

To Our Shareholders:

Computer Modelling Group Ltd. announces its first quarter results for the three months ended June 30, 2022.

First Quarter Highlights

Three months ended June 30, (\$ thousands, except per share data)	2022	2021	\$ change	% change
Annuity/maintenance software licenses	13,529	12,286	1,243	10%
Perpetual software licenses	386	125	261	209%
Total revenue	16,107	14,414	1,693	12%
Operating profit	4,961	5,573	(612)	-11%
Net income	3,813	3,733	80	2%
Earnings per share - basic	0.05	0.05	-	0%
Funds flow from operations per share - basic	0.06	0.06	-	0%
Free cash flow per share - basic ⁽¹⁾	0.05	0.06	(0.01)	-17%

(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 August 10, 2022, should be read in conjunction with the unaudited condensed consolidated interim financial statements and related notes of the Company for the three months ended June 30, 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	
	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1
Funds flow from operations	7,991	7,322	6,267	4,811	4,904	7,022	7,105	4,558
Capital expenditures	(200)	(7)	(41)	(27)	(133)	(481)	(62)	-
Repayment of lease liabilities	(317)	(310)	(471)	(306)	(277)	(314)	(459)	(303)
Free cash flow	7,474	7,005	5,755	4,478	4,494	6,227	6,584	4,255
Weighted average shares – basic (thousands)	80,265	80,286	80,286	80,286	80,307	80,335	80,335	80,335
Free cash flow per share – basic	0.09	0.09	0.07	0.06	0.06	0.08	0.08	0.05

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⁾	
	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1
Annuity/maintenance license revenue	14,144	13,477	13,790	12,286	13,239	13,575	14,306	13,529
Perpetual license revenue	1,775	660	1,184	125	846	1,497	2,351	386
Software license revenue	15,919	14,137	14,974	12,411	14,085	15,072	16,657	13,915
Professional services revenue	1,933	1,901	1,827	2,003	1,864	1,973	2,137	2,192
Total revenue	17,852	16,038	16,801	14,414	15,949	17,045	18,794	16,107
Operating profit	9,861	8,437	6,556	5,573	5,440	7,755	7,312	4,961
Operating profit (%)	55	53	39	39	34	45	39	31
Profit before income and other taxes	9,360	7,410	5,747	4,827	5,321	7,310	6,563	5,182
Income and other taxes	2,600	1,535	1,454	1,094	1,175	1,736	1,611	1,369
Net income for the period	6,760	5,875	4,293	3,733	4,146	5,574	4,952	3,813
EBITDA ⁽¹⁾	10,933	9,509	7,627	6,596	6,473	8,843	8,366	5,892
Cash dividends declared and paid	4,013	4,015	4,014	4,015	4,016	4,017	4,016	4,017
Funds flow from operations	7,991	7,322	6,267	4,811	4,904	7,022	7,105	4,558
Free cash flow ⁽¹⁾	7,474	7,005	5,755	4,478	4,494	6,227	6,584	4,255
Per share amounts – (\$/share)								
Earnings per share (EPS) – basic and diluted	0.08	0.07	0.05	0.05	0.05	0.07	0.06	0.05
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	0.10	0.09	0.08	0.06	0.06	0.09	0.09	0.06
Free cash flow per share – basic ⁽¹⁾	0.09	0.09	0.07	0.06	0.06	0.08	0.08	0.05

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

(2) Q2, Q3 and Q4 of fiscal 2021 include \$0.2 million, \$nil and \$1.1 million, respectively, 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 of fiscal 2023 includes \$0.2 million in revenue that pertains to usage of CMG's products in prior quarters.

Commentary on Quarterly Performance

For the Three Months Ended

June 30, 2022 and compared to the same period of the previous fiscal year:

- Annuity/maintenance license revenue increased by 10%;
- Total revenue increased by 12%;
- Total operating expenses increased by 26%. When adjusted for restructuring charges and CEWS and CERS benefits, operating expenses increased by 4%;
- Quarterly operating profit margin was 31%, down from 39% in the comparative quarter. When adjusted for restructuring charges, CEWS and CERS benefits, operating profit margin was 41%, compared to 36%;
- Basic EPS was \$0.05, same as the comparative quarter;
- Free cash flow per share of \$0.05 was \$0.01 lower than the comparative quarter;
- Declared and paid a dividend of \$0.05 per share.

Revenue

Three months ended June 30, (\$ thousands)	2022	2021	\$ change	% change
Software license revenue	13,915	12,411	1,504	12%
Professional services revenue	2,192	2,003	189	9%
Total revenue	16,107	14,414	1,693	12%
Software license revenue as a % of total revenue	86%	86%		
Professional services revenue as a % of total revenue	14%	14%		

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 months ended June 30, 2022 increased by 12%, 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 June 30, (\$ thousands)	2022	2021	\$ change	% change
Annuity/maintenance license revenue	13,529	12,286	1,243	10%
Perpetual license revenue	386	125	261	209%
Total software license revenue	13,915	12,411	1,504	12%
Annuity/maintenance as a % of total software license revenue	97%	99%		
Perpetual as a % of total software license revenue	3%	1%		

Total software license revenue for the three months ended June 30, 2022 increased by 12%, compared to the same period of the previous fiscal year, due to increases in both annuity/maintenance license revenue and perpetual license revenue. Annuity/maintenance license revenue increased by 10%, due to increases in all regions except Canada.

Perpetual license revenue increased by 209% during the three months ended June 30, 2022, compared to the same period of the previous quarter. 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 exchange rate between the US and Canadian dollar had a small negative impact on reported annuity/maintenance license revenue during the three months ended June 30, 2022, compared to the same period of the previous fiscal year.

Three months ended June 30, (\$ thousands)	2021	Incremental License Growth/(Decrease)	Foreign Exchange Impact	2022
Annuity/maintenance license revenue	12,286	1,322	(79)	13,529
Perpetual license revenue	125	246	15	386
Total software license revenue	12,411	1,568	(64)	13,915

Software Revenue by Geographic Region

Three months ended June 30, (\$ thousands)	2022	2021	\$ change	% change
Annuity/maintenance license revenue				
Canada	2,950	3,034	(84)	-3%
United States	3,350	2,984	366	12%
South America	1,699	1,494	205	14%
Eastern Hemisphere ⁽¹⁾	5,530	4,774	756	16%
	13,529	12,286	1,243	10%
Perpetual license revenue				
Canada	-	-	-	-
United States	-	125	(125)	-100%
South America	-	-	-	-
Eastern Hemisphere	386	-	386	100%
	386	125	261	209%
Total software license revenue				
Canada	2,950	3,034	(84)	-3%
United States	3,350	3,109	241	8%
South America	1,699	1,494	205	14%
Eastern Hemisphere	5,916	4,774	1,142	24%
	13,915	12,411	1,504	12%

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

During the three months ended June 30, 2022, compared to the same period of the previous fiscal year, total software license revenue increased in all regions except Canada.

The Canadian region (representing 21% of year-to-date total software license revenue) experienced a 3% decrease in annuity/maintenance license revenue, due to consolidation activity in the industry, partially offset by a returning customer and increased licensing by some existing customers.

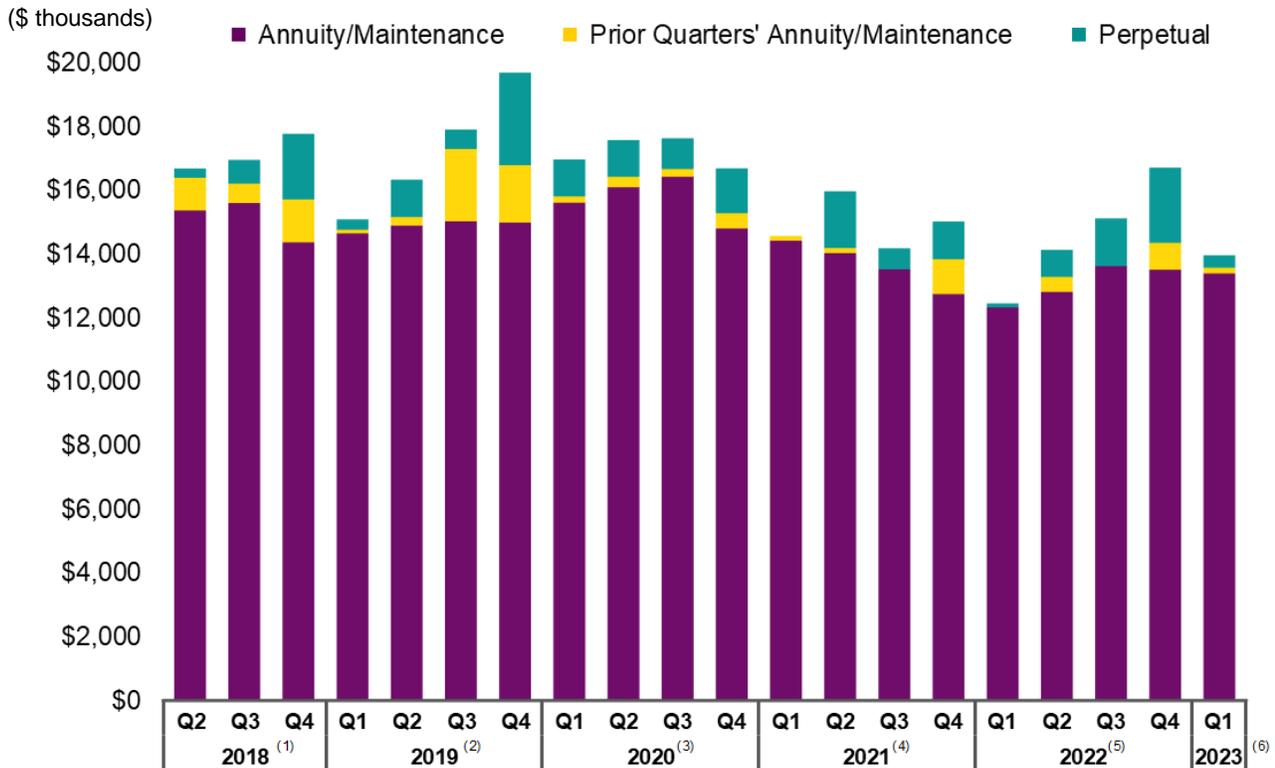
The United States (representing 24% of year-to-date total software license revenue) experienced a 12% increase in annuity/maintenance license revenue, due to increased licensing by existing customers. There were no perpetual sales in the United States during the current quarter.

South America (representing 12% of year-to-date total software license revenue) experienced a 14% increase in annuity/maintenance license revenue, largely due to a multi-year lease that commenced in the second quarter of the previous fiscal year.

The Eastern Hemisphere (representing 43% of year-to-date total software license revenue) experienced a 16% increase in annuity/maintenance license revenue, due to increased licensing by some customers. Several perpetual sales were realized, which resulted in a 100% increase over 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



- (1) Q2, Q3 and Q4 of fiscal 2018 include \$1.0 million, \$0.6 million, and \$1.3 million, respectively, 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 of fiscal 2023 includes \$0.2 million 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)		21,242	19,549	1,693	9%
Q3 (December 31)		23,056	15,347	7,709	50%
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 Q1 of fiscal 2023 was 4% higher than Q1 of fiscal 2022.

Professional Services Revenue

Professional services revenue for the three months ended June 30, 2022 increased by 9%, compared to the same period of the previous fiscal year. This was due to increased development funding from Shell Global Solutions International B.V. ("Shell") for CoFlow development and support (see "Commitments, Off Balance Sheet Items and Transactions with Related Parties").

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 June 30, (\$ thousands)	2022	2021	\$ change	% change
Sales, marketing and professional services	3,591	3,412	179	5%
Research and development	4,205	4,017	188	5%
General and administrative	3,350	1,412	1,938	137%
Total operating expenses	11,146	8,841	2,305	26%
Direct employee costs ⁽¹⁾	8,947	7,070	1,877	27%
Other corporate costs ⁽¹⁾	2,199	1,771	428	24%
	11,146	8,841	2,305	26%

(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 June 30 (\$ thousands)	2022	2021
Total operating expenses	11,146	8,841
CEWS	-	324
CERS	-	43
Restructuring charge	(1,602)	-
Adjusted total operating expenses	9,544	9,208
Direct employee costs	8,947	7,070
CEWS	-	324
Restructuring charge	(1,478)	-
Adjusted direct employee costs	7,469	7,394
Other corporate costs	2,199	1,771
CERS	-	43
Restructuring charge	(124)	-
Adjusted other corporate costs	2,075	1,814

Total operating expenses increased by 26% for the three months ended June 30, 2022, compared to the same period of the previous fiscal year. Adjusted total operating expenses increased by 4%.

Direct Employee Costs

As a technology company, CMG's largest investment is its people, and approximately 80% of total operating expenses relate to direct employee costs. At June 30, 2022, CMG's full-time equivalent staff complement was 173 employees and consultants (June 30, 2021 – 201 employees)

In May 2022, Ryan Schneider stepped down as the Company's President and CEO and Pramod Jain was appointed CEO. This change resulted in a one-time restructuring cost of \$1.6 million.

For the three months ended June 30, 2022, adjusted direct employee costs increased by 1%, compared to the same period of the previous fiscal year.

Other Corporate Costs

Adjusted other corporate costs increased by 14% for the three months ended June 30, 2022, compared to the same period of the previous fiscal year, primarily due to higher professional services and travel-related costs.

Research and Development

Three months ended June 30, (\$ thousands)	2022	2021	\$ change	% change
Research and development, net of government grants	4,392	4,255	137	3%
SR&ED credits	(187)	(238)	51	21%
Research and development	4,205	4,017	188	5%
Research and development as a % of total revenue	26%	28%		

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 \$1.8 million of costs for CoFlow for the three months ended June 30, 2022, consistent with \$1.8 million in the same period 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 June 30, 2022 increased by 5%, compared to the same period of the previous fiscal year, primarily due to CEWS benefits in the comparative period.

Depreciation

Three months ended June 30, (\$ thousands)	2022	2021	\$ change	% change
Depreciation of property and equipment, allocated to:				
Sales, marketing and professional services	213	218	(5)	-2%
Research and development	604	668	(64)	-10%
General and administrative	114	137	(23)	-17%
Total depreciation	931	1,023	(92)	-9%

Depreciation for the three months ended June 30, 2022 decreased slightly compared to the same period of the previous fiscal year.

Finance Income and Costs

Three months ended June 30, (\$ thousands)	2022	2021	\$ change	% change
Interest income	180	98	82	84%
Net foreign exchange gain	531	-	531	100%
Total finance income	711	98	613	626%
Interest expense on lease liability	(490)	(507)	(17)	-3%
Net foreign exchange loss	-	(337)	(337)	-100%
Total finance costs	(490)	(844)	(354)	-42%

Interest income for the three months ended June 30, 2022 was 84% higher than in the same period of the previous fiscal year, due to higher interest rates.

Interest expense on the lease liabilities for the three months ended June 30, 2022 was consistent with the comparative period.

CMG is impacted by foreign exchange fluctuations, as 69% of CMG's revenue for the three months ended June 30, 2022 (2021 – 66%) 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 June 30, 2022, 2021 and 2020 and the average exchange rates used to translate income statement items during the three months ended June 30, 2022, 2021 and 2020:

CDN\$ to US\$	At June 30	Three month trailing average
2020	0.7338	0.7164
2021	0.8068	0.8125
2022	0.7744	0.7892

CMG recorded a net foreign exchange gain of \$0.5 million for the three months ended June 30, 2022, due to a strengthening of the US dollar during the period, which positively affected the valuation of the USD-denominated portion of the Company's working capital.

Income and Other Taxes

CMG's effective tax rate for the three months ended June 30, 2022 is 26.4% (2021 – 22.7%), whereas the Canadian statutory tax rate for the Company's 2023 fiscal year is 23%. The difference between the effective rate and the statutory rate is primarily due to the non-tax deductibility of stock-based compensation expense and the benefit of certain foreign withholding taxes being realized only as a tax deduction as opposed to a tax credit.

The benefit recorded in CMG'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 June 30, (\$ thousands, except per share data)	2022	2021	\$ change	% change
Total revenue	16,107	14,414	1,693	12%
Operating expenses	(11,146)	(8,841)	(2,305)	-26%
Operating profit	4,961	5,573	(612)	-11%
Operating profit as a % of revenue	31%	39%		
Net income	3,813	3,733	80	2%
Net income as a % of total revenue	24%	26%		
Basic earnings per share (\$/share)	0.05	0.05	-	0%

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 June 30, (\$thousands)	2022	2021
Operating profit	4,961	5,573
CEWS	-	(324)
CERS	-	(43)
Restructuring charge	1,602	-
Adjusted operating profit	6,563	5,206
Adjusted operating profit as a % of revenue	41%	36%
Net income	3,813	3,733
CEWS	-	(324)
CERS	-	(43)
Restructuring charge	1,602	-
Tax impact of adjusting items	(368)	84
Adjusted net income	5,047	3,450
Adjusted net income as a % of total revenue	31%	24%

Operating profit as a percentage of total revenue for the three months ended June 30, 2022 was 31%, down from 39% in the comparative quarter. Adjusted operating profit was 41%, up from 36% in the comparative quarter, due to an increase in revenue, partially offset by an increase in operating expenses.

Net income as a percentage of total revenue for the three months ended June 30, 2022 was 24%, down from 26% in the comparative quarter. Adjusted net income as a percentage of total revenue was 31% in the current quarter, up from 24% in the comparative quarter, primarily due to higher revenue and a foreign exchange gain in the current quarter.

Adjusted EBITDA⁽¹⁾

Three months ended June 30, (\$ thousands)	2022	2021	\$ change	% change
Net income	3,813	3,733	80	2%
Add (deduct):				
Depreciation	931	1,023	(92)	-9%
Finance (income) costs	(221)	746	(967)	-130%
Income and other taxes	1,369	1,094	275	25%
EBITDA ⁽¹⁾	5,892	6,596	(704)	-11%
Add (deduct):				
CEWS	-	(324)	324	100%
CERS	-	(43)	43	100%
Restructuring charge	1,602	-	1,602	100%
Adjusted EBITDA ⁽¹⁾	7,494	6,229	1,265	20%
Adjusted EBITDA ⁽¹⁾ as a % of total revenue	47%	43%		

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

Adjusted EBITDA as a percentage of total revenue was 47% in the current quarter, up from 43% in the prior year quarter, mainly due to an increase in revenue, partially offset by an increase in operating expenses.

Liquidity and Capital Resources

Three months ended June 30, (\$ thousands)	2022	2021	\$ change	% change
Cash, beginning of period	59,660	49,068	10,592	22%
Cash provided by (used in):				
Operating activities	(258)	9,725	(9,983)	-103%
Financing activities	(4,320)	(4,321)	1	0%
Investing activities	-	(27)	27	100%
Cash, end of period	55,082	54,445	637	1%

At June 30, 2022, CMG had \$55.1 million in cash, no borrowings and access to approximately \$1.0 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 quarter ended June 30, 2022, 5.1 million shares of CMG's public float were traded on the TSX. As at June 30, 2022, CMG's market capitalization based upon its June 30, 2022 closing price of \$4.86 was \$390.4 million.

Operating Activities

Cash provided by operating activities decreased by \$10.0 million during the three months ended June 30, 2022, compared to the same period of the previous fiscal year. While funds flow from operations was relatively consistent with the comparative quarter, there was a \$9.7 million negative impact due to the movement in non-cash working capital, with the main factor being the timing of when sales are recorded and when the resulting receivables are collected.

Financing Activities

Cash used in financing activities in the three months ended June 30, 2022 was consistent with the same period of the previous fiscal year.

In the three months ended June 30, 2022, CMG paid \$4.0 million in dividends, representing the following quarterly dividends:

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

In the three months ended June 30, 2021, CMG paid \$4.0 million in dividends, representing the following quarterly dividends:

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

On August 10, 2022, CMG announced the payment of a quarterly dividend of \$0.05 per share on CMG's common shares. The dividend will be paid on September 15, 2022 to shareholders of record at the close of business on September 7, 2022. 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. CMG had no capital additions during the three months ended June 30, 2022. CMG's capital budget for fiscal 2023 is \$2.0 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. CoFlow costs are estimated to be \$7.8 million and Shell's contribution is estimated to be \$8.2 million in fiscal 2023.

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 June 30, 2022:

(thousands of \$)	Undiscounted lease liability payments	Operating costs and short-term leases	Total commitments
Less than one year	3,634	1,101	4,735
Between one and five years	13,819	4,332	18,151
More than five years	38,953	10,921	49,874
	56,406	16,354	72,760

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 August 10, 2022	
(thousands)	
Common shares	80,335
Stock options	4,945
Restricted share units ⁽¹⁾	458
Performance share units ⁽¹⁾	66

(1) Upon vesting, restricted share units and performance share units can be exchanged for common shares of the Company or surrendered for cash.

The maximum number of common shares that may be reserved for issuance under the Company's security-based compensation plans is limited to 10% of the issued and outstanding common shares. Based on this calculation, at August 10, 2022, CMG could reserve up to 8,033,000 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 June 30, 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

CMG's annuity/maintenance revenue increased by 10% during Q1 of fiscal 2023 compared to Q1 of fiscal 2022, continuing the trend of comparative quarterly increases that started in Q3 of the previous fiscal year. Similar to the previous quarters, this increase was supported by improved industry conditions and a multi-year lease in South America that commenced in September of 2021.

Geographically, all regions saw increases in annuity/maintenance revenue, with the exception of Canada. South America, the US and the Eastern Hemisphere increased due to returning customers and increased licensing by some existing customers, including another CoFlow lease in the Middle East that started in April of 2022. Canada was negatively affected by last year's consolidation activity in the industry.

Perpetual license revenue increased by \$0.3 million compared to last year, supported by sales in the Eastern Hemisphere.

During the quarter, our expenses were impacted by a one-time restructuring charge of \$1.6 million. When adjusted for the restructuring charge, as well as CEWS and CERS subsidies in the comparative quarter, Q1 operating expenses increased by 4%, compared to Q1 of fiscal 2022, due to increases in professional services and travel.

Adjusted operating profit margin was 41%, compared to 36% in Q1 of fiscal 2022, which is in line with the pre-COVID fiscal 2019 and fiscal 2020 historic average of 40% and reflective of our continuous cost management. Basic earnings per share was \$0.05, consistent with the comparative quarter.

As always, CMG maintains a strong financial position and closed the year with \$55.1 million of cash and no debt. Despite the restructuring charge in the current quarter and the positive cash impact of CEWS and CERS subsidies in the comparative quarter, we generated \$0.05 per share of free cash flow, just \$0.01 less than Q1 of fiscal 2022.

So far fiscal 2023 has been positive, as oil prices continue to remain strong and new opportunities are created by demand for energy transition projects. At the same time, we continue to navigate complex market conditions with geopolitical challenges, ESG policy tightening, supply and demand imbalances, and increasing inflation. Despite these challenges, we are encouraged by the strength of our technology and our team.

Condensed Consolidated Statements of Financial Position

UNAUDITED (thousands of Canadian \$)	June 30, 2022	March 31, 2022
Assets		
Current assets:		
Cash	55,082	59,660
Trade and other receivables	15,111	17,507
Prepaid expenses	854	792
Prepaid income taxes (note 10)	1,106	959
	72,153	78,918
Property and equipment	10,572	10,908
Right-of-use assets	32,518	33,113
Deferred tax asset (note 10)	2,363	2,209
Total assets	117,606	125,148
Liabilities and shareholders' equity		
Current liabilities:		
Trade payables and accrued liabilities	5,975	6,819
Income taxes payable (note 10)	-	13
Deferred revenue (note 4)	24,409	30,454
Lease liabilities (note 5)	1,726	1,626
	32,110	38,912
Long-term stock-based compensation liability (note 11(c))	1,213	1,556
Long-term lease liabilities (note 5)	37,559	37,962
Total liabilities	70,882	78,430
Shareholders' equity:		
Share capital (note 11)	80,248	80,248
Contributed surplus	15,219	15,009
Deficit	(48,743)	(48,539)
Total shareholders' equity	46,724	46,718
Total liabilities and shareholders' equity	117,606	125,148

Subsequent event (note 15)

See accompanying notes to condensed consolidated interim financial statements.

Condensed Consolidated Statements of Operations and Comprehensive Income

Three months ended June 30, UNAUDITED (thousands of Canadian \$ except per share amounts)	2022	2021
Revenue (note 6)	16,107	14,414
Operating expenses (note 7)		
Sales, marketing and professional services	3,591	3,412
Research and development (note 8)	4,205	4,017
General and administrative	3,350	1,412
	11,146	8,841
Operating profit	4,961	5,573
Finance income (note 9)	711	98
Finance costs (note 9)	(490)	(844)
Profit before income and other taxes	5,182	4,827
Income and other taxes (note 10)	1,369	1,094
Net and total comprehensive income	3,813	3,733
Earnings per share – basic and diluted (note 11(d))	0.05	0.05
Dividend per share	0.05	0.05

See accompanying notes to condensed consolidated interim financial statements.

Condensed Consolidated Statements of Changes in Equity

UNAUDITED (thousands of Canadian \$)	Share capital	Contributed surplus	Deficit	Total equity
Balance, April 1, 2021	80,051	14,251	(50,880)	43,422
Total comprehensive income for the period	-	-	3,733	3,733
Dividends paid	-	-	(4,015)	(4,015)
Stock-based compensation:				
Current period expense (note 11(c))	-	194	-	194
Balance, June 30, 2021	80,051	14,445	(51,162)	43,334
Balance, April 1, 2022	80,248	15,009	(48,539)	46,718
Total comprehensive income for the period	-	-	3,813	3,813
Dividends paid	-	-	(4,017)	(4,017)
Stock-based compensation:				
Current period expense (note 11(c))	-	210	-	210
Balance, June 30, 2022	80,248	15,219	(48,743)	46,724

See accompanying notes to condensed consolidated interim financial statements.

Condensed Consolidated Statements of Cash Flows

Three months ended June 30, UNAUDITED (thousands of Canadian \$)	2022	2021
Operating activities		
Net income	3,813	3,733
Adjustments for:		
Depreciation	931	1,023
Deferred income tax recovery (note 10)	(154)	(212)
Stock-based compensation (note 11(c))	(32)	267
Funds flow from operations	4,558	4,811
Movement in non-cash working capital:		
Trade and other receivables	2,396	14,422
Trade payables and accrued liabilities	(945)	(1,791)
Prepaid expenses	(62)	(47)
Income taxes payable	(160)	(660)
Deferred revenue	(6,045)	(7,010)
(Increase) decrease in non-cash working capital	(4,816)	4,914
Net cash (used in) provided by operating activities	(258)	9,725
Financing activities		
Repayment of lease liabilities (note 5)	(303)	(306)
Dividends paid	(4,017)	(4,015)
Net cash used in financing activities	(4,320)	(4,321)
Investing activities		
Property and equipment additions	-	(27)
(Decrease) Increase in cash	(4,578)	5,377
Cash, beginning of period	59,660	49,068
Cash, end of period	55,082	54,445
Supplementary cash flow information		
Interest received (note 9)	180	98
Interest paid (notes 5 and 9)	490	507
Income taxes paid	1,496	1,728

See accompanying notes to condensed consolidated interim financial statements.

Notes to Condensed Consolidated Interim Financial Statements

For the three months ended June 30, 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 months ended June 30, 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 Financial Reporting Standards ("IFRS") 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, 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 months ended June 30, 2022 were authorized for issuance by the Board of Directors on August 10, 2022.

(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 \$)	June 30, 2022	March 31, 2022
Canada	42,371	43,216
United States	497	553
South America	194	218
Eastern Hemisphere ⁽¹⁾	28	34
	43,090	44,021

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

4. Deferred Revenue:

The following table presents changes in the deferred revenue balance:

(thousands of \$)	June 30, 2022	March 31, 2022
Balance, beginning of period	30,454	30,461
Invoiced during the period, excluding amounts recognized as revenue during the period	5,009	30,071
Recognition of deferred revenue included in the balance at the beginning of the period	(11,054)	(30,078)
Balance, end of period	24,409	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 \$)	June 30, 2022	March 31, 2022
Balance, beginning of period	39,588	40,962
Interest on lease liabilities (note 9)	490	2,004
Lease payments	(793)	(3,360)
Remeasurement due to change in lease payments	-	(18)
Balance, end of period	39,285	39,588
Current	1,726	1,626
Long-term	37,559	37,962

The following table presents contractual undiscounted payments for lease liabilities as at June 30, 2022:

(thousands of \$)	
Less than one year	3,634
Between one and five years	13,819
More than five years	38,953
Total undiscounted payments	56,406

6. Revenue:

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

Three months ended June 30, (thousands of \$)	2022	2021
<i>Annuity/maintenance license revenue</i>		
Canada	2,950	3,034
United States	3,350	2,984
South America	1,699	1,494
Eastern Hemisphere	5,530	4,774
	13,529	12,286
<i>Perpetual license revenue</i>		
Canada	-	-
United States	-	125
South America	-	-
Eastern Hemisphere	386	-
	386	125
<i>Total software license revenue</i>	13,915	12,411
<i>Professional services</i>		
Canada	2,074	1,835
United States	55	32
South America	29	-
Eastern Hemisphere	34	136
	2,192	2,003
<i>Total revenue</i>		
Canada	5,024	4,869
United States	3,405	3,141
South America	1,728	1,494
Eastern Hemisphere	5,950	4,910
	16,107	14,414

The amount of revenue recognized during the three months ended June 30, 2022 from performance obligations satisfied (or partially satisfied) in previous periods is \$0.4 million (2021 – \$nil).

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 \$)	June 30, 2022	March 31, 2022
Receivables (included in "Trade and other receivables")	15,000	17,296

During the three months ended June 30, 2022, one customer comprised 13.7% of the Company's total revenue (2021 – one customer, 13.3%).

7. Canada Emergency Wage Subsidy and Canada Emergency Rent Subsidy

No CEWS or CERS benefits were recorded during the three months ended June 30, 2022.

As a result of the decline in revenue, CMG was eligible for the Canada Emergency Wage Subsidy (“CEWS”) and the Canada Emergency Rent Subsidy (“CERS”) programs during the three months ended June 30, 2021. During that period, the Company recorded CEWS and CERS benefits of \$0.4 million. The CEWS and CERS benefits were recorded against the financial statement items that they are intended to compensate, resulting in the following credits to the operating expense categories:

Three months ended June 30, (thousands of \$)	2022	2021
Sales, marketing and professional services	-	(62)
Research and development	-	(246)
General and administrative	-	(59)
	-	(367)

8. Research and Development Costs:

Three months ended June 30, (thousands of \$)	2022	2021
Research and development, net of government grants	4,392	4,255
Scientific research and experimental development (“SR&ED”) investment tax	(187)	(238)
	4,205	4,017

9. Finance Income and Finance Costs:

Three months ended June 30, (thousands of \$)	2022	2021
Interest income	180	98
Net foreign exchange gain	531	-
Finance income	711	98
Interest expense on lease liabilities (note 5)	(490)	(507)
Net foreign exchange loss	-	(337)
Finance costs	(490)	(844)

10. Income and Other Taxes:

The major components of income tax expense are as follows:

Three months ended June 30, (thousands of \$)	2022	2021
Current year income tax expense	1,369	1,273
Deferred tax recovery	(154)	(212)
Foreign withholding and other taxes	154	33
	1,369	1,094

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:

Three months ended June 30, (thousands of \$, unless otherwise stated)	2022	2021
Combined statutory tax rate	23.00%	23.00%
Expected income tax	1,192	1,110
Non-deductible costs	50	43
Withholding taxes	101	(63)
Effect of tax rates in foreign jurisdictions	23	(2)
Other	3	6
	1,369	1,094

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

(thousands of \$)	June 30, 2022	March 31, 2022
Right-of-use assets	1,524	1,479
Stock-based compensation liability	714	770
Property and equipment	166	149
SR&ED investment tax credits	(41)	(189)
Net deferred tax asset	2,363	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
Balance, June 30, 2021	80,286
Balance, April 1, 2022	80,335
Balance, June 30, 2022	80,335

(c) Stock-Based Compensation:**Stock-Based Compensation Expense**

The following table summarizes stock-based compensation expense:

Three months ended June 30 (thousands of \$)	2022	2021
Equity-settled plans	210	194
Cash-settled plans	(136)	73
Total stock-based compensation expense	74	267

Liability Recognized for Stock-Based Compensation⁽¹⁾

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

(thousands of \$)	June 30, 2022	March 31, 2022
SARs	390	525
RSUs	2,082	1,874
PSUs	145	311
DSUs	489	639
Total stock-based compensation liability	3,106	3,348
Current, recorded within trade payables and accrued liabilities	1,893	1,792
Long-term	1,213	1,556

(1) The intrinsic value of the vested awards at June 30, 2022 was \$0.5 million.

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

The maximum number of common shares reserved for issuance under the Company's security-based compensation plans is limited to 10% of the issued and outstanding common shares. Based on this calculation, at June 30, 2022, the Company may reserve up to 8,033,000 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:

	Three months ended June 30, 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	6.38	3,524	7.82
Granted ⁽¹⁾	1,800	4.74	1,006	3.98
Forfeited/expired	(134)	4.65	(850)	9.51
Outstanding at end of period	5,346	5.87	3,680	6.38
Options exercisable at end of period	2,111	7.72	2,121	7.73

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

The range of exercise prices of stock options outstanding and exercisable at June 30, 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 4.73	899	3.7	3.98	-	-
4.74 to 5.07	1,800 ⁽¹⁾	4.9	4.74	-	-
5.08 to 6.30	748	2.7	5.08	393	5.08
6.31 to 9.19	744	2.1	6.38	563	6.38
9.20 to 9.33	1,155	0.5	9.28	1,155	9.28
	5,346	3.1	5.83	2,111	7.72

(1) 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:

	Three months ended June 30, 2022	Year ended March 31, 2022
Fair value at grant date (\$/option)	0.10 to 0.58	0.78 to 0.80
Share price at grant date (\$/share)	4.74	3.98
Risk-free interest rate (%)	2.55 to 2.62	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 44	39 to 42
Dividend yield per common share (%)	4.22	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:

	Three months ended June 30, 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	-	-	278	3.98
Exercised	-	-	(3)	5.08
Forfeited/expired	(109)	6.81	(253)	9.58
Outstanding at end of period	1,286	7.13	1,395	7.11
SARs exercisable at end of period	886	8.31	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)	Three months ended June 30, 2022			Year ended March 31, 2022		
	RSUs	PSUs	DSUs	RSUs	PSUs	DSUs
Outstanding at beginning of period	722	165	123	589	93	74
Granted	8	1	1	491	72	49
Exercised	-	-	(23)	(256)	-	-
Forfeited/expired	(46)	(67)	-	(102)	-	-
Outstanding at end of period	684	99	101	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 June 30, (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	3,813	80,335	0.05	3,733	80,286	0.05
Dilutive effect of share-based awards		539			337	
Diluted	3,813	80,874	0.05	3,733	80,623	0.05

During the three months ended June 30, 2022 and 2021, no awards were excluded from the computation of the weighted average number of diluted shares outstanding because their effect was not dilutive.

12. Financial Instruments and Risk Management:

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 will 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 will increase accordingly. CoFlow costs are estimated to be \$7.8 million and Shell's contribution is estimated to be \$8.2 million in fiscal 2023.

During the three months ended June 30, 2022, the Company recorded professional services revenue of \$2.0 million (2021 – \$1.7 million) and CoFlow costs of \$1.8 million to research and development expenses (2021 – \$1.8 million).

(b) Commitments:

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

(thousands of \$)	June 30, 2022
Less than one year	1,101
Between one and five years	4,332
More than five years	10,921
	16,354

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 June 30, 2022, \$1.0 million (June 30, 2021 – \$1.0 million) had been reserved on this line of credit for letters of credit supporting performance bonds.

15. Subsequent Event:

On August 10, 2022, the Board of Directors declared a quarterly cash dividend of \$0.05 per share on its common shares, payable on September 15, 2022 to all shareholders of record at the close of business on September 7, 2022.

Corporate Information

Directors

Judith J. Athaide ⁽³⁾

Christine (Tina) M. Antony ⁽⁴⁾

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

Jason C. Close

Vice President,

CoFlow Commercialization

Jim C. Erdle

Vice President,

USA & Latin America

R. David Hicks

Vice President,

Eastern Hemisphere

Anjani Kumar

Vice President,

Engineering Solutions

Long X. Nghiem

Vice President,

Research & Development and Chief

Technology Officer

Kirsty T. Sklar

Corporate Secretary

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Kuala Lumpur, Malaysia

London, England

Rio de Janeiro, Brazil

Transfer Agent

Olympia Trust Company

Stock Exchange Listing

Toronto Stock Exchange: **CMG**