)	45,591
Balance, April 1, 2022	80,248	15,009	(48,539)	46,718
Total 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 (note 11(b))	523	(89)	-	434
Stock-based compensation expense (note 11(c))	-	518	-	518
Balance, December 31, 2022	81,080	15,438	(46,035)	50,483

See accompanying notes to condensed consolidated interim financial statements.

Condensed Consolidated Statements of Cash Flows

UNAUDITED (thousands of Canadian \$)	Three months ended December 31		Nine months ended December 31	
	2022	2021	2022	2021
Operating activities				
Net income	6,348	5,574	14,571	13,453
Adjustments for:				
Depreciation	864	1,088	2,732	3,144
Deferred income tax expense recovery (note 10)	(145)	(49)	(64)	(104)
Stock-based compensation (note 11(c))	1,102	409	462	244
Funds flow from operations	8,169	7,022	17,701	16,737
Movement in non-cash working capital:				
Trade and other receivables	(4,872)	(4,687)	(1,048)	4,471
Trade payables and accrued liabilities	649	68	27	(141)
Prepaid expenses	1	(45)	(421)	(245)
Income taxes receivable (payable)	1,157	355	733	(1,172)
Deferred revenue	2,553	1,814	(3,737)	(7,405)
Decrease in non-cash working capital	(512)	(2,495)	(4,446)	(4,492)
Net cash provided by operating activities	7,657	4,527	13,255	12,245
Financing activities				
Proceeds from issuance of common shares	19	-	434	-
Repayment of lease liabilities (note 5)	(413)	(314)	(1,055)	(897)
Dividends paid	(4,025)	(4,017)	(12,067)	(12,048)
Net cash used in financing activities	(4,419)	(4,331)	(12,688)	(12,945)
Investing activities				
Property and equipment additions	(211)	(481)	(341)	(641)
Increase (decrease) in cash	3,027	(285)	226	(1,341)
Cash, beginning of period	56,859	48,012	59,660	49,068
Cash, end of period	59,886	47,727	59,886	47,727
Supplementary cash flow information				
Interest received (note 9)	548	115	1,105	339
Interest paid (notes 5 and 9)	482	500	1,458	1,510
Income taxes paid	1,732	1,107	4,615	4,617

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, 2022 and 2021.

1. Reporting Entity:

Computer Modelling Group Ltd. ("CMG") 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'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, 2022 comprise CMG and its subsidiaries (together referred to as the "Company"). The Company is a computer software technology company engaged in the development and licensing of reservoir simulation 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*. 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, 2022, 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, 2022 were authorized for issuance by the Board of Directors on February 8, 2023.

(b) Basis of Measurement:

The condensed consolidated interim financial statements have been prepared on the historical cost basis, which is based on the fair value of the consideration at the time of the transaction.

(c) Functional and Presentation Currency:

The condensed consolidated interim financial statements are presented in Canadian dollars, which is the Company's functional currency. 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.

3. Segmented Information:

The Company is organized into one operating segment represented by the development and licensing of reservoir simulation software. 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 not evaluated as a separate business segment.

Property, equipment and right-of-use assets of the Company are located in the following geographic regions (for revenue by geographic region, refer to note 6):

(thousands of \$)	December 31, 2022	March 31, 2022
Canada	41,068	43,216
United States	399	553
South America	149	218
Eastern Hemisphere ⁽¹⁾	14	34
	41,630	44,021

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

4. Deferred Revenue:

The following table presents changes in the deferred revenue balance:

(thousands of \$)	December 31, 2022	March 31, 2022
Balance, beginning of year	30,454	30,461
Invoiced during the period, excluding amounts recognized as revenue during the period	24,581	30,071
Recognition of deferred revenue included in the balance at the beginning of the period	(28,318)	(30,078)
Balance, end of period	26,717	30,454

5. Lease Liabilities:

The Company's leases are for office space, the most significant of which is the twenty-year head office lease 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, 2022	March 31, 2022
Balance, beginning of year	39,588	40,962
Interest on lease liabilities (note 9)	1,458	2,004
Lease payments	(2,513)	(3,360)
Remeasurement due to change in lease payments	-	(18)
Balance, end of period	38,533	39,588
Current	1,803	1,626
Long-term	36,730	37,962

The following table presents contractual undiscounted payments for lease liabilities as at December 31, 2022:

(thousands of \$)	
Less than one year	3,670
Between one and five years	13,815
More than five years	37,209
Total undiscounted payments	54,694

6. Revenue:

In the following table, revenue is disaggregated by geographical region and timing of revenue recognition:

(thousands of \$)	Three months ended December 31		Nine months ended December 31	
	2022	2021	2022	2021
Annuity/maintenance license revenue				
Canada	3,268	3,303	9,399	9,425
United States	4,061	3,429	11,115	9,502
South America	2,247	1,884	5,840	5,195
Eastern Hemisphere	5,957	4,959	17,533	14,978
	15,533	13,575	43,887	39,100
Perpetual license revenue				
Canada	-	-	-	-
United States	-	180	157	401
South America	-	-	-	-
Eastern Hemisphere	518	1,317	1,527	2,067
	518	1,497	1,684	2,468
Total software license revenue	16,051	15,072	45,571	41,568
Professional services				
Canada	2,924	1,798	7,101	5,368
United States	135	9	279	66
South America	72	12	136	91
Eastern Hemisphere	210	154	494	315
	3,341	1,973	8,010	5,840
Total revenue				
Canada	6,192	5,101	16,500	14,793
United States	4,196	3,618	11,551	9,969
South America	2,319	1,896	5,976	5,286
Eastern Hemisphere	6,685	6,430	19,554	17,360
	19,392	17,045	53,581	47,408

The amount of revenue recognized during the nine months ended December 31, 2022 from performance obligations satisfied (or partially satisfied) in previous periods is \$2.0 million (nine months ended December 31, 2021 – \$1.4 million).

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

Receivables from contracts with customers were as follows:

(thousands of \$)	December 31, 2022	March 31, 2022
Receivables (included in "Trade and other receivables")	18,016	17,296

During the nine months ended December 31, 2022, one customer comprised 12.4% of the Company's total revenue (nine months ended December 31, 2021 – one customer, 12.2%).

7. Canada Emergency Wage Subsidy and Canada Emergency Rent Subsidy:

No CEWS or CERS benefits were recorded during the three and nine months ended December 31, 2022.

CMG was eligible for the Canada Emergency Wage Subsidy (“CEWS”) and the Canada Emergency Rent Subsidy (“CERS”) programs during the nine months ended December 31, 2021. During that period, the Company recorded CEWS and CERS benefits of \$0.8 million. These benefits were recorded against the financial statement items that they are intended to compensate, resulting in the following credits to the operating expense categories:

Nine months ended December 31, (thousands of \$)	2022	2021
Sales, marketing and professional services	-	(130)
Research and development	-	(513)
General and administrative	-	(123)
	-	(766)

8. Research and Development Costs:

Three months ended December 31, (thousands of \$)	2022	2021
Research and development, net of government grants	4,278	4,104
Scientific research and experimental development (“SR&ED”) investment tax	(118)	(178)
	4,160	3,926

Nine months ended December 31, (thousands of \$)	2022	2021
Research and development, net of government grants	14,002	13,263
Scientific research and experimental development (“SR&ED”) investment tax	(518)	(664)
	13,484	12,599

9. Finance Income and Finance Costs:

Three months ended December 31, (thousands of \$)	2022	2021
Interest income	548	115
Finance income	548	115
Interest expense on lease liabilities (note 5)	(482)	(500)
Net foreign exchange loss	(151)	(60)
Finance costs	(633)	(560)

Nine months ended December 31, (thousands of \$)	2022	2021
Interest income	1,105	339
Net foreign exchange gain	923	-
Finance income	2,028	339
Interest expense on lease liabilities (note 5)	(1,458)	(1,510)
Net foreign exchange loss	-	(139)
Finance costs	(1,458)	(1,649)

10. Income and Other Taxes:

The major components of income tax expense are as follows:

Nine months ended December 31, (thousands of \$)	2022	2021
Current year income tax expense	4,714	4,232
Adjustment for prior year	50	(131)
Current year income taxes	4,764	4,101
Deferred tax recovery	(64)	(104)
Foreign withholding and other taxes	250	8
	4,950	4,005

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, (thousands of \$, unless otherwise stated)	2022	2021
Combined statutory tax rate	23.00%	23.00%
Expected income tax	4,490	4,015
Non-deductible costs	321	180
Withholding taxes	180	(73)
Effect of tax rates in foreign jurisdictions	(11)	(6)
Adjustment for prior year	50	(131)
Other	(80)	20
	4,950	4,005

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

(thousands of \$)	December 31, 2022	March 31, 2022
Right-of-use assets	1,610	1,479
Stock-based compensation liabilities	636	770
Property and equipment	142	149
SR&ED investment tax credits	(115)	(189)
Net deferred tax asset	2,273	2,209

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, 2021	80,286
Issued on redemption of restricted share units	49
Balance, December 31, 2021	80,335
Balance, April 1, 2022	80,335
Issued on redemption of restricted share units	67
Issued for cash on exercise of stock options	109
Balance, December 31, 2022	80,511

(c) Stock-Based Compensation:

Stock-Based Compensation Expense

The following table summarizes stock-based compensation expense:

Three months ended December 31 (thousands of \$)	2022	2021
Equity-settled plans	220	188
Cash-settled plans	874	225
Total stock-based compensation expense	1,094	413
Nine months ended December 31 (thousands of \$)	2022	2021
Equity-settled plans	518	567
Cash-settled plans	1,078	517
Total stock-based compensation expense	1,596	1,084

Liability Recognized for Stock-Based Compensation⁽¹⁾

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

(thousands of \$)	December 31, 2022	March 31, 2022
SARs	491	525
RSUs	1,235	1,874
PSUs	312	311
DSUs	945	639
Total stock-based compensation liability	2,983	3,349
Current, included in trade payables and accrued liabilities	1,571	1,792
Long-term	1,412	1,556

(1) The intrinsic value of the vested awards at December 31, 2022 was \$1.2 million (March 31, 2022 - \$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 December 31, 2022, the Company may reserve up to 8,051,067 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 reaffirmed by the Company's shareholders on July 16, 2020. 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, 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, 2022		Year ended March 31, 2022	
	Number of Options (thousands)	Weighted Average Exercise Price (\$/share)	Number of Options (thousands)	Weighted Average Exercise Price (\$/share)
Outstanding at beginning of period	3,680	6.39	3,524	7.82
Granted ⁽¹⁾	3,196	4.86	1,006	3.98
Exercised	(109)	3.98	-	-
Forfeited/expired	(1,369)	7.69	(850)	9.51
Outstanding at end of period	5,398	5.20	3,680	6.38
Options exercisable at end of period	1,719	6.09	2,121	7.73

(1) 2,625,000 stock options are exercisable when specified share price targets are achieved.

The range of exercise prices of stock options outstanding and exercisable at December 31, 2022 is as follows:

Exercise Price (\$/option)	Number of Options (thousands)	Outstanding		Exercisable	
		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	941 ⁽¹⁾	3.9	4.10	373	3.98
4.63 to 4.87	1,800 ⁽²⁾	4.4	4.74	-	-
4.88 to 5.04	871 ⁽³⁾	4.7	5.00	-	-
5.05 to 5.70	880 ⁽⁴⁾	3.4	5.21	445	5.08
5.71 to 9.20	906	1.3	7.46	901	7.47
	5,398	3.7	5.20	1,719	6.09

(1) 225,000 stock options are exercisable when specified share price targets are achieved.

(2) Exercisable when specified share price targets are achieved.

(3) 300,000 stock options are exercisable when specified share price targets are achieved.

(4) 300,000 stock options are exercisable when specified share price targets are achieved.

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

	Nine months ended December 31, 2022	Year ended March 31, 2022
Fair value at grant date (\$/option)	0.10 to 1.37	0.78 to 0.80
Share price at grant date (\$/share)	4.49 to 5.45	3.98
Risk-free interest rate (%)	2.88 to 3.76	0.57 to 0.70
Estimated hold period prior to exercise (years)	3 to 5	3 to 4
Volatility in the price of common shares (%)	39 to 45	39 to 42
Dividend yield per common share (%)	3.91 to 4.45	5.18

(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, 2022		Year ended March 31, 2022	
	Number of SARs (thousands)	Weighted Average Exercise Price (\$/SAR)	Number of SARs (thousands)	Weighted Average Exercise Price (\$/SAR)
Outstanding at beginning of period	1,395	7.11	1,373	8.19
Granted	104	5.00	278	3.98
Exercised	-	-	(3)	5.08
Forfeited/expired	(697)	7.65	(253)	9.58
Outstanding at end of period	802	6.37	1,395	7.11
SARs exercisable at end of period	581	7.03	955	8.29

(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 membership.

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

(thousands)	Nine months ended December 31, 2022			Year ended March 31, 2022		
	RSUs	PSUs	DSUs	RSUs	PSUs	DSUs
Outstanding at beginning of period	722	165	123	589	93	74
Granted	302	3	81	491	72	49
Exercised	(273)	-	(42)	(256)	-	-
Forfeited/expired	(187)	(84)	-	(102)	-	-
Outstanding at end of period	564	84	162	722	165	123

(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)	2022			2021		
	Earnings (\$)	Weighted average shares outstanding	Earnings per share (\$/share)	Earnings (\$)	Weighted average shares outstanding	Earnings per share (\$/share)
Basic	6,348	80,511	0.08	5,574	80,335	0.07
Dilutive effect of share-based awards		414			324	
Diluted	6,348	80,925	0.08	5,574	80,659	0.07

Nine months ended December 31, (thousands except per share amounts)	2022			2021		
	Earnings (\$)	Weighted average shares outstanding	Earnings per share (\$/share)	Earnings (\$)	Weighted average shares outstanding	Earnings per share (\$/share)
Basic	14,571	80,419	0.18	13,453	80,309	0.17
Dilutive effect of share-based awards		523			362	
Diluted	14,571	80,942	0.18	13,453	80,671	0.17

During the three and nine months ended December 31, 2022, 82,000 and 174,000 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, 2021 - nil and 173,000 awards, respectively).

12. Financial Instruments and Risk Management:

Financial assets include 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 which are classified as other financial liabilities and are measured at amortized cost, which approximates their fair values.

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, 2022, the Company recorded professional services revenue of \$1.9 million and \$5.9 million, respectively (three and nine months ended December 31, 2021 – \$1.8 million and \$5.1 million, respectively), and CoFlow costs of \$1.7 million and \$5.5 million, respectively, to research and development expenses (three and nine months ended December 31, 2021 – \$1.8 million and \$5.6 million).

(b) Commitments:

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

(thousands of \$)	December 31, 2022
Less than one year	1,096
Between one and five years	4,332
More than five years	10,379
	15,807

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, 2022, \$1.1 million (March 31, 2022 – \$1.0 million) had been reserved on this line of credit for letters of credit supporting performance bonds.

15. Subsequent Event:

On February 8, 2023, the Board of Directors declared a quarterly cash dividend of \$0.05 per share on its common shares, payable on March 15, 2023 to all shareholders of record at the close of business on March 7, 2023.

Corporate Information

Directors

Christine (Tina) M. Antony ⁽⁴⁾

Judith J. Athaide ⁽³⁾

John E. Billowits ⁽⁴⁾

Kenneth M. Dedeluk ⁽⁵⁾

Christopher L. Fong ^{(2) (4)}

Pramod Jain

Peter H. Kinash ⁽¹⁾

Mark R. Miller ⁽²⁾

Chairman of the Board

(1) Chair, Audit Committee

(2) Member, Audit Committee

(3) Chair, Governance Committee

(4) Member, Governance Committee

(5) Vice Chairman of the Board

Officers

Pramod Jain

Chief Executive Officer

Sandra Balic

Vice President,

Finance and Chief Financial Officer

John Mortimer

Chief Technology Officer

Jason C. Close

Vice President,

Product

Sheldon Harbison

Vice President

Americas

R. David Hicks

Vice President,

Eastern Hemisphere

Anjani Kumar

Vice President,

Customer Success and Consulting

Long X. Nghiem

Vice President,

Chief Scientist

Kirsty T. Sklar

Corporate Secretary

Head Office

3710 33 Street NW

Calgary, Alberta T2L 2M1

Canada

Telephone: +1.403.531.1300

Facsimile: +1.403.289.8502

Email: cmgl@cmgl.ca

Website: www.cmgl.ca

Regional Offices

Bogota, Colombia

Dubai, UAE

Houston, Texas, USA

Kuala Lumpur, Malaysia

London, England

Rio de Janeiro, Brazil

Transfer Agent

Olympia Trust Company

Stock Exchange Listing

Toronto Stock Exchange: **CMG**