CEO Letter to Shareholders

November 9, 2022

Dear fellow shareholders,

The CMG story is one of grit, determination and leading with innovation. I have spent the last 6 months learning the CMG way and our business, by spending a lot of time with our customers and employees across regions and building our strategy for the coming years.

During the past quarter, I initiated leadership changes to focus on maximizing the potential of our people while keeping our culture at the forefront. I also made the difficult decision to redistribute our costs to align with our new priorities, resulting in the departure of several esteemed colleagues. This restructuring was necessary to affirm our commitment to high impact, market-led research and development projects and innovation. It also allows us to invest in sales, marketing, corporate development, and other strategic initiatives without materially altering our cost structure. Restructuring is one of the hardest decisions a CEO must make but one that is critical to ensuring our resources are strategically aligned with the long-term goals of the organization.

In the second quarter, our comparative quarterly revenue grew for the fourth consecutive time, which is evidence of momentum within the business as industry conditions strengthen. This puts us on solid footing to embark on our transformation. As I am the fourth individual to have the honor of being CEO, we are calling it CMG 4.0.

Transformations can be challenging but we have many opportunities in front of us. My long-term vision for CMG is to develop industry-leading technologies and platforms in partnership with the most forward-thinking companies to solve their current and future challenges. Innovation will play a key role as it will enable us to disrupt the market and lead the way from the front, as has been CMG's legacy.

Leadership built on "Extreme Ownership"

Throughout my career, I have been guided by the principle of extreme ownership. This means that on any team, the responsibility for success and failure rests with the leader. This starts with me and is the tone I strive to set for the organization. This mindset fuels us to be biased for action, to be agile and honest as we ruthlessly prioritize what will bring us closer to our goals and to be courageous in taking bold moves to tackle the challenges that lie ahead.

I am deeply passionate about developing and empowering our employees. People form the fabric of every strategy, and I came to CMG because I was confident in the strength of our company's foundation and the expertise of our team which is deeply valued by our customers.

I am passionate about building relentlessly customer-focused product organizations. Outside of our employees, the single most important key to our success will be our ability to work with customers. By listening to our customers and learning from them we can understand their wants and needs. We must aim to use such insights to provide the products and services that deliver them the greatest value.

I am also deeply committed to delivering value for our shareholders. It is a privilege and a responsibility to lead CMG through its next stage of evolution. I expect to be held accountable for executing on our strategy that will deliver long-term, sustainable growth and profitability. Our balance sheet is strong and the responsibility to invest it profitably rests with me. It is with this mindset that my team and I have approached the roadmap for the coming years.

CMG 4.0: A multi-faceted transformation journey

It is essential to recognize that market trends are creating significant opportunities for innovation. The focus on Energy Transition will continue to rapidly accelerate. Meanwhile, oil and gas demand will remain resilient as fossil fuels will continue to be a key part of the global energy mix for years to come.

Our track record of delivering critical and superior technology for customers around the globe gives CMG a seat at the table. Still, we must earn the right to remain the most trusted technology partner to our customers. In the race for marketplace success, we must demonstrate operational reliability, scalable technology, speed to market, cost efficiency and great customer service. We need to seize a leadership role in defining how technology can help our customers achieve future success.

We have developed a multi-faceted growth strategy to take on the various economic, environmental, and technological challenges that CMG faces.

Defend and Expand with a New Approach

We have a solid core offering and we will continue to invest in developing and delivering best-in-class tools in reservoir simulation and production engineering, combined with great support and services to our customers. We are developing a product strategy that addresses a broader range of customer segments and geographies. An enhanced market engagement framework, simplified and fit-for-purpose applications, and supportive industry trends will allow us to sustain and grow a strong base of annual revenue.

We are leveraging our expertise and market-recognized customer service through an expanded consulting practice. This provides not only a revenue opportunity but, more importantly, positions us as a trusted advisor to customers, deepens our relationship with the industry leaders and provides insight into the latest trends and customers' needs.

Position in Energy Transition

We will build on our presence in the energy transition market, leveraging our industry proven capabilities to support companies globally in the assessment and implementation of low-carbon energy strategies. This includes enhancing our market visibility and further developing and adapting technology and workflows that support carbon sequestration, hydrogen storage and geothermal energy projects.

Driving Long-Term Value

Our strategy aims to establish a market-led, sustainable growth path for CMG. A portion of this growth will be organic as we intend to evaluate inorganic growth strategies including acquisitions. By making critical new investments to complement and diversify our product offering and strengthen our competitive positioning, we have the opportunity to expand our technological leadership, increase our market share and drive revenue growth. We will be disciplined in our approach to acquisitions using a robust set of evaluation criteria. Acquisitions should be accretive both financially and to our overall business strategy.

As with any strategy, execution is paramount and it will be imperative that at every stage, we remain diligent in our analysis of our progress and course correct as necessary.

I am honored to lead CMG during this time of opportunity and change. I have full faith in our team to lead us to our next phase of growth as part of CMG 4.0. I look forward to keeping you informed through regular quarterly updates.

Sincerely,

Pramod Jain
Chief Executive Officer

Computer Modelling Group Ltd. announces its second quarter results for the three and six months ended September 30, 2022.

Second Quarter Highlights

Three months ended September 30, ($ thousands, except per share data)	**2022**	2021	$ change	% change
Annuity/maintenance software licenses	**14,825**	13,239	1,586	12%
Perpetual software licenses	**780**	846	(66)	-8%
Total revenue	**18,082**	15,949	2,133	13%
Operating profit	**5,555**	5,440	115	2%
Net income	**4,410**	4,146	264	6%
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)]	**0.06**	0.06	-	0%

Six months ended September 30, ($ thousands, except per share data)	**2022**	2021	$ change	% change
Annuity/maintenance software licenses	**28,354**	25,525	2,829	11%
Perpetual software licenses	**1,166**	971	195	20%
Total revenue	**34,189**	30,363	3,826	13%
Operating profit	**10,516**	11,013	(497)	-5%
Net income	**8,223**	7,879	344	4%
Earnings per share - basic	**0.10**	0.10	-	0%
Funds flow from operations per share - basic	**0.12**	0.12	-	0%
Free cash flow per share - basic [(1)]	**0.11**	0.11	-	0%

(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 November 9, 2022, should be read in conjunction with the unaudited condensed consolidated interim financial statements and related notes of the Company for the three and six months ended September 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

	Fiscal 2021		Fiscal 2022				**Fiscal 2023**	
($ thousands, unless otherwise stated)	Q3	Q4	Q1	Q2	Q3	Q4	Q1	**Q2**
Funds flow from operations	7,322	6,267	4,811	4,904	7,022	7,105	4,558	**4,974**
Capital expenditures	(7)	(41)	(27)	(133)	(481)	(62)	-	**(130)**
Repayment of lease liabilities	(310)	(471)	(306)	(277)	(314)	(459)	(303)	**(339)**
Free cash flow	7,005	5,755	4,478	4,494	6,227	6,584	4,255	**4,505**
Weighted average shares – basic (thousands)	80,286	80,286	80,286	80,307	80,335	80,335	80,335	**80,412**
Free cash flow per share – basic	0.09	0.07	0.06	0.06	0.08	0.08	0.05	**0.06**

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] Q3	Fiscal 2021[2] Q4	Fiscal 2022[3] Q1	Fiscal 2022[3] Q2	Fiscal 2022[3] Q3	Fiscal 2022[3] Q4	**Fiscal 2023[4] Q1**	**Fiscal 2023[4] Q2**
Annuity/maintenance license revenue	13,477	13,790	12,286	13,239	13,575	14,306	13,529	**14,825**
Perpetual license revenue	660	1,184	125	846	1,497	2,351	386	**780**
Software license revenue	14,137	14,974	12,411	14,085	15,072	16,657	13,915	**15,605**
Professional services revenue	1,901	1,827	2,003	1,864	1,973	2,137	2,192	**2,477**
Total revenue	16,038	16,801	14,414	15,949	17,045	18,794	16,107	**18,082**
Operating profit	8,437	6,556	5,573	5,440	7,755	7,312	4,961	**5,555**
Operating profit (%)	53	39	39	34	45	39	31	**31**
Profit before income and other taxes	7,410	5,747	4,827	5,321	7,310	6,563	5,182	**5,989**
Income and other taxes	1,535	1,454	1,094	1,175	1,736	1,611	1,369	**1,579**
Net income for the period	5,875	4,293	3,733	4,146	5,574	4,952	3,813	**4,410**
EBITDA[1]	9,509	7,627	6,596	6,473	8,843	8,366	5,892	**6,492**
Cash dividends declared and paid	4,015	4,014	4,015	4,016	4,017	4,016	4,017	**4,025**
Funds flow from operations	7,322	6,267	4,811	4,904	7,022	7,105	4,558	**4,974**
Free cash flow[1]	7,005	5,755	4,478	4,494	6,227	6,584	4,255	**4,505**
Per share amounts – ($/share)								
Earnings per share (EPS) – basic and diluted	0.07	0.05	0.05	0.05	0.07	0.06	0.05	**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	0.09	0.08	0.06	0.06	0.09	0.09	0.06	**0.06**
Free cash flow per share – basic[1]	0.09	0.07	0.06	0.06	0.08	0.08	0.05	**0.06**

(1) This is a non-IFRS financial measure. See the "Non-IFRS Financial Measures" section.
(2) Q3 and Q4 of fiscal 2021 include $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 and Q2 of fiscal 2023 include $0.2 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 Six Months Ended***

September 30, 2022 and compared to the same period of the previous fiscal year, when appropriate:

For the Three Months Ended

- Annuity/maintenance license revenue increased by 12%;
- Total revenue increased by 13%;
- Total operating expenses increased by 19%. Adjusted for the restructuring charges, operating expenses increased by 5%, primarily due to higher professional services and travel-related costs, partially offset by lower full-time equivalent staff costs;
- Quarterly operating profit margin was 31%, decreasing from 34% in the comparative quarter. Adjusted for the restructuring charges, operating profit margin was 44%, increasing from 39% in the comparative quarter;
- Basic EPS of $0.05 was the same as the comparative quarter in the prior fiscal year;
- Achieved free cash flow per share of $0.06;
- Declared and paid a dividend of $0.05 per share.

For the Six Months Ended

- Annuity/maintenance license revenue increased by 11%;
- Total revenue increased by 13%;
- Total operating expenses increased by 22%. Adjusted for the restructuring charges and CEWS/CERS benefits, operating expenses increased by 5%, primarily due to higher professional services and travel-related costs, partially offset by lower full-time equivalent staff costs;
- Year-to-date operating profit margin was 31%, decreasing from 36% in the comparative period. Adjusted for the restructuring charges and the CEWS/CERS benefits, operating profit margin was 42%, increasing from 38%, in the comparative quarter;
- Basic EPS of $0.10 was the same as the comparative period in the prior fiscal year;
- Achieved free cash flow per share of $0.11;
- Declared and paid dividends of $0.10 per share.

Revenue

Three months ended September 30, ($ thousands)	2022	2021	$ change	% change
Software license revenue	**15,605**	14,085	1,520	11%
Professional services revenue	**2,477**	1,864	613	33%
Total revenue	**18,082**	15,949	2,133	13%
Software license revenue as a % of total revenue	**86%**	88%		
Professional services revenue as a % of total revenue	**14%**	12%		

Six months ended September 30, ($ thousands)	2022	2021	$ change	% change
Software license revenue	**29,520**	26,496	3,024	11%
Professional services revenue	**4,669**	3,867	802	21%
Total revenue	**34,189**	30,363	3,826	13%
Software license revenue as a % of total revenue	**86%**	87%		
Professional services revenue as a % of total revenue	**14%**	13%		

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 six months ended September 30, 2022 both increased by 13%, 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 September 30, ($ thousands)	2022	2021	$ change	% change
Annuity/maintenance license revenue	**14,825**	13,239	1,586	12%
Perpetual license revenue	**780**	846	(66)	-8%
Total software license revenue	**15,605**	14,085	1,520	11%
Annuity/maintenance as a % of total software license revenue	**95%**	94%		
Perpetual as a % of total software license revenue	**5%**	6%		

Six months ended September 30, ($ thousands)	2022	2021	$ change	% change
Annuity/maintenance license revenue	**28,354**	25,525	2,829	11%
Perpetual license revenue	**1,166**	971	195	20%
Total software license revenue	**29,520**	26,496	3,024	11%
Annuity/maintenance as a % of total software license revenue	**96%**	96%		
Perpetual as a % of total software license revenue	**4%**	4%		

Total software license revenue for the three months ended September 30, 2022 increased by 11%, compared to the same period of the previous fiscal year, due to an increase in annuity/maintenance license revenue, partially offset by a decrease in perpetual license revenue. Total software license revenue for the six months ended September 30, 2022 increased by 11%, 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 12% and 11% during the three and six months ended September 30, 2022, respectively, due to increases in all regions, supported by license fee increases, increased license usage by existing customers and the addition of new customers.

Perpetual license revenue decreased by 8% during the three months ended September 30, 2022, compared to the same period of the previous fiscal year. During the six months ended September 30, 2022, compared to the same period of the previous fiscal year, perpetual license revenue increased by 20% due to an increase in sales in the Eastern Hemisphere. 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 small positive impact on reported annuity/maintenance license revenue during the three and six months ended September 30, 2022, compared to the same period of the previous fiscal year.

Three months ended September 30, ($ thousands)	2021	Incremental License Growth/(Decrease)	Foreign Exchange Impact	2022
Annuity/maintenance license revenue	13,239	1,551	35	**14,825**
Perpetual license revenue	846	(107)	41	**780**
Total software license revenue	14,085	1,444	76	**15,605**

Six months ended September 30, ($ thousands)	2021	Incremental License Growth/(Decrease)	Foreign Exchange Impact	2022
Annuity/maintenance license revenue	25,525	2,873	(44)	**28,354**
Perpetual license revenue	971	139	56	**1,166**
Total software license revenue	26,496	3,012	12	**29,520**

Software Revenue by Geographic Region

Three months ended September 30, ($ thousands)	2022	2021	$ change	% change
Annuity/maintenance license revenue				
Canada	**3,181**	3,088	93	3%
United States	**3,704**	3,089	615	20%
South America	**1,894**	1,817	77	4%
Eastern Hemisphere(1)	**6,046**	5,245	801	15%
	14,825	13,239	1,586	12%
Perpetual license revenue				
Canada	**-**	-	-	0%
United States	**157**	96	61	64%
South America	**-**	-	-	0%
Eastern Hemisphere	**623**	750	(127)	-17%
	780	846	(66)	-8%
Total software license revenue				
Canada	**3,181**	3,088	93	3%
United States	**3,861**	3,185	676	21%
South America	**1,894**	1,817	77	4%
Eastern Hemisphere	**6,669**	5,995	674	11%
	15,605	14,085	1,520	11%

Six months ended September 30, ($ thousands)	2022	2021	$ change	% change
Annuity/maintenance license revenue				
Canada	**6,131**	6,122	9	0%
United States	**7,054**	6,073	981	16%
South America	**3,593**	3,311	282	9%
Eastern Hemisphere(1)	**11,576**	10,019	1,557	16%
	28,354	25,525	2,829	11%
Perpetual license revenue				
Canada	**-**	-	-	0%
United States	**157**	221	(64)	-29%
South America	**-**	-	-	0%
Eastern Hemisphere	**1,009**	750	259	35%
	1,166	971	195	20%
Total software license revenue				
Canada	**6,131**	6,122	9	0%
United States	**7,211**	6,294	917	15%
South America	**3,593**	3,311	282	9%
Eastern Hemisphere	**12,585**	10,769	1,816	17%
	29,520	26,496	3,024	11%

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

During the three and six months ended September 30, 2022, compared to the same periods of the previous fiscal year, total software license revenue increased in all regions.

The Canadian region (representing 21% of year-to-date total software license revenue) experienced a 3% increase in annuity/maintenance license revenue during the three months ended September 30, 2022, due to license fee increases as well as increased licensing by existing customers. The quarterly results continue to be negatively impacted by consolidation activity that affected the Canadian region's annuity/maintenance revenue in the previous quarter. Annuity/maintenance license revenue was flat in the six months ended September 30, 2022, compared to the same period of the previous fiscal year, due to the aforementioned negative impact from the consolidation activity during the first quarter of the fiscal year.

The United States (representing 24% of year-to-date total software license revenue) experienced increases of 20% and 16% in annuity/maintenance license revenue during the three and six months ended September 30, 2022, respectively, due to new customers, including those within the carbon capture and storage industry, and increased licensing by existing customers.

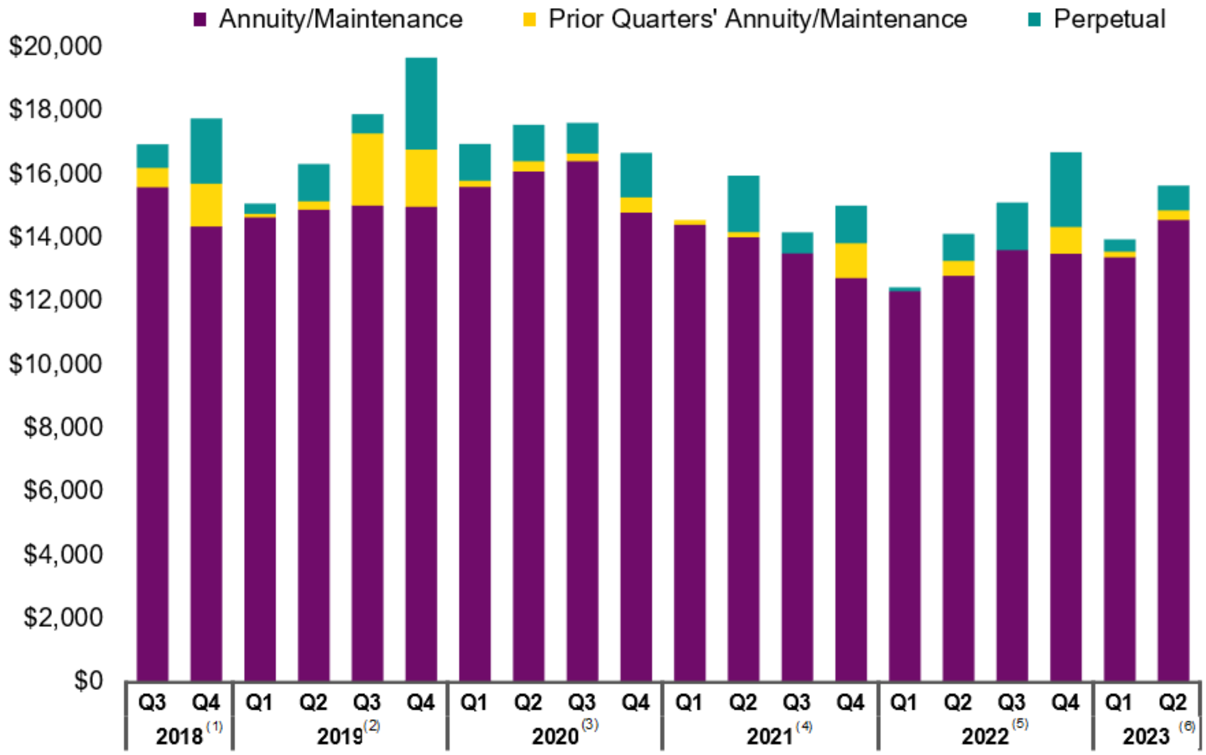
South America (representing 12% of year-to-date total software license revenue) experienced increases of 4% and 9% in annuity/maintenance license revenue during the three and six months ended September 30, 2022, respectively, primarily due to a multi-year lease that commenced in the second quarter of the previous fiscal year.

The Eastern Hemisphere (representing 43% of year-to-date total software license revenue) experienced increases of 15% and 16% in annuity/maintenance license revenue during the three and six months ended September 30, 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 17% during the three months ended September 30, 2022, relative to the same period of the previous fiscal period, while it increased by 35% during the six months ended September 30, 2022, compared to the same period of the previous fiscal year, as a result of the increases experienced in the previous quarter.

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) Q3 and Q4 of fiscal 2018 include $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 and Q2 of fiscal 2023 include $0.2 million and $0.3 million 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)		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 Q2 of fiscal 2023 was 14% higher than Q2 of fiscal 2022. There were no significant timing differences impacting the balance.

Professional Services Revenue

Professional services revenue for the three and six months ended September 30, 2022 was $2.5 million and $4.7 million which represents the increases of 33% and 21%, respectively, compared to the same periods of the previous fiscal year. These increases were 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") as well as increased revenue from consulting projects.

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 September 30, ($ thousands)	**2022**	2021	$ change	% change
Sales, marketing and professional services	**3,872**	3,840	32	1%
Research and development	**5,119**	4,656	463	10%
General and administrative	**3,536**	2,013	1,523	76%
Total operating expenses	**12,527**	10,509	2,018	19%
Direct employee costs(1)	**9,497**	8,579	918	11%
Other corporate costs(1)	**3,030**	1,930	1,100	57%
	12,527	10,509	2,018	19%

Six months ended September 30, ($ thousands)	**2022**	2021	$ change	% change
Sales, marketing and professional services	**7,463**	7,252	211	3%
Research and development	**9,324**	8,673	651	8%
General and administrative	**6,886**	3,425	3,461	101%
Total operating expenses	**23,673**	19,350	4,323	22%
Direct employee costs(1)	**18,444**	15,649	2,795	18%
Other corporate costs(1)	**5,229**	3,701	1,528	41%
	23,673	19,350	4,323	22%

(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 September 30 ($ thousands)	**2022**	2021
Total operating expenses	**12,527**	10,509
Restructuring charge	**(2,341)**	(851)
Adjusted total operating expenses	**10,186**	9,658
Direct employee costs	**9,497**	8,579
Restructuring charge	**(2,293)**	(851)
Adjusted direct employee costs	**7,204**	7,728
Other corporate costs	**3,030**	1,930
Restructuring charge	**(48)**	-
Adjusted other corporate costs	**2,982**	1,930

Six months ended September 30 ($ thousands)	**2022**	2021
Total operating expenses	**23,673**	19,350
CEWS	**-**	324
CERS	**-**	43
Restructuring charge	**(3,943)**	(851)
Adjusted total operating expenses	**19,730**	18,866
Direct employee costs	**18,444**	15,649
CEWS	**-**	324
Restructuring charge	**(3,771)**	(851)
Adjusted direct employee costs	**14,673**	15,122
Other corporate costs	**5,229**	3,701
CERS	**-**	43
Restructuring charge	**(172)**	-
Adjusted other corporate costs	**5,057**	3,744

Total operating expenses for the three and six months ended September 30, 2022 increased by 19% and 22%, respectively, compared to the same periods of the previous fiscal year. Adjusted total operating expenses increased by 5% for the three and six months ended September 30, 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 78% of total operating expenses during the six months ending September 30, 2022, relate to direct employee costs (six months ended September 30, 2021 – 81%).

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 current quarter and bringing the total restructuring charges for the fiscal year to $3.8 million. The restructuring 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 September 30, 2022, CMG's full-time equivalent staff complement was 159 employees and consultants (September 30, 2021 – 184 employees).

For the three and six months ended September 30, 2022, adjusted direct employee costs decreased by 7% and 3%, respectively, compared to the same periods of the previous fiscal year, primarily as a result of a reduction in full-time equivalent staff.

Other Corporate Costs

Adjusted other corporate costs increased by $1.1 million and $1.3 million for the three and six months ended September 30, 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 September 30, ($ thousands)	**2022**	2021	$ change	% change
Research and development, net of government grants	**5,332**	4,904	428	9%
SR&ED credits	**(213)**	(248)	35	14%
Research and development	**5,119**	4,656	463	10%
Research and development as a % of total revenue	**28%**	29%		

Six months ended September 30, ($ thousands)	**2022**	2021	$ change	% change
Research and development, net of government grants	**9,724**	9,159	565	6%
SR&ED credits	**(400)**	(486)	86	18%
Research and development	**9,324**	8,673	651	8%
Research and development as a % of total revenue	**27%**	29%		

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 $1.9 million and $3.8 million of costs for CoFlow for the three and six months ended September 30, 2022, respectively, consistent with $2.0 million and $3.8 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 and six months ended September 30, 2022 increased by 10% and 8%, respectively, compared to the same periods of the previous fiscal year, primarily due to higher restructuring costs incurred in the second quarter of the current fiscal year compared to the same period of the previous fiscal year, partially offset by CEWS benefits received during the first quarter of the previous fiscal period, which did not occur during the current period, and fewer full-time employees during the second quarter of the current fiscal year.

Depreciation

Three months ended September 30, ($ thousands)	2022	2021	$ change	% change
Depreciation of property and equipment, allocated to:				
Sales, marketing and professional services	**218**	218	-	0%
Research and development	**604**	679	(75)	-11%
General and administrative	**115**	136	(21)	-15%
Total depreciation	**937**	1,033	(96)	-9%

Six ended September 30, ($ thousands)	2022	2021	$ change	% change
Depreciation of property and equipment, allocated to:				
Sales, marketing and professional services	**431**	436	(5)	-1%
Research and development	**1,208**	1,347	(139)	-10%
General and administrative	**229**	273	(44)	-16%
Total depreciation	**1,868**	2,056	(188)	-9%

Depreciation for the three and six months ended September 30, 2022 decreased by 9%, compared to the same periods of the previous fiscal year.

Finance Income and Costs

Three months ended September 30, ($ thousands)	2022	2021	$ change	% change
Interest income	**377**	126	251	199%
Net foreign exchange gain	**543**	258	285	110%
Total finance income	**920**	384	536	140%
Interest expense on lease liability	**(486)**	(503)	(17)	-3%
Net foreign exchange loss	**-**	-	-	-
Total finance costs	**(486)**	(503)	(17)	-3%

Six months ended September 30, ($ thousands)	2022	2021	$ change	% change
Interest income	**557**	224	333	149%
Net foreign exchange gain	**1,074**	-	1,074	100%
Total finance income	**1,631**	224	1,407	628%
Interest expense on lease liability	**(976)**	(1,010)	(34)	-3%
Net foreign exchange loss	**-**	(79)	(79)	-100%
Total finance costs	**(976)**	(1,089)	(113)	-10%

Interest income for the three and six months ended September 30, 2022 was 199% and 149% higher, respectively, 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 six months ended September 30, 2022 was consistent with the comparative period.

CMG is impacted by foreign exchange fluctuations, as 70% of CMG's revenue for the six months ended September 30, 2022 (2021 – 68%) is denominated in US dollars, whereas only 23% (2021 – 23%) 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 September 30, 2022, 2021 and 2020 and the average exchange rate used to translate income statement expense items during the six months ended September 30, 2022, 2021 and 2020:

CDN$ to US$	At June 30	At September 30	Six month trailing average
2020	0.7338	0.7497	0.7326
2021	0.8068	0.7849	0.8066
2022	**0.7744**	**0.7302**	**0.7691**

CMG recorded a net foreign exchange gain of $0.5 million and $1.1 million for the three and six months ended September 30, 2022, respectively, 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 September 30, 2022 is 26.4 (2021 – 22.1%), whereas the Canadian statutory tax rate for the Company's 2023 fiscal year is 23% (September 30, 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 September 30, ($ thousands, except per share data)	**2022**	2021	$ change	% change
Total revenue	**18,082**	15,949	2,133	13%
Operating expenses	**(12,527)**	(10,509)	(2,018)	-19%
Operating profit	**5,555**	5,440	115	2%
Operating profit as a % of revenue	**31%**	34%		
Net income	**4,410**	4,146	264	6%
Net income as a % of total revenue	**24%**	26%		
Basic earnings per share ($/share)	**0.05**	0.05	-	0%

Six months ended September 30, ($ thousands, except per share data)	**2022**	2021	$ change	% change
Total revenue	**34,189**	30,363	3,826	13%
Operating expenses	**(23,673)**	(19,350)	(4,323)	-22%
Operating profit	**10,516**	11,013	(497)	-5%
Operating profit as a % of revenue	**31%**	36%		
Net income	**8,223**	7,879	344	4%
Net income as a % of total revenue	**24%**	26%		
Basic earnings per share ($/share)	**0.10**	0.10	-	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 September 30, ($thousands)	**2022**	2021
Operating profit	**5,555**	5,440
Restructuring charge	**2,341**	851
Adjusted operating profit	**7,896**	6,291
Adjusted operating profit as a % of revenue	**44%**	39%
Net income	**4,410**	4,146
Restructuring charge	**2,341**	851
Tax impact of adjusting items	**(539)**	(195)
Adjusted net income	**6,212**	4,802
Adjusted net income as a % of total revenue	**34%**	30%

Six months ended September 30, ($thousands)	2022	2021
Operating profit	10,516	11,013
CEWS	-	(324)
CERS	-	(43)
Restructuring charge	3,943	851
Adjusted operating profit	14,459	11,497
Adjusted operating profit as a % of revenue	42%	38%
Net income	8,223	7,879
CEWS	-	(324)
CERS	-	(43)
Restructuring charge	3,943	851
Tax impact of adjusting items	(907)	(111)
Adjusted net income	11,259	8,252
Adjusted net income as a % of total revenue	33%	27%

Operating profit as a percentage of total revenue for the three months ended September 30, 2022 was 31%, down from 34% in the comparative quarter. Adjusted operating profit was 44%, up from 39% in 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 six months ended September 30, 2022 was 31%, down from 36% in the comparative quarter. Adjusted operating profit was 42%, up from 38% 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 September 30, 2022 was 24%, down from 26% in the comparative quarter. Adjusted net income as a percentage of total revenue was 34% in the current quarter, up from 30% in the comparative quarter, primarily due to the same factors impacting adjusted operating profit and higher foreign exchange gains in the current quarter relative to the comparative quarter as a result of the impact of a stronger US dollar on CMG's earnings.

Net income as a percentage of total revenue for the six months ended September 30, 2022 was 24%, down from 26% in the comparative period. Adjusted net income as a percentage of total revenue was 33% in the current period, up from 27% in the comparative period, primarily due to the same factors impacting adjusted operating profit and higher foreign exchange gains in the current quarter relative to the comparative quarter as a result of the impact of a stronger US dollar on CMG's earnings.

Adjusted EBITDA[(1)]

Three months ended September 30, ($ thousands)	2022	2021	$ change	% change
Net income	**4,410**	4,146	264	6%
Add (deduct):				
Depreciation	**937**	1,033	(96)	-9%
Finance (income) costs	**(434)**	119	(553)	-465%
Income and other taxes	**1,579**	1,175	404	34%
EBITDA[(1)]	**6,492**	6,473	19	0%
Add (deduct):				
Restructuring charge	**2,341**	851	1,490	175%
Adjusted EBITDA[(1)]	**8,833**	7,324	1,590	21%
Adjusted EBITDA[(1)] as a % of total revenue	**49%**	46%		

Six months ended September 30, ($ thousands)	2022	2021	$ change	% change
Net income	**8,223**	7,879	344	4%
Add (deduct):				
Depreciation	**1,868**	2,056	(188)	-9%
Finance (income) costs	**(655)**	865	(1,520)	-176%
Income and other taxes	**2,948**	2,269	679	30%
EBITDA[(1)]	**12,384**	13,069	(685)	-5%
Add (deduct):				
CEWS	**-**	(324)	324	-100%
CERS	**-**	(43)	43	-100%
Restructuring charge	**3,943**	851	3,092	363%
Adjusted EBITDA[(1)]	**16,327**	13,553	2,774	20%
Adjusted EBITDA[(1)] as a % of total revenue	**48%**	45%		

(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 six months ended September was 49% and 48%, respectively, compared to 46% and 45% 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 September 30, ($ thousands)	2022	2021	$ change	% change
Cash, beginning of period	**55,082**	54,445	637	1%
Cash provided by (used in):				
Operating activities	**5,856**	(2,007)	7,863	392%
Financing activities	**(3,949)**	(4,293)	344	8%
Investing activities	**(130)**	(133)	3	2%
Cash, end of period	**56,859**	48,012	8,847	18%

Six months ended September 30, ($ thousands)	2022	2021	$ change	% change
Cash, beginning of period	**59,660**	49,068	10,592	22%
Cash provided by (used in):				
Operating activities	**5,598**	7,718	(2,120)	-27%
Financing activities	**(8,269)**	(8,614)	345	4%
Investing activities	**(130)**	(160)	30	19%
Cash, end of period	**56,859**	48,012	8,847	18%

At September 30, 2022, CMG had $56.9 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 six months ended September 30, 2022, 7.2 million shares of CMG's public float were traded on the TSX. As at September 30, 2022, CMG's market capitalization based upon its September 30, 2022 closing price of $5.08 was $409.0 million.

Operating Activities

Cash provided by operating activities increased by $7.9 million during the three months ended September 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 $7.8 million increase in cash as a result of changes in non-cash working capital, primarily driven by the timing of when sales are recorded and when the resulting receivables are collected and the change in the deferred revenue balance.

Cash provided by operating activities decreased by $2.1 million during the six months ended September 30, 2022, compared to the same period of the previous fiscal year. With funds flow from operations remaining relatively consistent with the comparative period, there was a $1.9 million decrease in cash as a result of changes in non-cash working capital, primarily driven by the timing of when sales are recorded and when the resulting receivables are collected and the change in the deferred revenue balance.

Financing Activities

Cash used in financing activities increased by $0.3 million during the three and six months ended September 30, 2022, as a result of the exercise of stock options during the second quarter of the current fiscal year.

In the six months ended September 30, 2022, CMG paid $8.0 million in dividends, representing the following quarterly dividends:

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

In the six months ended September 30, 2021, CMG paid $8.0 million in dividends, representing the following quarterly dividends:

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

On November 9, 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 December 15, 2022 to shareholders of record at the close of business on December 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. During the three and six months ended September 30, 2022, respectively, CMG's capital asset additions were composed of computer equipment and totalled $0.1 million, consistent with the same period of the previous fiscal year. 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.

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 September 30, 2022:

(thousands of $)	Undiscounted lease liability payments	Operating costs and short-term leases	Total commitments
Less than one year	3,677	1,096	4,773
Between one and five years	13,817	4,332	18,149
More than five years	38,095	10,650	48,475
	55,589	16,078	71,667

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 November 9, 2022 (thousands)	
Common shares	80,506
Stock options	5,223
Restricted share units(1)	580
Performance share units(1)	83

(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 November 9, 2022, CMG could reserve up to 8,050,587 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 September 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

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 six months ended September 30, 2022, CMG's annuity/maintenance revenue increased by 12% and 11%, 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. Similar to the previous quarters, this increase was supported by improved industry conditions and a multi-year license lease in South America that commenced in September of 2021.

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

While perpetual license revenue decreased by 8% in the three months ended September 30, 2022, it increased by 20% during the six months ended September 30, 2022, compared to the same period of the prior fiscal year, supported by sales in the Eastern Hemisphere predominantly during the first quarter of the current fiscal year.

During the three and six months ended September 30, 2022, CMG's expenses were impacted by restructuring charges of $2.3 million and $3.9 million, respectively. The second quarter restructuring reduced our full-time equivalent staff from 173 at June 30, 2022 to 159 at September 30, 2022. 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 5% in the three and six months ended September 30, 2022, due to increases in professional services and travel costs as COVID-19 related travel restrictions eased.

Adjusted operating profit margins were 44% and 42% during the three and six months ended September 30, 2022, respectively, compared to 39% and 38% during the same periods in the previous fiscal period, which is in line with the pre-COVID fiscal 2019 and fiscal 2020 historic average of 40% and reflective of CMG's continuous cost management. Basic earnings per share were $0.05 and $0.10 for the three and six months ended September 30, 2022, consistent with the comparative periods of the prior fiscal year.

CMG maintains a strong financial position and closed the period with $56.9 million of cash and no debt. Despite the restructuring charges and the increase in professional fees in the current quarter and year-to-date, CMG generated $0.06 and $0.11 per share of free cash flow for the three and six months ended September 30, 2022, which was consistent with the same periods of fiscal 2022.

Condensed Consolidated Statements of Financial Position

UNAUDITED (thousands of Canadian $)	September 30, 2022	March 31, 2022
Assets		
Current assets:		
Cash	**56,859**	59,660
Trade and other receivables	**13,683**	17,507
Prepaid expenses	**1,214**	792
Prepaid income taxes (note 10)	**1,370**	959
	73,126	78,918
Property and equipment	**10,360**	10,908
Right-of-use assets	**31,923**	33,113
Deferred tax asset (note 10)	**2,128**	2,209
Total assets	**117,537**	125,148
Liabilities and shareholders' equity		
Current liabilities:		
Trade payables and accrued liabilities	**5,418**	6,819
Income taxes payable (note 10)	**-**	13
Deferred revenue (note 4)	**24,164**	30,454
Lease liabilities (note 5)	**1,787**	1,626
	31,369	38,912
Long-term stock-based compensation liability (note 11(c))	**1,089**	1,556
Long-term lease liabilities (note 5)	**37,159**	37,962
Total liabilities	**69,617**	78,430
Shareholders' equity:		
Share capital (note 11(b))	**81,055**	80,248
Contributed surplus	**15,223**	15,009
Deficit	**(48,358)**	(48,539)
Total shareholders' equity	**47,920**	46,718
Total liabilities and shareholders' equity	**117,537**	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 September 30		Six months ended September 30	
UNAUDITED (thousands of Canadian $ except per share amounts)	**2022**	2021	**2022**	2021
Revenue (note 6)	**18,082**	15,949	**34,189**	30,363
Operating expenses (note 7)				
Sales, marketing and professional services	**3,872**	3,840	**7,463**	7,252
Research and development (note 8)	**5,119**	4,656	**9,324**	8,673
General and administrative	**3,536**	2,013	**6,886**	3,425
	12,527	10,509	**23,673**	19,350
Operating profit	**5,555**	5,440	**10,516**	11,013
Finance income (note 9)	**920**	384	**1,631**	224
Finance costs (note 9)	**(486)**	(503)	**(976)**	(1,089)
Profit before income and other taxes	**5,989**	5,321	**11,171**	10,148
Income and other taxes (note 10)	**1,579**	1,175	**2,948**	2,269
Net and total comprehensive income	**4,410**	4,146	**8,223**	7,879
Earnings per share – basic and diluted (note 11(d))	**0.05**	0.05	**0.10**	0.10
Dividend per share	**0.05**	0.05	**0.10**	0.10

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	-	-	7,879	7,879
Dividends paid	-	-	(8,031)	(8,031)
Shares issued on redemption of restricted share units (note 11(b))	197	-	-	197
Stock-based compensation:				
Current period expense (note 11(c))	-	379	-	379
Balance, September 30, 2021	80,248	14,630	(51,032)	43,846
Balance, April 1, 2022	**80,248**	**15,009**	**(48,539)**	**46,718**
Total comprehensive income for the period	**-**	**-**	**8,223**	**8,223**
Dividends paid	**-**	**-**	**(8,042)**	**(8,042)**
Shares issued on redemption of restricted share units	**309**	**-**	**-**	**309**
Shares issued on exercise of stock options	**498**	**(83)**	**-**	**415**
Stock-based compensation:				
Current period expense (note 11(c))	**-**	**297**	**-**	**297**
Balance, September 30, 2022	**81,055**	**15,223**	**(48,358)**	**47,920**

See accompanying notes to condensed consolidated interim financial statements.

Condensed Consolidated Statements of Cash Flows

UNAUDITED (thousands of Canadian $)	Three months ended September 30 2022	2021	Six months ended September 30 2022	2021
Operating activities				
Net income	**4,410**	4,146	**8,223**	7,879
Adjustments for:				
Depreciation	**937**	1,033	**1,868**	2,056
Deferred income tax expense (recovery) (note 10)	**235**	157	**81**	(55)
Stock-based compensation (note 11(c))	**(608)**	(432)	**(640)**	(165)
Funds flow from operations	**4,974**	4,904	**9,532**	9,715
Movement in non-cash working capital:				
Trade and other receivables	**1,428**	(5,264)	**3,824**	9,158
Trade payables and accrued liabilities	**323**	1,582	**(622)**	(209)
Prepaid expenses	**(360)**	(153)	**(422)**	(200)
Income taxes receivable (payable)	**(264)**	(867)	**(424)**	(1,527)
Deferred revenue	**(245)**	(2,209)	**(6,290)**	(9,219)
Decrease (increase) in non-cash working capital	**882**	(6,911)	**(3,934)**	(1,997)
Net cash provided by (used in) operating activities	**5,856**	(2,007)	**5,598**	7,718
Financing activities				
Proceeds from issuance of common shares	**415**	-	**415**	-
Repayment of lease liabilities (note 5)	**(339)**	(277)	**(642)**	(583)
Dividends paid	**(4,025)**	(4,016)	**(8,042)**	(8,031)
Net cash used in financing activities	**(3,949)**	(4,293)	**(8,269)**	(8,614)
Investing activities				
Property and equipment additions	**(130)**	(133)	**(130)**	(160)
Increase (decrease) in cash	**1,777**	(6,433)	**(2,801)**	(1,056)
Cash, beginning of period	**55,082**	54,445	**59,660**	49,068
Cash, end of period	**56,859**	48,012	**56,859**	48,012
Supplementary cash flow information				
Interest received (note 9)	**377**	126	**557**	224
Interest paid (notes 5 and 9)	**486**	503	**976**	1,010
Income taxes paid	**1,387**	1,782	**2,883**	3,510

See accompanying notes to condensed consolidated interim financial statements.

Notes to Condensed Consolidated Interim Financial Statements

For the three and six months ended September 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 and six months ended September 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 and six months ended September 30, 2022 were authorized for issuance by the Board of Directors on November 9, 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 $)	**September 30, 2022**	March 31, 2022
Canada	**41,639**	43,216
United States	**448**	553
South America	**171**	218
Eastern Hemisphere(1)	**25**	34
	42,283	44,021

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

4. Deferred Revenue:

The following table presents changes in the deferred revenue balance:

(thousands of $)	**September 30, 2022**	March 31, 2022
Balance, beginning of year	**30,454**	30,461
Invoiced during the period, excluding amounts recognized as revenue during the period	**14,115**	30,071
Recognition of deferred revenue included in the balance at the beginning of the period	**(20,405)**	(30,078)
Balance, end of period	**24,164**	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 $)	**September 30, 2022**	March 31, 2022
Balance, beginning of year	**39,588**	40,962
Interest on lease liabilities (note 9)	**976**	2,004
Lease payments	**(1,618)**	(3,360)
Remeasurement due to change in lease payments	**-**	(18)
Balance, end of period	**38,946**	39,588
Current	**1,787**	1,626
Long-term	**37,159**	37,962

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

(thousands of $)	
Less than one year	3,677
Between one and five years	13,817
More than five years	38,095
Total undiscounted payments	**55,589**

6. Revenue:

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

(thousands of $)	Three months ended September 30 2022	Three months ended September 30 2021	Six months ended September 30 2022	Six months ended September 30 2021
Annuity/maintenance license revenue				
Canada	**3,181**	3,088	**6,131**	6,122
United States	**3,704**	3,089	**7,054**	6,073
South America	**1,894**	1,817	**3,593**	3,311
Eastern Hemisphere	**6,046**	5,245	**11,576**	10,019
	14,825	13,239	**28,354**	25,525
Perpetual license revenue				
Canada	**-**	-	**-**	-
United States	**157**	96	**157**	221
South America	**-**	-	**-**	-
Eastern Hemisphere	**623**	750	**1,009**	750
	780	846	**1,166**	971
Total software license revenue	**15,605**	14,085	**29,520**	26,496
Professional services				
Canada	**2,103**	1,735	**4,177**	3,570
United States	**89**	25	**144**	57
South America	**35**	79	**64**	79
Eastern Hemisphere	**250**	25	**284**	161
	2,477	1,864	**4,669**	3,867
Total revenue				
Canada	**5,284**	4,823	**10,308**	9,692
United States	**3,950**	3,210	**7,355**	6,351
South America	**1,929**	1,896	**3,657**	3,390
Eastern Hemisphere	**6,919**	6,020	**12,869**	10,930
	18,082	15,949	**34,189**	30,363

The amount of revenue recognized during the six months ended September 30, 2022 from performance obligations satisfied (or partially satisfied) in previous periods is $1.3 million (six months ended September 30, 2021 – $0.4 million).

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

Receivables from contracts with customers were as follows:

(thousands of $)	September 30, 2022	March 31, 2022
Receivables (included in “Trade and other receivables”)	**13,371**	17,296

During the six months ended September 30, 2022, one customer comprised 12.9% of the Company’s total revenue (six months ended September 30, 2021 – one customer, 12.5%).

7. Canada Emergency Wage Subsidy and Canada Emergency Rent Subsidy

No CEWS or CERS benefits were recorded during the three and six months ended September 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 six months ended September 30, 2021. During that period, the Company recorded CEWS and CERS benefits of $0.4 million. No CEWS and CERS benefits were recorded during the three months ended September 30, 2021. 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:

Six months ended September 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 September 30, (thousands of $)	**2022**	2021
Research and development, net of government grants	**5,332**	4,904
Scientific research and experimental development ("SR&ED") investment tax	**(213)**	(248)
	5,119	4,656

Six months ended September 30, (thousands of $)	**2022**	2021
Research and development, net of government grants	**9,724**	9,159
Scientific research and experimental development ("SR&ED") investment tax	**(400)**	(486)
	9,324	8,673

9. Finance Income and Finance Costs:

Three months ended September 30, (thousands of $)	**2022**	2021
Interest income	**377**	126
Net foreign exchange gain	**543**	258
Finance income	**920**	384
Interest expense on lease liabilities (note 5)	**(486)**	(503)
Finance costs	**(486)**	(503)

Six months ended September 30, (thousands of $)	2022	2021
Interest income	557	224
Net foreign exchange gain	1,074	-
Finance income	1,631	224
Interest expense on lease liabilities (note 5)	(976)	(1,010)
Net foreign exchange loss	-	(79)
Finance costs	(976)	(1,089)

10. Income and Other Taxes:

The major components of income tax expense are as follows:

Six months ended September 30, (thousands of $)	2022	2021
Current year income tax expense	2,651	2,412
Adjustment for prior year	62	(138)
Current year income taxes	2,713	2,274
Deferred tax expense (recovery)	81	(55)
Foreign withholding and other taxes	154	50
	2,948	2,269

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:

Six months ended September 30, (thousands of $, unless otherwise stated)	2022	2021
Combined statutory tax rate	23.00%	23.00%
Expected income tax	2,569	2,334
Non-deductible costs	260	136
Withholding taxes	131	(79)
Effect of tax rates in foreign jurisdictions	(6)	(4)
Adjustment for prior year	62	(138)
Other	(68)	20
	2,948	2,269

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

(thousands of $)	September 30, 2022	March 31, 2022
Right-of-use assets	1,566	1,479
Stock-based compensation liability	476	770
Property and equipment	174	149
SR&ED investment tax credits	(88)	(189)
Net deferred tax asset	2,128	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, September 30, 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	**104**
Balance, September 30, 2022	**80,506**

(c) Stock-Based Compensation:

Stock-Based Compensation Expense

The following table summarizes stock-based compensation expense:

Three months ended September 30 (thousands of $)	**2022**	2021
Equity-settled plans	**87**	185
Cash-settled plans	**340**	219
Total stock-based compensation expense	**427**	404

Six months ended September 30 (thousands of $)	**2022**	2021
Equity-settled plans	**297**	379
Cash-settled plans	**204**	292
Total stock-based compensation expense	**501**	671

Liability Recognized for Stock-Based Compensation(1)

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

(thousands of $)	**September 30, 2022**	March 31, 2022
SARs	**313**	525
RSUs	**729**	1,874
PSUs	**236**	311
DSUs	**816**	639
Total stock-based compensation liability	**2,094**	3,349
Current, recorded within trade payables and accrued liabilities	**1,005**	1,792
Long-term	**1,089**	1,556

(1) The intrinsic value of the vested awards at September 30, 2022 was $0.9 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 September 30, 2022, the Company may reserve up to 8,050,586 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:

	Six months ended September 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]	**2,896**	**4.80**	1,006	3.98
Exercised	**(104)**	**3.98**	-	-
Forfeited/expired	**(1,249)**	**7.81**	(850)	9.51
Outstanding at end of period	**5,223**	**5.21**	3,680	6.38
Options exercisable at end of period	**1,796**	**6.12**	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 September 30, 2022 is as follows:

			Outstanding		Exercisable
Exercise Price ($/option)	Number of Options (thousands)	Weighted Average Remaining Contractual Life (years)	Weighted Average Exercise Price ($/option)	Number of Options (thousands)	Weighted Average Exercise Price ($/option)
3.98 to 4.62	976[1]	4.1	4.10	378	3.98
4.63 to 4.87	1,800[2]	4.7	4.74	-	-
4.88 to 5.04	871[3]	5.0	5.00	-	-
5.05 to 5.70	614	2.9	5.08	465	5.08
5.71 to 9.20	962	1.5	7.47	953	7.47
	5,223	**3.8**	**5.21**	**1,796**	**6.12**

(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.

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

	Six months ended September 30, 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 5.00**	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:

	Six months ended September 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	**104**	**5.00**	278	3.98
Exercised	**-**	**-**	(3)	5.08
Forfeited/expired	**(685)**	**7.62**	(253)	9.58
Outstanding at end of period	**814**	**6.41**	1,395	7.11
SARs exercisable at end of period	**593**	**7.07**	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)	Six months ended September 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	**296**	**2**	**80**	491	72	49
Exercised	**(273)**	**-**	**(42)**	(256)	-	-
Forfeited/expired	**(165)**	**(84)**	**-**	(102)	-	-
Outstanding at end of period	**580**	**83**	**161**	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 September 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	**4,410**	**80,412**	**0.05**	4,146	80,307	0.05
Dilutive effect of share-based awards		**414**			353	
Diluted	**4,410**	**80,826**	**0.05**	4,146	80,660	0.05

Six months ended September 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	**8,223**	**80,373**	**0.10**	7,879	80,296	0.10
Dilutive effect of share-based awards		**523**			388	
Diluted	**8,223**	**80,896**	**0.10**	7,879	80,684	0.10

During the three and six months ended September 30, 2022, 224,000 and 299,000 awards, respectively, were excluded from the computation of the weighted average number of diluted shares outstanding because their effect was not dilutive (three and six months ended September 30, 2021 - 343,000 and 386,000 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 six months ended September 30, 2022, the Company recorded professional services revenue of $2.0 million and $3.9 million, respectively (three and six months ended September 30, 2021 – $1.7 million and $3.4 million, respectively), and CoFlow costs of $1.9 million and $3.8 million, respectively, to research and development expenses (three and six months ended September 30, 2021 – $2.0 million and $3.8 million).

(b) Commitments:

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

(thousands of $)	**September 30, 2022**
Less than one year	**1,096**
Between one and five years	**4,332**
More than five years	**10,650**
	16,078

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 September 30, 2022, $1.1 million (September 30, 2021 – $1.0 million) had been reserved on this line of credit for letters of credit supporting performance bonds.

15. Subsequent Event:

On November 9, 2022, the Board of Directors declared a quarterly cash dividend of $0.05 per share on its common shares, payable on December 15, 2022 to all shareholders of record at the close of business on December 7, 2022.

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

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**