

2021 Financial Report

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IBC Corporate Information

Annual General Meeting

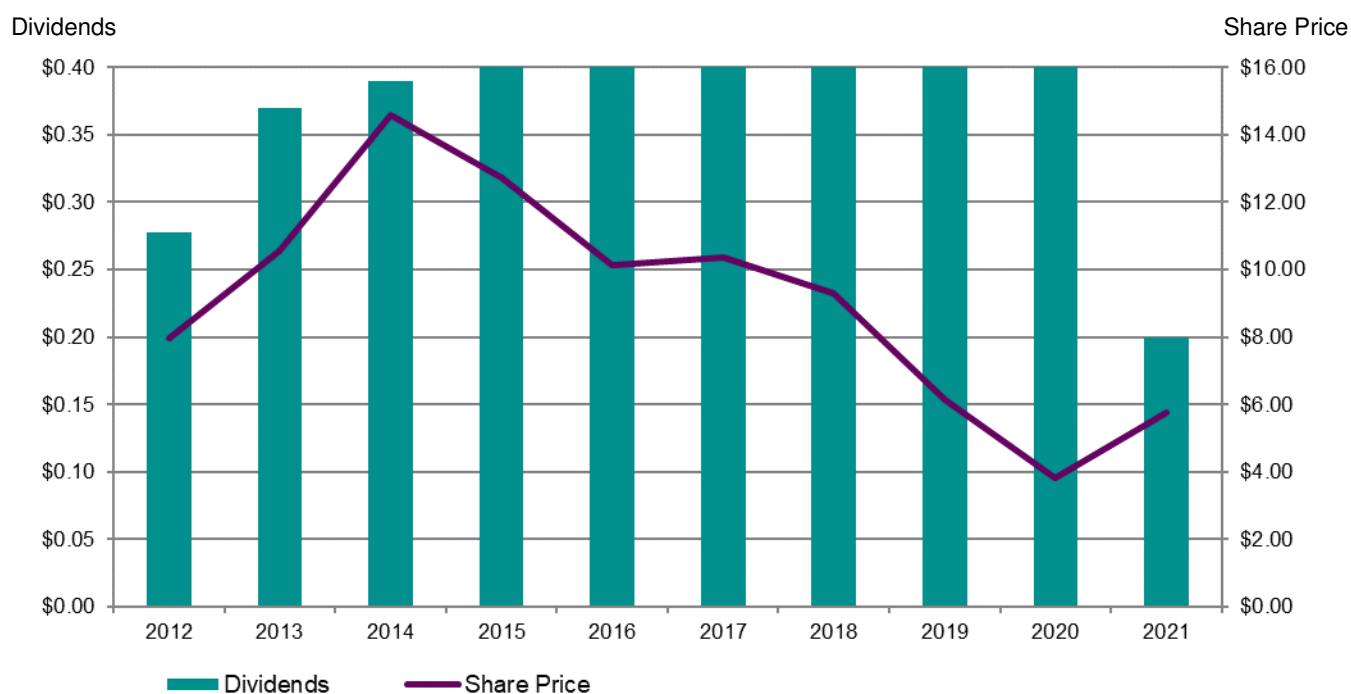
When: July 8, 2021 at 10:00 a.m. (Calgary time)

Where: Virtual-only meeting (please refer to our 2021 Management Information Circular available at www.cmgl.ca/investors/agm for the details of the meeting)

2021 Highlights

Years ended March 31, (\$ thousands, unless otherwise stated)	2021	2020	2019	2018	2017
Software license revenue	59,553	68,646	68,800	68,843	70,234
Professional services revenue	7,810	7,140	6,057	5,837	4,863
Total revenue	67,363	75,786	74,857	74,680	75,097
Operating profit	30,565	31,751	29,554	28,030	33,321
Operating profit (%)	45%	42%	39%	38%	44%
Profit before income and other taxes	26,922	32,456	30,890	28,881	34,192
Income and other taxes	6,732	8,971	8,755	8,075	9,923
Net income for the year	20,190	23,485	22,135	20,806	24,269
EBITDA ⁽¹⁾	34,836	36,111	31,507	30,027	34,414
Funds flow from operations	26,283	28,765	25,593	25,503	27,560
Free cash flow ⁽¹⁾	24,473	26,547	24,851	20,830	16,046
Weighted average shares outstanding	80,272	80,240	80,222	80,046	79,171
Earnings per share - basic	0.25	0.29	0.28	0.26	0.31
Dividends declared and paid per share	0.20	0.40	0.40	0.40	0.40
Funds flow from operations per share - basic	0.33	0.36	0.32	0.32	0.35
Free cash flow per share basic ⁽¹⁾	0.30	0.33	0.31	0.26	0.20
Trading price per share at March 31	5.75	3.83	6.15	9.29	10.35

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



To Our Shareholders:

This year has been a year like no other.

CMG, as many other companies worldwide, has been affected by the COVID-19 pandemic. The health and safety of our employees, customers and communities remains our top priority as we continue to follow the advice of governments and local public health authorities within the jurisdictions in which we operate.

Since the COVID-19 pandemic started, we have been operating almost exclusively remotely. The pandemic has changed the way we conduct our day-to-day business but it hasn't changed our commitment to customer technical support, research activities, shareholder communication and team collaboration, all of which have continued uninterrupted through emails, phone calls and video conferences.

Some of our customers, when faced with economic uncertainty and volatile commodity prices, chose to curtail their spending and not renew their license agreements or renewed their agreements at reduced levels. We endeavored to work with our customers to the greatest extent possible during these challenging times. Our year-over-year annuity and maintenance license revenue decreased by 13% due to oil and gas industry disruption caused by the pandemic, corporate consolidations, economic pressures and lower unconventional shale activity both prior to and during the pandemic.

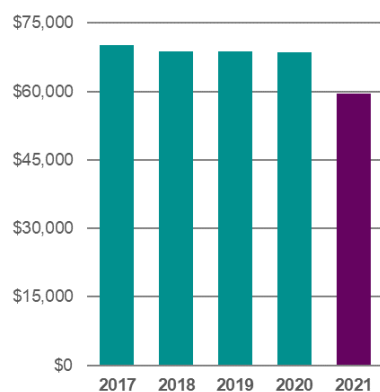
Outside of our control are the extent to which this pandemic continues, future global developments, and the precise impact those will have on our operating results, financial condition and cash flow. What remains within our control, however, is to manage elements critical to seeing CMG emerge from this pandemic in a position of strength and resiliency.

Despite the turmoil caused by the pandemic, CMG was encouraged by events that demonstrated the strength of our reservoir simulation business and of our team. One significant perpetual sale we made this year was to a customer in South East Asia, who chose our software for enhanced oil recovery and to improve their long-term production declines. This sale validated our belief that companies need CMG's technology, even more so, as they engage in complex recovery processes to mitigate their declining production. Selling our software to this customer during times of economic uncertainty also validated our belief that the value of CMG's reservoir simulation software remains strong, and that companies realize it helps them improve their operating margins by conducting complex oil recovery processes more efficiently.

In the area of energy transition, we have seen interest in applying our reservoir simulation software through increased support requests, training activity and commercial customers running models related to CO₂ enhanced recovery, carbon sequestration, hydrogen generation/storage, and geothermal projects. While companies continue to look at alternative energy sources, storage technologies, CO₂ mitigation projects and hydrogen and geothermal initiatives, we are pleased to be able to apply our innovative approach to drive the energy transition while serving our existing customers. CMG's existing technology has differentiating capabilities, built into GEM and STARS over the preceding decades, that directly apply to the needs of our "energy transition" end-user customers.

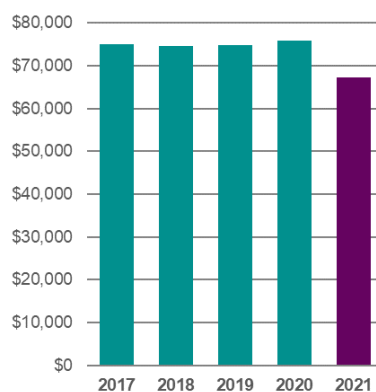
Software License Revenue

(\$ Thousands)



Total Revenue

(\$ Thousands)



Operating Profit

(\$ Thousands)



Finally, as a testament to our products and to our team, patient and persistent marketing efforts were rewarded again this year, as we welcomed new customers, with some efforts having been years in the making.

Our Response to Market Uncertainty

As mentioned, we remain focused on managing elements within our control and will position CMG to emerge from this pandemic in a position of strength and resiliency. We believe that retaining our employees, continuing to prioritize product development, maintaining global customer technical support and delivering a dividend to our shareholders were important factors to the long-term success of the business.

Accordingly, in response to the COVID-19 pandemic and the range of scenarios, challenges and uncertainties it presented, we reduced our quarterly dividend and enacted meaningful reductions to CEO and executive officers’ salaries as well as the directors’ cash compensation. Graduated salary reductions across all staff were also implemented.

In addition, our relative revenue decrease meant we were eligible for, and received assistance from, both the Canada Emergency Wage Subsidy (“CEWS”) and the Canada Emergency Rent Subsidy (“CERS”) federal government programs. Funds received were used to cover a portion of our salary, wages and office rent costs paid during the year.

We continue to monitor the effect that the prolonged continuance of the COVID-19 pandemic is having on our operations, including sales levels and financial performance. We will make operational adjustments as appropriate. Ongoing economic uncertainty causes volatile global energy demand, which in turn may cause volatility in our customers’ realized production levels, realized commodity prices and capital investment decisions.

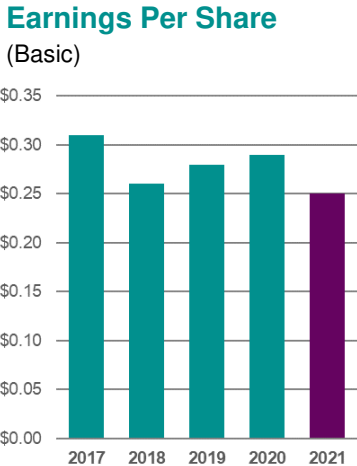
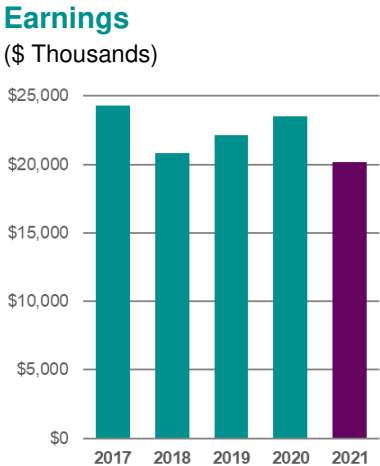
Our Fiscal 2021 Financial Review

Our fiscal 2021 total revenue decreased by 11%, with lower software revenue being slightly offset by higher professional services revenue. Annuity and maintenance license revenue decreased by 13% when compared to last year, due to ongoing oil and gas industry disruption caused by the pandemic, corporate consolidations, economic pressures and lower unconventional shale activity both prior to and during the pandemic.

On a full-year basis, Canada, the US and South America accounted for the decrease in annuity and maintenance revenue, while the Eastern Hemisphere increased by 2%, due to the addition of a multi-year contract and increased licensing by existing customers.

Total operating expenses decreased by 16%, due to compensation reductions, receipt of the CEWS and CERS subsidies, and lower travel, marketing and office costs as a result of COVID-19 restrictions. These decreases were partially offset by higher stock-based compensation expense, which was a result of the year-over-year increase in CMG’s share price.

Basic earnings per share was \$0.25 per share, compared to \$0.29 per share last year.



We continue to maintain a strong financial position. We closed the year with \$49.1 million of cash, no debt and no significant accounts receivable collectability concerns. Despite the turmoil resulting from the COVID-19 pandemic, we generated \$0.30 per share of free cash flow, compared to \$0.33 per share during the year before.

During the year we declared and paid dividends totaling \$0.20 per share.

Our Product Update

Through the COVID-19 pandemic and economic crisis, we continue to demonstrate our commitment to our products by investing in research and development, providing technical support to our customers globally and working closely with our customers to develop simulation tools relevant to the challenges and opportunities they face today.

While the names of our products have not changed, we continue to enhance the performance and functionality of our products through ongoing research and development. Our product suite includes the following reservoir simulation software and related services: IMEX, GEM and STARS (our reservoir simulators); WINPROP (our phase behaviour and fluid property program); BUILDER (our pre-processing application); RESULTS (our post-processing application); and CMOST (our computer-assisted history matching, optimization and uncertainty assessment tool). In September of 2020, we shipped General Release 2020, which included such enhancements as additional support for fractured reservoirs, workflows for modelling unconventional and hydraulically fractured plays and support for higher performance on significantly larger models.

Among our latest technological advancements is a public cloud solution, which enables customers to securely access our simulators and run simulations on some of the latest and fastest hardware available, optimized for maximum efficiency and faster simulation results. Advancements in cloud technology are generating a paradigm shift in modern computing and removing technological limitations faced by our customers. During fiscal 2021, we released a second generation of our public cloud software, with a step-change in capabilities based on feedback from early CMG public cloud users.

Our CoFlow commercialization efforts continued through fiscal 2021. The combined impact of COVID-19, commodity price volatility and an uncertain economic outlook are expected to slow down our CoFlow commercialization efforts. While we remain focused on gaining additional traction for the product, commercial conversations with customers have been, and could continue to be, delayed. We anticipate that while initially, commercialization of CoFlow will have a minimal impact on our total revenue, the potential for future CoFlow revenue growth will substantially depend on the successful commercialization of the software. During fiscal 2021, we released R26 of CoFlow, which combines existing CMG simulator technology with CoFlow, resulting in an acceleration of capabilities, performance and applicability of CoFlow to prospective customers' assets.

Board Appointments in Fiscal 2021

On January 20, 2021 CMG announced that Mr. John Billowits had been appointed to the Board of Directors. Mr. Billowits brings deep software domain experience to CMG and is an accomplished software executive whose leadership has helped a number of software companies improve market and product success. John's skills and experience are a welcome complement to CMG's Board.

Closing Remarks

Ongoing progress in the development and distribution of the COVID-19 vaccine provides a reason for us to have cautious optimism. While the industry outlook and customer sentiment may be improving, we are unable to predict the timing of economies reopening, the level of global commodity demand or the impact that volatile commodity prices will have on a recovery. A year ago, there was significant uncertainty facing our customers and, by association, CMG. I would like to think that a large part of that uncertainty had abated by the end of our fiscal year.

As the market focuses on energy transition, capital discipline, operational efficiencies, improved returns, debt reduction and returning cash to shareholders, CMG intends to be responsive and proactive to our customers' needs and to assist them in improving the value of their assets by optimizing production and realizing operational cost efficiencies.

Ultimately, the success of this company continues to rely on the efforts and talents of our employees, our ability to be nimble and resilient in the face of uncertainty, and the support of our shareholders. My deep appreciation and gratitude go out to all CMG staff and the executive team for their outstanding efforts and dedication throughout a particularly trying fiscal year.

I would also like to express my gratitude to our Board of Directors for their continued support and trusted counsel throughout the year.

A handwritten signature in black ink, appearing to read "Ryan N. Schneider". The signature is fluid and cursive, with a prominent initial "R".

Ryan N. Schneider

President and Chief Executive Officer

May 19, 2021

Management's Discussion and Analysis

This Management's Discussion and Analysis ("MD&A") of financial condition and results of operations for Computer Modelling Group Ltd. ("CMG", the "Company", "we" or "our"), dated May 19, 2021, should be read in conjunction with CMG's audited consolidated financial statements (the "Financial Statements") and accompanying notes for the year ended March 31, 2021 and CMG's Annual Information Form dated May 19, 2021 ("AIF"), which are available online under CMG's issuer profile at www.sedar.com.

The Financial Statements have been prepared in accordance with International Financial Reporting Standards ("IFRS"). The Financial Statements are presented in Canadian dollars, which is the functional and presentation currency of CMG.

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

This MD&A was reviewed and approved by the Audit Committee and Board of Directors and is effective as of May 19, 2021.

Corporate Profile

CMG is a computer software technology company serving the oil and gas 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. 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".

Vision, Business and Strategy

CMG's vision is to be the leading developer and supplier of dynamic reservoir modelling systems in the world. Early in its life CMG made the strategic decision to focus its research and development efforts on providing solutions for the simulation of difficult hydrocarbon recovery techniques, a decision that created the foundation for CMG's dominant market presence today in the simulation of advanced hydrocarbon recovery processes. CMG has demonstrated this commitment by continuously investing in research and development and working closely with its customers to develop simulation tools relevant to the challenges and opportunities they face today. This includes CoFlow, the newest generation of reservoir and production system simulation software. Our goal is to develop a dynamic system that does more than optimize reservoir recovery; it models the entire hydrocarbon reservoir system, including production systems.

Since its inception more than 40 years ago, CMG has remained focused on assisting its customers in unlocking the value of their hydrocarbon reservoirs. With petroleum production using conventional methods on the decline, the petroleum industry must use more difficult and costly advanced process extraction methods, while being faced with more governmental and regulatory requirements over environmental concerns. CMG's success can, in turn, be correlated with the oil industry becoming more reliant on the use of simulation technology due to the maturity of conventional petroleum reservoirs and the complexities of both current and emerging production processes. In addition, as producers continue to look for ways to operate efficiently by deploying technologies in their operations, we believe they will continue to seek reservoir simulation solutions to enhance production from their existing and new assets. CMG's goal is to provide the most advanced reservoir simulation tools to assist companies with their reservoir planning, management and optimization.

CMG's success can be attributed to a number of factors: advanced physics, ongoing enhancements to the Company's already robust product line, improved computational speed, parallel computing ability, ease of use features of the pre- and post-processor applications, cost effectiveness of the CMG solution for customers, and the knowledge base of CMG's personnel to support and advance its software.

In combination with its principal business of licensing its software, CMG also provides professional services consisting of highly specialized consulting, support, training, and funded research activities for its customers. While the generation of professional services revenue specifically tied to the provision of consulting services is not regarded as a core part of CMG's

business, offering this type of service is important to CMG operationally. CMG performs a limited amount of specialized consulting services, which are typically of a highly complex and/or experimental nature. These studies provide hands-on practical knowledge, allowing CMG staff to test the boundaries of our software, and provide us the opportunity to sell additional software licenses to both new and existing customers. In addition, providing consulting services is important from the customer service perspective as it enables our customers to become more proficient users of CMG's software. Professional research revenue is also derived from the customers who partner with CMG to assist in the development, testing and refinement of new simulation technologies.

In addition to consulting, we allocate significant resources to training, which is an instrumental part of our Company's success, as it enables our customers to become more efficient and effective users of our software. Our training is continuous in nature, is offered worldwide, and it helps us in developing and maintaining long-term relationships with our customers.

CMG realizes the importance of continuously advancing its technology to maintain its competitive edge. CMG firmly believes that, to be the dominant supplier of dynamic reservoir modelling systems in the world, it must be responsive to customers' needs today and accurately predict their needs in the future.

Investment in research and development is important to CMG as it helps maintain our competitive advantage for our existing software product suite, advances new product development and aligns with our vision of striving to be the world's leading developer and supplier of dynamic reservoir modeling systems. CMG's approach to investment in research and development is to invest in initiatives that are driven by clients' immediate needs by refining software already in use, to amend software in anticipation of clients' needs, or to advance the technology to better serve the clients.

Overall Performance

Key Performance Drivers and Capability to Deliver Results

One of the challenges the petroleum industry faces in trying to overcome barriers to production growth is the continuing need for breakthrough technologies. The facts facing the petroleum industry today are that brand-new fields are increasingly difficult to find, especially on a large scale, and that there is a large number of mature fields and unconventional prospects where known petroleum reserves exist; the question is how to economically extract more of the petroleum reserves in place while utilizing environmentally conscious processes. These challenges have been made even more formidable by the current economic environment and the global political climate, which led to increased uncertainty regarding capital markets, commodity prices and global energy demand.

Hydraulic fracturing technologies have opened the door to unconventional shale and tight hydrocarbon resources in North America at economically competitive input costs. CMG's reservoir simulation technology has a very extensive and efficient unconventional modelling workflow, which has been successful in simulation and modelling of reservoirs using hydraulic fracturing processes.

The petroleum industry utilizes reservoir simulation to provide both vital information and a visual interpretation on how reservoirs will behave under various recovery techniques. With this visualization and reservoir simulation modelling, reservoir professionals receive assistance in predicting the physics and chemistry of fluid flows, drilling locations, well operating conditions, risks, and best case economics of oil and gas property investment. Understanding the science of how a petroleum reservoir will react to difficult hydrocarbon recovery processes through simulation prior to spending the capital on drilling wells and injecting expensive chemicals and steam, for instance, is far less costly and risky than trying the various techniques on real wells.

In an uncertain oil price environment, producers have shifted their focus to increasing productivity while reducing operating costs. Reservoir simulation is a cost-effective and high-value tool to reduce risks, improve recovery processes, increase margins and incremental recovery.

CMG's existing product suite of software is the market leader in the simulation of difficult hydrocarbon recovery techniques. To maintain this dominant market position, CMG actively participates in research consortia that experiment with new petroleum extraction processes and technologies. CMG then incorporates the simulation of new recovery methods into its

product suite and focuses on overcoming existing technological barriers to advance speed and ease of use, amongst other benefits, in its software.

A recent shift toward public and government support of climate change initiative provides us with an opportunity to use technological innovation to help energy and resource companies minimize their impact on the environment. CMG has an established technology that has been effectively leveraged and utilized in the development of projects around the world for safe sequestering and long-term storage of greenhouse gases (“GHGs”), including carbon dioxide. CMG’s GEM simulator is industry-recognized as the only commercial simulator capable of modelling all of the applicable physics associated with GHG sequestering processes. These projects have been of increasing interest to governments and the oil and gas industry, as well as new “green energy” entrants, for the beneficial application in the reduction of GHGs and efforts to limit climate change impacts.

More recently, CMG has seen increased support requests, training activity and commercial customers running models related to CO₂ enhanced recovery, carbon sequestration, hydrogen generation/storage, and geothermal projects. While companies continue to look at alternative energy sources, storage technologies, CO₂ mitigation projects and hydrogen and geothermal initiatives, CMG is pleased to apply its innovative approach to drive the energy transition while serving its existing customers. CMG’s existing technology has differentiating capabilities, built in GEM and STARS over the preceding decades, that directly apply to the needs of our “energy transition” end-user customers.

Among CMG’s latest technological advancements is a public cloud solution, which enables customers to securely access our simulators and run simulations on some of the latest and fastest hardware available in the industry, optimized for maximum efficiency and faster simulation results. Advancements in cloud technology are generating a paradigm shift in modern computing and removing technological limitations faced by our customers.

CMG is in a solid financial position with \$33.7 million in positive working capital, no bank debt and a long history of generating earnings and cash from operating activities. Combined with its strong balance sheet is the strength of its employees in all areas of the Company.

Our focus will remain on licensing software to both existing and new customers and, with diversification of our geographic profile, our goal is to continue to strengthen our position in the global marketplace. Approximately 94% of our software license revenue is derived from annuity and maintenance contracts, which generally represent a recurring source of revenue.

We continue to be profitable and have solid cash generation despite the ongoing economic challenges in the oil and gas industry. During fiscal 2021, we generated \$0.30 per share in free cash flow, compared to \$0.33 per share in the previous fiscal year. For the fiscal year ended March 31, 2021, operating profit represented 45% of total revenue and EBITDA represented 52% of total revenue.

CMG’s Response to the COVID-19 Pandemic

In March 2020, the COVID-19 pandemic led to a partial shutdown of the majority of the world’s economies. The pandemic also led to declines in demand for oil and gas, which, combined with producer market share competition and concerns about a supply/demand imbalance, led to volatility in commodity prices. These conditions persisted through the second and third quarters.

The COVID-19 pandemic and the related economic uncertainty negatively impacted our financial results in fiscal 2021, as some of our customers, faced with the economic uncertainty and decreasing commodity prices, curtailed spending and chose not to renew their licensing agreements or to renew them at reduced levels. These factors continued to contribute to a decrease in software license revenue during the three months and year ended March 31, 2021.

CMG realizes that retaining its employees, continuing to prioritize product development, maintaining global customer technical support and delivering a dividend to its shareholders are important factors to the long-term success of the business. Accordingly, in response to the COVID-19 pandemic and the range of scenarios, challenges and uncertainties it presented, CMG took the following steps, which were within its control, in order to preserve liquidity, financial flexibility, balance sheet strength and profitability:

- reduced the quarterly dividend by 50% (from \$0.10 per share to \$0.05 per share) effective June 15, 2020;
- reduced the CEO's annual salary by 25% effective July 1, 2020;
- reduced the directors' cash compensation by 20% effective July 1, 2020;
- reduced the executive officers' annual salaries by 20% effective July 1, 2020; and
- implemented graduated salary reductions across all staff.

The Company intends to review the salary and cash compensation reductions after it has finalized and released its 2021 year-end results. The salary reductions to staff, executives and the CEO were reallocated to variable cash compensation. Based on the 2021 year-end results, executive variable cash compensation was 67% of its corporate performance target, as compared to a 92% achievement rate for 2020.

As a result of the decline in revenue, CMG became eligible for the CEWS and CERS programs and, during the three months and year ended March 31, 2021, recorded CEWS benefits of \$1.1 million and \$5.2 million, respectively, and CERS benefits of \$0.1 million and \$0.2 million, respectively. Salaries, wages and office rent comprise the largest portion of CMG's ongoing expenses, and the Company used the funds it received from these programs to cover a portion of these costs paid during the year.

Since the start of the pandemic, we have been operating almost entirely remotely, and our research and development activities and technical support for our customers have continued uninterrupted. It is our intention to continue to invest in research and development, and sales and marketing efforts.

CMG will continue to monitor the impact of the current environment on its customers, operations and financial performance and may make further adjustments as appropriate.

Annual Performance

(\$ thousands, unless otherwise stated)	March 31, 2021	March 31, 2020	March 31, 2019
Annuity/maintenance licenses	55,934	63,974	63,800
Perpetual licenses	3,619	4,672	5,000
Software licenses	59,553	68,646	68,800
Professional services	7,810	7,140	6,057
Total revenue	67,363	75,786	74,857
Operating profit	30,565	31,751	29,554
Operating profit (%)	45%	42%	39%
Net income for the year	20,190	23,485	22,135
EBITDA ⁽¹⁾	34,836	36,111	31,507
Cash dividends declared and paid	16,055	32,097	32,090
Funds flow from operations	26,283	28,765	25,593
Free cash flow ⁽¹⁾	24,473	26,547	24,851
Total assets	122,491	120,866	90,305
Total shares outstanding	80,286	80,249	80,227
Trading price per share at March 31	5.75	3.83	6.15
Market capitalization at March 31	461,645	307,353	493,396
Per share amounts – (\$/share)			
Earnings per share – basic and diluted	0.25	0.29	0.28
Cash dividends declared and paid	0.20	0.40	0.40
Funds flow from operations per share – basic	0.33	0.36	0.32
Free cash flow per share – basic ⁽¹⁾	0.30	0.33	0.31

Quarterly Performance

(\$ thousands, unless otherwise stated)	Fiscal 2020 ⁽²⁾				Fiscal 2021 ⁽³⁾			
	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4
Annuity/maintenance licenses	15,756	16,373	16,612	15,233	14,523	14,144	13,477	13,790
Perpetual licenses	1,159	1,146	964	1,403	-	1,775	660	1,184
Software licenses	16,915	17,519	17,576	16,636	14,523	15,919	14,137	14,974
Professional services	1,208	2,354	1,699	1,879	2,149	1,933	1,901	1,827
Total revenue	18,123	19,873	19,275	18,515	16,672	17,852	16,038	16,801
Operating profit	7,068	9,343	7,538	7,802	5,711	9,861	8,437	6,556
Operating profit (%)	39	47	39	42	34	55	53	39
Profit before income and other taxes	6,439	9,350	7,054	9,613	4,405	9,360	7,410	5,747
Income and other taxes	1,997	2,482	1,942	2,550	1,143	2,600	1,535	1,454
Net income for the period	4,442	6,868	5,112	7,063	3,262	6,760	5,875	4,293
EBITDA ⁽¹⁾	8,118	10,426	8,644	8,923	6,767	10,933	9,509	7,627
Cash dividends declared and paid	8,022	8,026	8,025	8,024	4,013	4,013	4,015	4,014
Funds flow from operations	6,097	7,787	7,366	7,515	4,703	7,991	7,322	6,267
Free cash flow ⁽¹⁾	5,707	7,274	6,726	6,840	4,239	7,474	7,005	5,755
Per share amounts – (\$/share)								
Earnings per share (EPS) – basic and diluted	0.06	0.09	0.06	0.09	0.04	0.08	0.07	0.05
Cash dividends declared and paid	0.10	0.10	0.10	0.10	0.05	0.05	0.05	0.05
Funds flow from operations per share - basic	0.08	0.10	0.09	0.09	0.06	0.10	0.09	0.08
Free cash flow per share – basic ⁽¹⁾	0.07	0.09	0.08	0.09	0.05	0.09	0.09	0.07

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

(2) 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.

(3) 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.

Commentary on Quarterly Performance

For the Three Months Ended

March 31, 2021 and compared to the same period of the previous fiscal year, when appropriate:

- Annuity/maintenance license revenue decreased by 9%, primarily due to the ongoing disruption to the oil and gas industry caused by the COVID-19 pandemic, consolidations in the industry and reduced activity in unconventional shale plays both prior to and during the COVID-19 pandemic;
- Perpetual revenue, which is variable in nature, decreased by 16%;
- Total revenue decreased by 9%, due to decreases in software revenue, as well as professional services revenue;
- Total operating expenses decreased by 4%, due to CEWS and CERS benefits of \$1.2 million and compensation reductions, partially offset by higher stock-based compensation expenses as a result of the share price increase;
- Quarterly operating profit margin of 39%, down from the comparative quarter's figure of 42%. Without the impact of the CEWS and CERS benefits, the operating profit margin was 32%, below our fiscal 2019 and fiscal 2020 historic average of 40%;
- Basic EPS of \$0.05 was lower than the comparative quarter;
- Achieved free cash flow per share of \$0.07;
- Declared and paid a dividend of \$0.05 per share.

For the Year Ended

March 31, 2021 and compared to the same period of the previous fiscal year, when appropriate:

- Annuity/maintenance license revenue decreased by 13%, primarily due to the ongoing disruption to the oil and gas industry caused by the COVID-19 pandemic, consolidations in the industry and reduced activity in unconventional shale plays both prior to and during the COVID-19 pandemic;
- Perpetual revenue, which is variable in nature, decreased by 23%;
- Total revenue decreased by 11%, with lower software revenue being slightly offset by higher professional services revenue;
- Total operating expenses decreased by 16%, due to CEWS and CERS benefits of \$5.5 million and compensation reductions, partially offset by higher stock-based compensation expenses as a result of the share price increase;
- Year-to-date operating profit margin was 45%, up from the previous year's 42%. Without the impact of the CEWS and CERS benefits, the year-to-date operating profit margin was 37%, slightly below our fiscal 2019 and fiscal 2020 historic average of 40%;
- Basic EPS of \$0.25 was lower than the previous year;
- Achieved free cash flow per share of \$0.30;
- Declared and paid dividends of \$0.20 per share.

Revenue

Three months ended March 31, (\$ thousands)	2021	2020	\$ change	% change
Software license revenue	14,974	16,636	(1,662)	-10%
Professional services	1,827	1,879	(52)	-3%
Total revenue	16,801	18,515	(1,714)	-9%
Software license revenue as a % of total revenue	89%	90%		
Professional services as a % of total revenue	11%	10%		

Years ended March 31, (\$ thousands)	2021	2020	\$ change	% change
Software license revenue	59,553	68,646	(9,093)	-13%
Professional services	7,810	7,140	670	9%
Total revenue	67,363	75,786	(8,423)	-11%
Software license revenue as a % of total revenue	88%	91%		
Professional services as a % of total revenue	12%	9%		

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

Total revenue for the three months ended March 31, 2021 decreased by 9%, due to decreases in both software license revenue and professional services revenue.

Total revenue for the year ended March 31, 2021 decreased by 11%, due to a decrease in software license revenue, slightly offset by an increase in 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 March 31, (\$ thousands)	2021	2020	\$ change	% change
Annuity/maintenance license revenue	13,790	15,233	(1,443)	-9%
Perpetual license revenue	1,184	1,403	(219)	-16%
Total software license revenue	14,974	16,636	(1,662)	-10%
Annuity/maintenance as a % of total software license revenue	92%	92%		
Perpetual as a % of total software license revenue	8%	8%		

Years ended March 31, (\$ thousands)	2021	2020	\$ change	% change
Annuity/maintenance license revenue	55,934	63,974	(8,040)	-13%
Perpetual license revenue	3,619	4,672	(1,053)	-23%
Total software license revenue	59,553	68,646	(9,093)	-13%
Annuity/maintenance as a % of total software license revenue	94%	93%		
Perpetual as a % of total software license revenue	6%	7%		

Total software license revenue for the three months and year ended March 31, 2021 decreased by 10% and 13%, compared to the same periods of the previous fiscal year, due to decreases in both annuity/maintenance license revenue and perpetual license revenue.

During the three months ended March 31, 2021, CMG's annuity/maintenance license revenue decreased by 9%, compared to the same period of the previous fiscal year. Canada, the US and the Eastern Hemisphere contributed to the decrease, while South America stayed essentially level due to reactivation of maintenance on perpetual licenses recorded during the quarter. The decreases in Canada, the US and the Eastern Hemisphere were due to decreased licensing, some of which was triggered by the COVID-19 pandemic and the resulting economic uncertainty, as well as consolidation activity in the oil and gas industry and reduced activity levels in unconventional shale plays.

On a full-year basis, CMG's annuity/maintenance license revenue decreased by 13%, compared to the previous fiscal year. Canada, the US and South America contributed to the decrease, while the Eastern Hemisphere increased by 2%, due to the addition of a multi-year contract and increased licensing by existing customers.

Perpetual license revenue decreased by 16% and 23% during the three months and year ended March 31, 2021, compared to the same periods of the previous fiscal year. Low commodity prices and resulting lower cash flows in the oil and gas industry reduced our customers' ability to purchase perpetual licenses in the near term. 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 leases to perpetual purchases.

We can observe from the tables below that the exchange rate between the US and Canadian dollar had a negative impact on reported software license revenue during the three months and year ended March 31, 2021, compared to the same periods of the previous fiscal year.

The following table summarizes the US dollar-denominated revenue and the weighted average exchange rate at which it was converted to Canadian dollars:

Three months ended March 31, (\$ thousands)		2021	2020	\$ change	% change
US dollar annuity/maintenance license revenue	US\$	8,276	9,095	(819)	-9%
Weighted average conversion rate		1.302	1.325		
Canadian dollar equivalent	CDN\$	10,778	12,048	(1,270)	-11%
US dollar perpetual license revenue	US\$	929	1,050	(121)	-12%
Weighted average conversion rate		1.274	1.336		
Canadian dollar equivalent	CDN\$	1,184	1,403	(219)	-16%
Years ended March 31, (\$ thousands)		2021	2020	\$ change	% change
US dollar annuity/maintenance license revenue	US\$	32,926	37,819	(4,893)	-13%
Weighted average conversion rate		1.325	1.333		
Canadian dollar equivalent	CDN\$	43,625	50,423	(6,798)	-13%
US dollar perpetual license revenue	US\$	2,779	3,511	(732)	-21%
Weighted average conversion rate		1.302	1.331		
Canadian dollar equivalent	CDN\$	3,620	4,672	(1,032)	-23%

The following table quantifies the foreign exchange impact on our software license revenue:

Three months ended March 31, (\$ thousands)	2020	Incremental License Decrease	Foreign Exchange Impact	2021
Annuity/maintenance license revenue	15,233	(1,256)	(187)	13,790
Perpetual license revenue	1,403	(162)	(57)	1,184
Total software license revenue	16,636	(1,418)	(244)	14,974

Years ended March 31, (\$ thousands)	2020	Incremental License Decrease	Foreign Exchange Impact	2021
Annuity/maintenance license revenue	63,974	(7,765)	(275)	55,934
Perpetual license revenue	4,672	(974)	(79)	3,619
Total software license revenue	68,646	(8,739)	(354)	59,553

Software Revenue by Geographic Region

Three months ended March 31, (\$ thousands)	2021	2020	\$ change	% change
<i>Annuity/maintenance license revenue</i>				
Canada	3,012	3,324	(312)	-9%
United States	3,580	4,524	(944)	-21%
South America	1,752	1,694	58	3%
Eastern Hemisphere ⁽¹⁾	5,446	5,691	(245)	-4%
	13,790	15,233	(1,443)	-9%
<i>Perpetual license revenue</i>				
Canada	-	-	-	0%
United States	32	163	(131)	-80%
South America	-	-	-	0%
Eastern Hemisphere	1,152	1,240	(88)	-7%
	1,184	1,403	(219)	-16%
<i>Total software license revenue</i>				
Canada	3,012	3,324	(312)	-9%
United States	3,612	4,687	(1,075)	-23%
South America	1,752	1,694	58	3%
Eastern Hemisphere	6,598	6,931	(333)	-5%
	14,974	16,636	(1,662)	-10%

Years ended March 31, (\$ thousands)	2021	2020	\$ change	% change
Annuity/maintenance license revenue				
Canada	12,464	14,977	(2,513)	-17%
United States	15,113	19,655	(4,542)	-23%
South America	6,164	7,625	(1,461)	-19%
Eastern Hemisphere ⁽¹⁾	22,193	21,717	476	2%
	55,934	63,974	(8,040)	-13%
Perpetual license revenue				
Canada	-	-	-	0%
United States	32	461	(429)	-93%
South America	1,020	1,280	(260)	-20%
Eastern Hemisphere	2,567	2,931	(364)	-12%
	3,619	4,672	(1,053)	-23%
Total software license revenue				
Canada	12,464	14,977	(2,513)	-17%
United States	15,145	20,116	(4,971)	-25%
South America	7,184	8,905	(1,721)	-19%
Eastern Hemisphere	24,760	24,648	112	0%
	59,553	68,646	(9,093)	-13%

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

During the three months ended March 31, 2021, total software license revenue decreased in all geographic regions except for South America, which experienced a 3% increase. During the year ended March 31, 2021, total software license revenue decreased in all geographic regions except for the Eastern Hemisphere, which remained flat.

The Canadian region (representing 21% of annual total software license revenue) experienced decreases of 9% and 17% in annuity/maintenance license revenue during the three months and year ended March 31, 2021, compared to the same periods of the previous fiscal year, due to decreases in licensing by existing customers. A portion of the year-over-year decrease was caused by consolidation activity in the industry.

The United States (representing 25% of annual total software license revenue) experienced decreases of 21% and 23% in annuity/maintenance license revenue during the three months and year ended March 31, 2021, compared to the same periods of the previous fiscal year. The decreases were a result of decreased licensing by some customers, precipitated by consolidation in the industry and reduced activity levels in unconventional shale plays both before and during the COVID-19 pandemic. Perpetual sales during the three months and year ended March 31, 2021 were lower than in the comparative periods.

South America (representing 12% of annual total software license revenue) experienced an increase of 3% in annuity/maintenance license revenue during the three months ended March 31, 2021, due to reactivation of maintenance on perpetual licenses during the quarter, partially offset by losses due to the COVID-19 pandemic and the resulting economic uncertainty. On a full-year basis, South America experienced a decrease of 19% in annuity/maintenance license revenue, due to the negative impact of the COVID-19 pandemic and the resulting economic uncertainty, which affected the renewal of some of our maintenance contracts. Perpetual sales during the year ended March 31, 2021 were lower than in the comparative period.

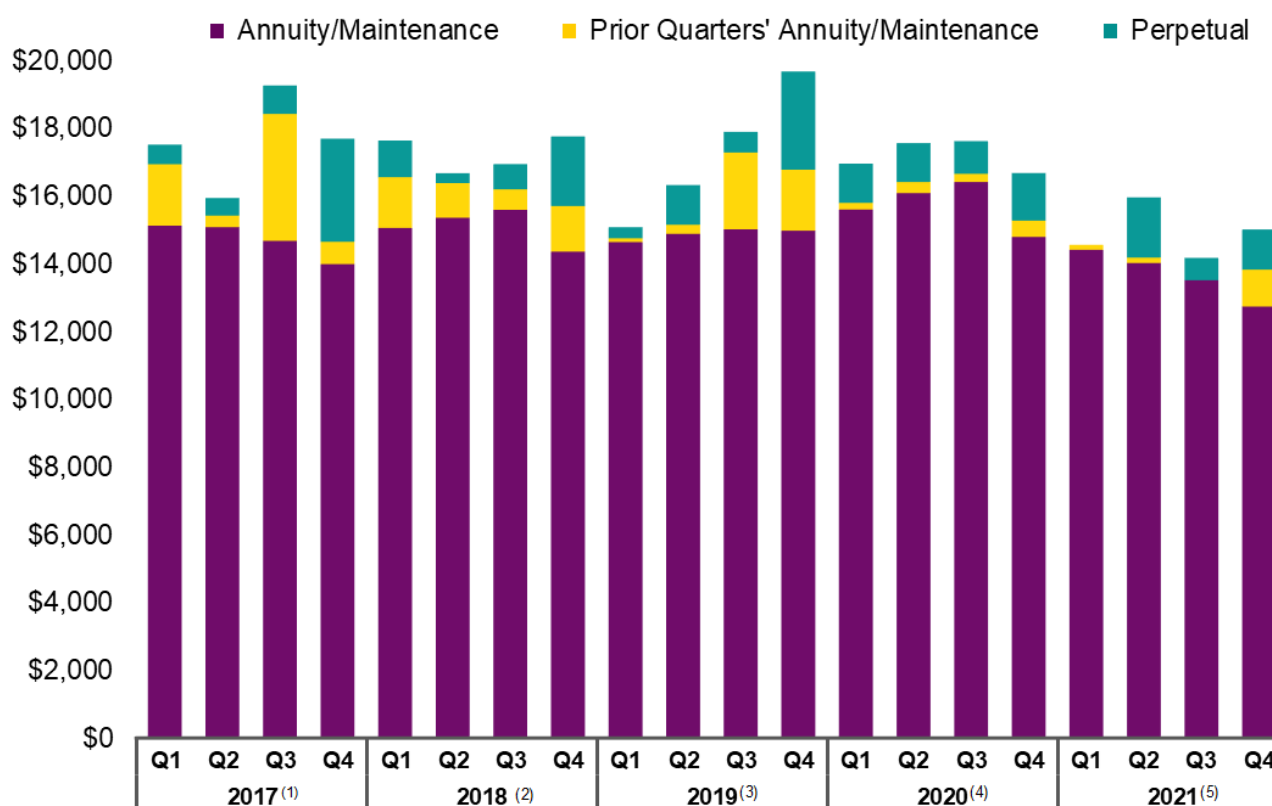
The Eastern Hemisphere (representing 42% of annual total software license revenue) experienced a decrease of 4% in annuity/maintenance license revenue during the three months ended March 31, 2021, compared to the same period of the previous fiscal year, as decreased licensing by some customers was partially offset by increased licensing by others, including a new multi-year annuity contract that commenced at the end of the previous fiscal year. On a full-year basis, annuity/maintenance license revenue in the Eastern Hemisphere increased slightly by 2%, due to increased licensing from existing customers and the aforementioned multi-year contract, partially offset by reduced licensing by some customers.

Perpetual sales were down by 7% and 12% during the three months and year ended March 31, 2021, compared to the same periods of the previous fiscal year.

As footnoted in the Quarterly Software License Revenue graph, in 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) Q1, Q2, Q3 and Q4 of fiscal 2017 include \$1.8 million, \$0.3 million, \$3.7 million, and \$0.7 million, respectively, in revenue that pertains to usage of CMG's products in prior quarters.
- (2) Q1, Q2, Q3 and Q4 of fiscal 2018 include \$1.5 million, \$1.0 million, \$0.6 million, and \$1.3 million, respectively, in revenue that pertains to usage of CMG's products in prior quarters.
- (3) 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.
- (4) 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.
- (5) 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.

Deferred Revenue

(\$ thousands)	Fiscal 2021	Fiscal 2020	\$ change	% change
Deferred revenue at:				
Q1 (June 30)	25,492	29,266	(3,774)	-13%
Q2 (September 30)	19,549	23,849	(4,300)	-18%
Q3 (December 31)	15,347	15,679	(332)	-2%
Q4 (March 31)	30,461	33,838	(3,377)	-10%

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 Q4 of fiscal 2021 decreased by 10% when compared to Q4 of fiscal 2020.

Professional Services Revenue

Professional services revenue for the three months ended March 31, 2021 was \$1.8 million, a slight decrease of \$0.1 million compared to the same period of the previous fiscal year. Professional services revenue for the year ended March 31, 2021 was \$7.8 million, an increase of \$0.7 million, when compared to the previous fiscal year. The increase was primarily due to additional 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, but such activities are not considered a core part of our business and are primarily undertaken to increase our knowledge base and hence expand the technological abilities of our simulators in a funded manner, combined with servicing our customers' needs. In addition, these activities are undertaken to market the capabilities of our suite of software products with the ultimate objective to increase software license sales. 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 March 31, (\$ thousands)	2021	2020	\$ change	% change
Sales, marketing and professional services	4,481	4,398	83	2%
Research and development	4,036	4,783	(747)	-16%
General and administrative	1,728	1,532	196	13%
Total operating expenses	10,245	10,713	(468)	-4%
Direct employee costs ⁽¹⁾	7,970	8,153	(183)	-2%
Other corporate costs	2,275	2,560	(285)	-11%
	10,245	10,713	(468)	-4%

Years ended March 31, (\$ thousands)	2021	2020	\$ change	% change
Sales, marketing and professional services	15,690	18,126	(2,436)	-13%
Research and development	15,194	19,244	(4,050)	-21%
General and administrative	5,914	6,665	(751)	-11%
Total operating expenses	36,798	44,035	(7,237)	-16%
Direct employee costs ⁽¹⁾	28,227	33,905	(5,678)	-17%
Other corporate costs	8,571	10,130	(1,559)	-15%
	36,798	44,035	(7,237)	-16%

(1) Includes salaries, bonuses, stock-based compensation, benefits, commissions, and professional development. See "Non-IFRS Financial Measures".

Total operating expenses for the three months and year ended March 31, 2021 decreased by 4% and 16%, respectively, compared to the same periods of the previous fiscal year, due to decreases in both direct employee costs and other corporate costs.

Direct Employee Costs

As a technology company, CMG's largest investment is its people. Approximately 77% of the total operating expenses for the year ended March 31, 2021 related to direct employee costs. Direct employee costs for the three months and year ended March 31, 2021 decreased by 2% and 17%, respectively, compared to the same periods of the previous fiscal year. The decrease was due to the CEWS benefit and salary reductions, partially offset by higher stock-based compensation expense due to increases in the share price. Salary reductions were announced in our March 31, 2020 MD&A and implemented effective July 1, 2020. CMG became eligible for the CEWS program as a result of the decline in revenue and recorded a CEWS benefit of \$1.1 million and \$5.2 million during the three months and year ended March 31, 2021.

At March 31, 2021, CMG's full-time equivalent staff complement was 198 employees and consultants, up from 192 full-time equivalent employees and consultants at March 31, 2020.

Other Corporate Costs

Other corporate costs for the three months and year ended March 31, 2021 decreased by 11% and 15%, respectively, compared to the same periods of the previous fiscal year, due to lower travel, marketing and office costs as a result of COVID-19 restrictions and the CERS benefit. These decreases were partially offset by lower SR&ED credits, as explained in the next section.

Research and Development

Three months ended March 31, (\$ thousands)	2021	2020	\$ change	% change
Research and development, net of government grants	4,155	5,109	(954)	-19%
SR&ED credits	(119)	(326)	207	-63%
Research and development	4,036	4,783	(747)	-16%
Research and development as a % of total revenue	24%	26%		

Years ended March 31, (\$ thousands)	2021	2020	\$ change	% change
Research and development, net of government grants	15,864	20,751	(4,887)	-24%
SR&ED credits	(670)	(1,507)	837	-56%
Research and development	15,194	19,244	(4,050)	-21%
Research and development as a % of total revenue	23%	25%		

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

The above research and development costs include \$1.7 million and \$6.7 million of costs for CoFlow for the three months and year ended March 31, 2021, respectively, lower than the same periods of the previous fiscal year (\$2.2 million and \$8.7 million, respectively), primarily due to the application of the CEWS benefit against CoFlow salaries and wages. See discussion under "Commitments, Off Balance Sheet Items and Transactions with Related Parties".

Research and development costs for the three months and year ended March 31, 2021 decreased by 16% and 21%, respectively, compared to the same periods of the previous fiscal year, mainly due to the CEWS benefits and salary reductions. This decrease was partially offset by lower SR&ED credits.

SR&ED credits decreased by 63% and 56% for the three months and year ended March 31, 2021, compared to the same periods of the previous fiscal year, due to the elimination of the Alberta SR&ED credit and also due to the CEWS benefit lowering salary expense.

Depreciation

Three months ended March 31, (\$ thousands)	2021	2020	\$ change	% change
Depreciation of property and equipment, allocated to:				
Sales, marketing and professional services	258	259	(1)	0%
Research and development	674	721	(47)	-7%
General and administrative	139	141	(2)	-1%
Total depreciation	1,071	1,121	(50)	-4%

Years ended March 31, (\$ thousands)	2021	2020	\$ change	% change
Depreciation of property and equipment, allocated to:				
Sales, marketing and professional services	1,019	1,065	(46)	-4%
Research and development	2,697	2,736	(39)	-1%
General and administrative	555	559	(4)	-1%
Total depreciation	4,271	4,360	(89)	-2%

Depreciation for the three months and year ended March 31, 2021 remained consistent with the same periods of the previous fiscal year.

Finance Income and Costs

Three months ended March 31, (\$ thousands)	2021	2020	\$ change	% change
Interest income	86	205	(119)	-58%
Net foreign exchange gain	-	2,134	(2,134)	-100%
Total finance income	86	2,339	(2,253)	96%
Interest expense on lease liability	(511)	(528)	(17)	-3%
Net foreign exchange loss	(384)	-	384	100%
Total finance costs	(895)	(528)	367	70%

Years ended March 31, (\$ thousands)	2021	2020	\$ change	% change
Interest income	374	1,127	(753)	-67%
Net foreign exchange gain	-	1,706	(1,706)	-100%
Total finance income	374	2,833	(2,459)	-87%
Interest expense on lease liability	(2,074)	(2,128)	(54)	-3%
Net foreign exchange loss	(1,943)	-	1,943	100%
Total finance costs	(4,017)	(2,128)	1,889	89%

Interest income decreased during the three months and year ended March 31, 2021, compared to the same periods of the previous fiscal year, due to lower interest rates. Interest expense on lease liability was consistent with the comparative periods.

CMG is impacted by foreign exchange fluctuations, as approximately 71% of CMG's revenue for the year ended March 31, 2021 (2020 – 74%) is denominated in US dollars, whereas only approximately 28% (2020 – 25%) 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 March 31, 2021, 2020 and 2019 and the average exchange rates used to translate income statement items during the years ended March 31, 2021, 2020 and 2019:

CDN\$ to US\$	At March 31	Yearly average
2019	0.7483	0.7633
2020	0.7049	0.7539
2021	0.7952	0.7520

CMG recorded net foreign exchange losses of \$0.4 million and \$1.9 million for the three months and year ended March 31, 2021, due to a weakening of the US dollar during the quarter and during the year, which negatively 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 year ended March 31, 2021 is 25.0% (2020 – 27.6%), whereas the blended Canadian statutory tax rate for the Company's 2021 fiscal year is 23.5% (down from 26.0% in fiscal 2020, due to a reduction in the provincial tax rate). 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 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 March 31, (\$ thousands, except per share data)	2021	2020	\$ change	% change
Total revenue	16,801	18,515	(1,714)	-9%
Operating expenses	(10,245)	(10,713)	468	4%
Operating profit	6,556	7,802	(1,246)	-16%
Operating profit as a % of revenue	39%	42%		
Net income for the period	4,293	7,063	(2,770)	-39%
Net income as a % of total revenue	26%	38%		
Basic earnings per share (\$/share)	0.05	0.09	(0.04)	-44%

Years ended March 31, (\$ thousands, except per share data)	2021	2020	\$ change	% change
Total revenue	67,363	75,786	(8,423)	-11%
Operating expenses	(36,798)	(44,035)	7,237	16%
Operating profit	30,565	31,751	(1,186)	-4%
Operating profit as a % of revenue	45%	42%		
Net income for the period	20,190	23,485	(3,295)	-14%
Net income as a % of total revenue	30%	31%		
Basic earnings per share (\$/share)	0.25	0.29	(0.04)	-14%

Operating profit as a percentage of total revenue for the three months ended March 31, 2021 was 39%, down from 42% in the prior year quarter, because, while both revenue and operating expenses decreased, revenue decreased by a higher percentage.

Operating profit as a percentage of total revenue for the year ended March 31, 2021 was 45%, up from 42% in the prior year, because, while both revenue and operating expenses decreased, operating expenses decreased by a higher percentage, due to the CEWS and CERS benefits and salary reductions.

Without the impact of the CEWS and CERS benefits, operating profit as a percentage of total revenue was 32% and 37% for the three months and year ended March 31, 2021, respectively.

Net income as a percentage of total revenue was 26% for the three months ended March 31, 2021, down from 38% in the prior year quarter, mainly due to lower revenue and a higher foreign exchange loss in the current quarter.

Net income as a percentage of total revenue was 30% for the year ended March 31, 2021, consistent with 31% in the prior year.

EBITDA⁽¹⁾

Three months ended March 31, (\$ thousands)	2021	2020	\$ change	% change
Net income for the period	4,293	7,063	(2,770)	-39%
Add (deduct):				
Depreciation	1,071	1,121	(50)	-4%
Finance (income) costs	809	(1,811)	2,620	145%
Income and other taxes	1,454	2,550	(1,096)	-43%
EBITDA	7,627	8,923	(1,296)	-15%
EBITDA as a % of total revenue	45%	48%		

Years ended March 31, (\$ thousands)	2021	2020	\$ change	% change
Net income for the period	20,190	23,485	(3,295)	-14%
Add (deduct):				
Depreciation	4,271	4,360	(89)	-2%
Finance (income) costs	3,643	(705)	4,348	617%
Income and other taxes	6,732	8,971	(2,239)	-25%
EBITDA	34,836	36,111	(1,275)	-4%
EBITDA as a % of total revenue	52%	48%		

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

EBITDA as a percentage of total revenue for the three months ended March 31, 2021 was 45%, down from 48% in the comparative period, because revenue decreased by a higher percentage than operating expenses. EBITDA as a percentage of total revenue for the year ended March 31, 2021 was 52%, up from 48% in the comparative year, because operating expenses decreased by a higher percentage than revenue.

Without the impact of the CEWS and CERS benefits, EBITDA as a percentage of total revenue was 38% and 44% for the three months and year ended March 31, 2021.

Liquidity and Capital Resources

Three months ended March 31, (\$ thousands)	2021	2020	\$ change	% change
Cash, beginning of period	39,176	36,773	2,403	7%
Cash flow provided by (used) in:				
Operating activities	14,418	12,431	1,987	16%
Financing activities	(4,485)	(8,403)	3,918	47%
Investing activities	(41)	(296)	255	86%
Cash, end of period	49,068	40,505	8,563	21%

Years ended March 31, (\$ thousands)	2021	2020	\$ change	% change
Cash, beginning of period	40,505	54,290	(13,785)	-25%
Cash flow provided by (used in):				
Operating activities	26,428	20,530	5,898	29%
Financing activities	(17,468)	(33,325)	15,857	48%
Investing activities	(397)	(990)	593	60%
Cash, end of period	49,068	40,505	8,563	21%

At March 31, 2021, CMG had \$49.1 million in cash, no borrowings and access to approximately \$1.1 million under a line of credit with its principal banker. The Company's primary non-operating use of cash is for paying dividends. Management believes that the Company has sufficient capital resources to meet its operating and capital expenditure needs.

During the year ended March 31, 2021, 26.2 million shares of CMG's public float were traded on the TSX. As at March 31, 2021, CMG's market capitalization based upon its March 31, 2021 closing price of \$5.75 was \$461.6 million.

Operating Activities

Funds flow from operations during the three months and year ended March 31, 2021 was lower than in the comparative periods, mainly due to lower revenue, partially offset by lower operating expenses, yet cash used in operating activities increased by \$2.0 million and \$5.9 million, which was due to the movement in the non-cash working capital.

Financing Activities

Cash used in financing activities decreased in the three months and year ended March 31, 2021, compared to the same periods of the previous fiscal year, due to a dividend decrease from \$0.10 to \$0.05 per common share.

In the year ended March 31, 2021, CMG paid \$16.1 million in dividends, representing the following quarterly dividends:

(\$ per share)	Q1	Q2	Q3	Q4
Total dividends declared and paid	0.05	0.05	0.05	0.05

In the year ended March 31, 2020 CMG paid \$32.1 million in dividends, representing the following quarterly dividends:

(\$ per share)	Q1	Q2	Q3	Q4
Total dividends declared and paid	0.10	0.10	0.10	0.10

On May 19, 2021, CMG announced the payment of a quarterly dividend of \$0.05 per share on CMG's common shares. The dividend will be paid on June 15, 2021 to shareholders of record at the close of business on June 7, 2021. 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 current needs for capital asset investment relate to office infrastructure costs and computer equipment, all of which are being funded internally. During the year ended March 31, 2021, CMG's property and equipment additions were primarily composed of computer equipment and decreased by \$0.6 million, compared to the previous fiscal year, as CMG deferred replacing certain equipment in anticipation of the release of newer and more efficient models in fiscal 2022. CMG's capital budget for fiscal 2022 is \$1.7 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”) with an initial five-year term whereby CMG would be responsible for the research and development costs of CoFlow (estimated to be \$8.3 million in fiscal 2022) and Shell would be responsible for providing a contribution for the continuing development of the software (estimated to be \$6.7 million in fiscal 2022).

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.

CMG has very little in the way of other 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 March 31, 2021:

(thousands of \$)	Undiscounted lease liability payments	Operating costs and short-term leases	Total commitments
Less than one year	3,361	1,115	4,476
Between one and five years	14,105	4,509	18,614
More than five years	43,120	12,836	55,956
	60,586	18,460	79,046

Critical Accounting Estimates and Judgments

The preparation of financial statements requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and the disclosure of contingent assets and liabilities at the dates of the financial statements and the reported amounts of revenues and expenses during the reporting periods. By their nature, these estimates are subject to estimation uncertainty. The effect on the financial statements of changes in such estimates in future periods could be material and would be accounted for in the period in which the estimates are revised and in any future periods affected.

Functional currency – the determination of the functional currency is a matter of determining the primary economic environment in which an entity operates. IAS 21 Effects of Changes in Foreign Exchange Rates sets out a number of factors to apply in making the determination of the functional currency. However, applying the factors in IAS 21 does not always result in a clear indication of functional currency. Where IAS 21 factors indicate differing functional currencies within a subsidiary, the Company uses judgment in the ultimate determination of that subsidiary’s functional currency, including an assessment of the nature of the relationship between the Company and the subsidiary. Judgment was applied in the determination of the functional currency of certain of the Company’s operating entities.

Property and equipment – estimates are used in determining useful economic lives of property and equipment for the purposes of calculating depreciation.

Incremental borrowing rate – under IFRS 16 Leases, a lease liability is initially measured at the present value of the lease payments, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, the Company’s incremental borrowing rate. Since CMG does not have any debt, its incremental borrowing rate must be estimated using such factors as the amount of the funds that would be borrowed if the Company bought the underlying right-of-use asset, the length of the borrowing term, the nature and quality of the underlying right-of-use asset and the economic environment of the jurisdiction in which the asset is located.

Contracts with multiple products or services – contracts with customers often include promises to deliver multiple products, such as licenses and maintenance. Determining whether such bundled products and services are considered i) distinct

performance obligations that should be separately recognized or ii) non-distinct and therefore should be combined with another good or service and recognized as a combined unit of accounting may require significant judgment. The determination of the standalone selling prices (“SSP”) for distinct performance obligations can also require judgment and estimates. SSP for a performance obligation in a contract with customers is an estimate of the price that would be charged for the specific product or service if it was sold separately in similar circumstances and to similar customers.

Professional services revenue – the Company applies estimates when calculating professional services revenue from certain consulting contracts as it relates to remaining labour hours required to complete the contract. Estimates are continually and routinely revised as new information becomes available. In assessing revenue recognition, judgment is also used in assessing the ability to collect the corresponding account receivable.

Research and development – assumptions are made in respect to the eligibility of certain research and development projects in the calculation of scientific research and experimental development (“SR&ED”) investment tax credits which are netted against the research and development costs in the statement of operations and comprehensive income. SR&ED claims are subject to audits by relevant taxation authorities and the actual amount may change depending on the outcome of such audits.

Stock-based compensation – assumptions and estimates are used in determining the inputs used in the Black-Scholes option pricing model, including assumptions regarding volatility, dividend yield, risk-free interest rates, forfeiture estimates and expected option lives.

Impact of the COVID-19 pandemic – In March 2020, the World Health Organization declared the coronavirus outbreak to be a pandemic. Responses to the spread of COVID-19 resulted in a partial shutdown of the global economy leading to significant disruption to business operations and a significant increase in economic uncertainty with volatile commodity prices and currency exchange rates. In addition, fluctuating demand for crude oil resulting from world economies emerging from and then entering into subsequent COVID-19 waves has resulted in significant volatility in global energy prices. These events are resulting in a challenging economic climate in which it is difficult to reliably estimate the length or severity of these developments and their financial impact. A potential adverse impact to the Company includes reductions in revenues and cash flows and increased risk of non-payment from customers. Estimates made during this period of extreme volatility are subject to a higher level of uncertainty and as a result, there may be a further prospective impact in future periods.

Outstanding Share Data

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

As at May 19, 2021	
(thousands)	
Common shares	80,286
Stock options	3,524
Restricted share units ⁽¹⁾	475
Performance share units ⁽¹⁾	118

(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 May 19, 2021, CMG could reserve up to 8,028,000 common shares for issuance under its security-based compensation plans.

Business Risks

CMG's activities expose it to a variety of business risks, such as:

Coronavirus Risk

The Company's operations and revenues have been affected by the COVID-19 pandemic, as some of its customers, faced with the economic uncertainty and decreasing commodity prices, curtailed spending and chose not to renew their licensing agreements or to renew them at reduced levels. While this situation is expected to be temporary, the prolonged continuance of the COVID-19 crisis could further adversely impact CMG's operations, including sales activities and financial performance. In addition, fluctuating demand for crude oil resulting from world economies emerging from and then entering into subsequent COVID-19 waves has resulted in significant volatility in global energy prices. Low commodity prices and resulting lower cash flow and capital spending in the industry could continue to adversely impact the demand for CMG's products. We expect the significance of the COVID-19 pandemic, including the extent of its effect on our financial condition and results of operations, to be dictated by, among other things, its duration, the success of efforts to contain it and the impact of actions taken in response. The extent to which the COVID-19 pandemic may impact our operating results, financial condition, and cash flows will depend on future developments, which are highly uncertain and cannot be accurately predicted at this time.

Since the start of the pandemic, the Company has been operating almost entirely remotely, and the Company's research and development activities and technical support for customers have continued uninterrupted, through email, phone and video conferencing. In addition, CMG has pre-emptively taken various cost saving and cash preservation actions to preserve liquidity, manage costs and protect shareholder value. These measures were implemented to protect CMG's profitability and optimize free cash flow generation to maintain the strength of our balance sheet and allow for maximum flexibility in our capital allocation decisions.

Commodity Price Risk

CMG's clients are primarily oil and gas producers, and CMG's financial results can therefore be significantly impacted by commodity price volatility. Commodity price volatility and low oil prices that result in lower cash flow for CMG's industry clients could impact their investment decisions, including decisions regarding licensing CMG software. In addition, sales of perpetual licenses may decrease in favour of leasing software on a term basis.

Volatility in commodity prices could have an impact on CMG's consulting business; however, this revenue stream generates less than 10% of total revenues and CMG has no current plans to significantly expand this area of business.

Credit and Liquidity Risks

Our product demand is dependent on our customers' overall spending plans, which are driven by commodity prices and the availability of capital. This risk is mitigated by having a diversified customer base with the majority of revenue being derived from larger entities which are not as affected by the market volatility or cyclical downturns in commodity prices. In addition, our diversified geographic profile helps to mitigate the effects of economic recessions and instability experienced in any particular geographic region.

The Company mitigates the collection risk by closely monitoring its accounts receivable and assessing creditworthiness of its customers. The Company has not had any significant losses to date.

In terms of liquidity, the Company held \$49.1 million of cash at March 31, 2021, which more than covers its obligations, and it has approximately \$1.1 million of the credit facility available for its use. The Company's cash is held with reputable banking institutions. For the described reasons, we believe that our liquidity risk is low.

Sales Variability Risk

CMG's software license revenue consists primarily of annuity/maintenance software licensing, which is generally for a term of one year or less, and, to a lesser extent, perpetual software licensing, whereby the customer purchases the then-current

version of the software and has the right to use that version in perpetuity. Software licensing under perpetual sales has comprised 6-7% of total software licensing revenue over the last two fiscal years, but is more variable in nature as the purchase decision, and its timing, fluctuate with customers' needs and budgets. CMG has found that a number of customers prefer to acquire perpetual software licenses rather than leasing the software on an annual basis. The Company's experience is that a number of these customers are purchasing additional licenses to allow more users to access CMG technology in their operations. CMG has found that a large percentage of its customers who have acquired perpetual software licenses are subsequently purchasing maintenance licenses to ensure they have access to current CMG technology.

The variability in sales of perpetual licenses may cause significant fluctuations in the Company's quarterly and annual financial results, and these results may not meet the expectations of investors. Accordingly, the Company's past results may not be a good indication of its future performance.

CMG's customers are both domestic and international oil and gas companies, and for the year ended March 31, 2021, one customer comprised more than 10% of the Company's total revenue (year ended March 31, 2020 – one customer).

Foreign Exchange Risk

CMG's reported results are affected by the exchange rate between the Canadian dollar and the US dollar as approximately 71% (2020 – 74%) of product revenues in fiscal 2020 were denominated in US dollars. Approximately 28% of CMG's total costs in fiscal 2021 (2020 – 25%) were denominated in US dollars, which provides a partial economic hedge against the fluctuation in currency exchange between the US and the Canadian dollar on revenues. CMG's residual revenues and costs are primarily denominated in Canadian dollars, and its policy is to convert excess US dollar cash into Canadian dollars when received.

Geopolitical Risk

CMG sells its products and services in approximately 60 countries and maintains offices in Canada, the United States, the United Kingdom, the United Arab Emirates, Colombia and Malaysia. Some of these countries have greater economic, political and social risks than North America. Some of those risks include:

- Costs associated with the use of foreign agents and contractors;
- Difficulties in collecting accounts receivable;
- Currency restrictions and exchange rate fluctuations;
- The burdens of complying with a wide variety of foreign laws;
- Changes in laws governing existing operations and contracts;
- Changes to taxation policies dramatically increasing tax costs to the Company;
- Possible social, labor, political, and economic instability;
- Economic and legal sanctions;
- Non-compliance with applicable anti-corruption and bribery laws.

Any disruption in our ability to complete a sale cycle, including disruption of travel to customers' locations to provide training and support, and the cost of reorganizing daily activities of foreign operations, could have an adverse effect on CMG's business, financial condition and operational results. CMG mitigates the potential adverse effect on sales by invoicing for the full license term in advance for the majority of software license sales and by invoicing as frequently as the contract allows for consulting and contract research services. CMG consults with tax advisors on complex tax issues and engages professional tax firms to review its tax filings in foreign jurisdictions. CMG closely monitors the business and regulatory environments of the countries in which it conducts operations to minimize the potential impact on costs and operations.

Non-compliance with applicable anti-corruption and bribery laws could subject the Company to onerous penalties and the costs of prosecution. CMG has established business practices and internal controls to minimize the potential occurrence of any irregular payments. In addition, the Company has established well-defined anti-corruption and bribery policies and procedures that each employee and contractor is required to sign indicating their compliance.

Competition Risk

Competition is a risk for CMG as it is for almost every company in every sector. The reservoir simulation software industry currently consists of two major suppliers (including CMG) and a number of small suppliers. Some of the other suppliers offer products or oil field services outside the scope of reservoir simulation. Some potential customers may prefer to deal with such multi-service suppliers, while others prefer an independent supplier, such as CMG.

Although competition is very active, CMG believes that its proven technology and the comprehensive scope of its products, combined with its international presence and recognition as a major independent supplier, provide distinct competitive advantages.

Sustaining competitive advantage is another issue, which CMG addresses by making a significant ongoing commitment to research and development spending. CMG spent \$15.2 million on product research and development in its most recently completed fiscal year (2020 – \$19.2 million).

The introduction by competitors of products embodying new technology and the emergence of new industry standards and practices could render CMG's products obsolete and unmarketable and could exert price pressures on existing products, which could have negative effects on the Company's business, operating results and financial condition.

There is a significant barrier for new entrants into the reservoir simulation software industry. The cost of entry is substantial as a significant investment in research and development is required. In addition, to become a major supplier, a significant time investment is required to build up quality relationships with potential customers.

Qualified Personnel Risk

The Company's continued success is substantially dependent on the performance of its key employees and officers. The loss of the services of these personnel as well as failure to attract additional key personnel could have a negative impact upon the Company's business, operating results and financial condition. As a result of the shift to working from home since the start of the COVID-19 pandemic, employees have more options when looking for employment, because they can work remotely for employers located in other provinces or countries. Consequently, employers find themselves competing for talent not only locally, but with other employers from around the world. Due to high levels of competition for qualified personnel, there can be no assurance that the Company will be successful in retaining and attracting such personnel. The Company attempts to overcome this by offering an attractive compensation package and providing an environment that provides the intellectual and professional stimulation sought by our employee group.

Intellectual Property Risk

CMG regards its software as proprietary and attempts to protect it with copyrights, trademarks and trade secret measures, including restrictions on disclosure and technical measures. Despite these precautions, it may be possible for third parties to copy CMG's programs or aspects of its trade secrets. CMG has no patents, and existing legal and technical precautions afford only limited practical protection. CMG could incur substantial costs in protecting and enforcing its intellectual property rights. Moreover, from time to time third parties may assert patent, trademark, copyright and other intellectual property rights to technologies that are important to CMG. In such an event, CMG may be required to incur significant costs in litigating a resolution to the asserted claim. There can be no assurance that such a resolution would not require that CMG pay damages or obtain a license of a third party's proprietary rights in order to continue licensing its products as currently offered, or, if such a license is required, that it will be available on terms acceptable to CMG.

CMG does not know of any infringement of any third party's patent rights, copyrights, trade secrecy rights or other intellectual property disputes in the development or support of its products.

Cyber Risk

CMG is dependent on information technology ("IT") infrastructure to process, transmit and store electronic information, to advertise, inform and train around CMG's products and services, to manage business operations and for the functioning and/or delivery of the Company's products and services. CMG's IT infrastructure is composed of hardware, software,

networks, data center facilities, web servers, and all related equipment required to operate. Natural disasters, energy blackouts, operating malfunction, software virus or malware, cyber security attacks, theft, computer or telecommunication errors, human error, internal or external misconduct or other unknown disruptive events could result in the temporary or permanent loss of any or all parts of CMG's IT infrastructure. Any such incident or breach could create system disruptions and slowdowns or could result in the loss of potential sales and existing customers. In such an event, the information stored in CMG's IT infrastructure could be accessed, publicly disclosed, lost, or stolen, which could subject CMG to liability and cause the Company to incur significant costs to eliminate or alleviate the problem. Additionally, such occurrences could cause negative publicity, loss of sales, litigation, affect our business and financial results and harm CMG's reputation. CMG mitigates such risks by:

- ensuring the core network is not connected to the Internet;
- firewalling the servers that are connected to the Internet;
- restricting access to information through user authentication;
- completing frequent back-ups of data in accordance with the Company's Backup and Data Classification Policy;
- having a disaster recovery plan in place;
- having an Information and Cyber Security Policy in place, which informs employees, contractors and other authorized users of the Company's IT infrastructure of their obligatory requirements for protecting the technology and information assets of the Company; and
- conducting mandatory annual cyber security training for all employees.

CMG's cyber risk oversight is conducted by the Audit Committee of the Board of Directors.

Although CMG has implemented disaster recovery plans and extensive technology security initiatives to prevent, detect and address these threats, it is virtually impossible to entirely mitigate these risks. To date, CMG has not experienced any material losses relating to cyber attacks or other information security breaches.

Evolving Laws and Regulation

CMG's website and operations collect some user information, including personal information. The website is not used for e-commerce transactions, and CMG neither receives nor retains financial information from its website users. CMG's products are not known to have any security vulnerabilities. CMG's products are engineering decision-making tools and are not employed in a cyber security (mitigation or defensive) role, as part of our customers' IT infrastructure. CMG's software releases are scanned for software viruses and malware, confirming a lack thereof, prior to delivery to customers.

Companies that use, transmit or store data are increasingly becoming subject to legislation and regulations in numerous jurisdictions. Privacy and data protection laws are constantly evolving and there is a risk that these laws may be interpreted and applied in conflicting ways from country to country. Because CMG's products and services are sold worldwide, certain jurisdictions may claim that we are required to comply with such laws and may cause CMG to incur additional costs. CMG could also be affected if legislation or regulations are expanded to require changes in our products, services or business practices.

Tax Liability Risk

With operations and sales in various countries, CMG is subject to taxes in several jurisdictions around the world. Significant judgment is required in determining the Company's worldwide liability for income, indirect and other taxes, as well as potential penalties and interest. Although management believes that all expenses and tax credits claimed by the Company, including research and development expenses and foreign tax credits, are reasonable, deductible and have been correctly determined, tax authorities may disagree with the treatment of items reported by the Company, the result of which could have a material adverse effect on our financial condition and results of operations. CMG mitigates these risks by staying informed of changes in tax legislation, consulting with tax advisors on complex tax issues and having professional tax firms review the Company's tax filings.

CMG conducts operations worldwide through subsidiaries in various tax jurisdictions pursuant to transfer pricing arrangements with its subsidiaries. If two or more affiliated companies are located in different countries, the tax laws or regulations of each country generally will require that transfer prices be the same as those between unrelated companies dealing at arm's length.

While we believe that we operate in compliance with applicable transfer pricing laws and intend to continue to do so, a tax authority in one or more jurisdictions could challenge the validity of our related-party transfer pricing methodologies, which could result in adjustments in favor of the taxing authority. To address this risk, CMG engages local professional tax firms to review the Company's transfer pricing agreements and dealings with foreign tax authorities.

Climate Change Risk

The recent shift toward public and government support of climate change initiatives, such as emission reduction targets, clean energy standards, and alternative energy incentives and mandates, could impact the demand for hydrocarbons in Canada and around the world. CMG's customers are oil and gas companies; therefore, increasing environmental regulations, taxes, laws or penalties could reduce oil and gas producers' cash flow by way of reduced demand, increased capital expenditures and increased operating expenses, as well as increase delays, costs or legal hurdles, which may not be recoverable in the marketplace. Such regulation changes include, but are not limited to, curtailment rules, new climate change regulations and the implementation of the *Canadian Energy Regulator Act*. The complexity and breadth of changes in environmental regulation make it extremely difficult to predict the potential impact to CMG; however, it is possible to conclude that these developments and future global developments in the energy sector could adversely impact the demand for CMG's products.

Climatic Conditions

Extreme climatic conditions may also have material adverse effects on the Company's financial condition and results of operations. Weather and climate can affect the Company directly to the extent it creates natural disasters like flooding or is connected to health concerns such as a pandemic like the current COVID-19 pandemic the Company is facing. It also affects the Company's operations to the extent that weather and climate affect the predictability of the demand for energy and in turn the demand for the Company's products.

In addition, the Company's major customers are oil and gas exploration and production companies and the operations of these customers can be affected by extreme weather. This may result in cessation or diminishment of production or the implementation of new projects which can also affect the Company's revenues. Many of the Company's customers operate in some of the harshest environments in the world. Climate change may increase the frequency of severe weather conditions in these locations including winds, flooding and variable temperatures, which are contributing to the melting of northern ice and increased creation of icebergs. These threats to the assets and available cash of the Company's customers, have the potential to impact their reason to or their ability to use the Company's products.

Energy Transition

In addition to emissions regulations and the physical risks of climate change, climate-related transition risks could have a material adverse effect on the Company's business, financial condition and results of operations, and could adversely impact the Company's reputation. For example, increased public opposition to companies in the oil and gas sector could lead to constrained access to insurance, liquidity and capital and changes in demand for the Company's products, which may impact its revenue. Increasing pressure by the Company's customers to develop new technologies to help them reduce the intensity of their operations and their emissions could require significant capital investment in research and development.

The Company's management and Board monitors these risks on a quarterly basis and discusses strategies to deal with these risks (along with all other identified risks of the Company) at its annual strategic planning session. Overall, the Company is not able to estimate, at this time, the degree to which climate change related regulatory, climatic conditions, and transition risks could impact the Company's financial and operating results.

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.

At March 31, 2021, the Chief Executive Officer ("CEO") and the Chief Financial Officer ("CFO") concluded that the design and operation of the Company's DC&P were effective (in accordance with the COSO control framework (2013)) and that material

information relating to the Company, including its subsidiaries, was made known to them and was recorded, processed, summarized and reported within the time periods specified under applicable securities legislation. Further, the CEO and the CFO concluded that the design and operation of the Company's ICFR were effective at March 31, 2021 in order to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with IFRS. It should be noted that while the Company's CEO and CFO believe that the Company's disclosure controls and procedures and internal controls over financial reporting provide a reasonable level of assurance that they are effective, they do not expect that such controls and procedures will prevent all errors and fraud. A control system, no matter how well conceived or operated, can provide only reasonable, not absolute, assurance that the objectives of the control system are met.

During the year ended March 31, 2021, 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.

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, direct employee costs, other corporate costs, 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, 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. EBITDA should not be construed as an alternative to net income as determined by IFRS. The Company believes that EBITDA is useful supplemental information as it provides 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 "EBITDA" heading for a reconciliation of 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. Management uses free cash flow 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)	Fiscal 2020				Fiscal 2021			
	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4
Funds flow from operations	6,097	7,787	7,366	7,515	4,703	7,991	7,322	6,267
Capital expenditures	(108)	(235)	(351)	(296)	(149)	(200)	(7)	(41)
Repayment of lease liabilities	(282)	(278)	(289)	(379)	(315)	(317)	(310)	(471)
Free cash flow	5,707	7,274	6,726	6,840	4,239	7,474	7,005	5,755

Years ended March 31, (\$ thousands)	2021	2020	2019
Funds flow from operations	26,283	28,765	25,593
Capital expenditures	(397)	(990)	(742)
Repayment of lease liabilities	(1,413)	(1,228)	-
Free cash flow	24,473	26,547	24,851

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;
- the impact of the ongoing COVID-19 pandemic on the global economy and the Company; and
- the Company's eligibility for the federal government's Canada Emergency Wage Subsidy and Canada Emergency Rent Subsidy programs.

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 oil and gas 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.

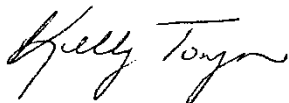
Management's Statement of Responsibility

Management is responsible for the accompanying consolidated financial statements and all other information contained in this Annual Report. The consolidated financial statements have been prepared in accordance with International Financial Reporting Standards consistently applied, using management's best estimates and judgments, where appropriate. Financial information included elsewhere in this report is consistent with the consolidated financial statements.

Management maintains appropriate systems of internal control. Policies and procedures are designed to provide reasonable assurance that transactions are properly authorized, assets are safeguarded and financial records are properly maintained to provide reliable information for the preparation of consolidated financial statements.

KPMG LLP, Chartered Professional Accountants, appointed by the shareholders, have audited the consolidated financial statements in accordance with Canadian generally accepted auditing standards.

The Board of Directors, through its Audit Committee, is responsible for ensuring that management fulfills its financial reporting responsibilities. The Audit Committee reviews the financial content of the Financial Report and meets regularly with management and KPMG LLP to discuss internal controls, accounting and auditing and financial matters. The Committee reports its findings to the Board of Directors for its consideration in approving the consolidated financial statements.



Kelly A. Tomy, CPA, CA
Interim Vice President, Finance and
Chief Financial Officer



Ryan N. Schneider
President and Chief Executive Officer

Calgary, Canada
May 19, 2021

Independent Auditors' Report

To the Shareholders of Computer Modelling Group Ltd.

Opinion

We have audited the consolidated financial statements of Computer Modelling Group Ltd. ("the Entity"), which comprise:

- the consolidated statements of financial position as at March 31, 2021 and March 31, 2020
- the consolidated statements of operations and comprehensive income for the years then ended
- the consolidated statements of changes in equity for the years then ended
- the consolidated statements of cash flows for the years then ended
- and notes to the consolidated financial statements, including a summary of significant accounting policies

(Hereinafter referred to as the "financial statements").

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Entity as at March 31, 2021 and March 31, 2020, and its consolidated financial performance and its consolidated cash flows for the years then ended in accordance with International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board (IASB).

Basis for Opinion

We conducted our audit in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the *Auditors' Responsibilities for the Audit of the Financial Statements* section of our auditors' report.

We are independent of the Entity in accordance with the ethical requirements that are relevant to our audit of the financial statements in Canada and we have fulfilled our other ethical responsibilities in accordance with these requirements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matter

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements for the year ended March 31, 2021. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

We have determined the matter described below to be the key audit matter to be communicated in our auditors' report.

Determination of the standalone selling price of revenue performance obligations for customer contracts with a software license

Description of the matter

We draw attention to Note 3 and Note 10 to the financial statements. The Entity has revenue of \$67,363 thousand, a substantial portion of which contain software licenses in the contract.

The Entity enters into contracts with customers that often include promises to deliver multiple products, such as licenses and maintenance. Determining whether such bundled products and services are considered i) distinct performance obligations that should be separately recognized or ii) non-distinct and therefore should be combined with another good or service and recognized as a combined unit of accounting may require significant judgment. The determination of the standalone selling

prices (SSP) for distinct performance obligations can also require judgment and estimates. SSP for a performance obligation in a contract with customers is an estimate of the price that would be charged for the specific product or service if it was sold separately in similar circumstances and to similar customers.

Annuity agreements include a term-based software license bundled with maintenance. Since the Entity does not sell term-based annuity licenses individually without maintenance and there is no comparable product in the market, there is no observable standalone selling price for term-based annuity licenses. The Entity allocated the value of bundled annuity agreements between software and licenses and maintenance using the residual approach, by subtracting the standalone selling price of a maintenance license from the total annuity agreement fee. Based on this calculation, the standalone selling price of a maintenance license represents 50% of the total annuity agreement fee, leaving 50% to be allocated to the stand-alone annuity license.

Why the matter is a key audit matter

We identified the determination of the SSP of distinct performance obligations in contracts with customers with a software license as a key audit matter. Significant auditor judgment was required to evaluate the determination of SSP, specifically, the allocation between maintenance license and stand-alone annuity license.

How the matter was addressed in the audit

The primary procedures we performed to address this key audit matter included the following:

We evaluated the determined allocation of SSP based on current pricing patterns in relevant customer contracts, historical analysis of contract pricing completed by the Entity and pricing observed in the industry.

Other Information

Management is responsible for the other information. Other information comprises:

— the information included in Management’s Discussion and Analysis filed with the relevant Canadian Securities Commissions.

— the information, other than the financial statements and the auditors’ report thereon, included in a document entitled “2021 Financial Report”.

Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit and remain alert for indications that the other information appears to be materially misstated.

We obtained the other information identified above as at the date of this auditors’ report. If, based on the work we have performed on this other information, we conclude that there is a material misstatement of this other information, we are required to report that fact in the auditors’ report.

We have nothing to report in this regard.

Responsibilities of Management and Those Charged with Governance for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board (IASB), and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Entity's ability to continue as a going concern, disclosing as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Entity or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Entity's financial reporting process.

Auditors' Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards will always detect a material misstatement when it exists.

Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.

As part of an audit in accordance with Canadian generally accepted auditing standards, we exercise professional judgment and maintain professional skepticism throughout the audit.

We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion.

The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Entity's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Entity's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Entity to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.
- Provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the group Entity to express an opinion on the financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.
- Determine, from the matters communicated with those charged with governance, those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditors' report unless law or regulation precludes public disclosure about the matter or

when, in extremely rare circumstances, we determine that a matter should not be communicated in our auditors' report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

The engagement partner on the audit resulting in this auditors' report is Kimberly J. Payne.

KPMG LLP

Chartered Professional Accountants
May 19, 2021
Calgary, Canada

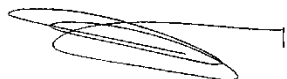
Consolidated Statements of Financial Position

(thousands of Canadian \$)	March 31, 2021	March 31, 2020
Assets		
Current assets:		
Cash	49,068	40,505
Trade and other receivables (note 18(a))	23,239	26,277
Prepaid expenses	820	913
Prepaid income taxes (note 15)	8	771
	73,135	68,466
Property and equipment (note 5)	12,025	13,507
Right-of-use assets (note 6)	35,509	37,901
Deferred tax asset (note 15)	1,822	992
Total assets	122,491	120,866
Liabilities and shareholders' equity		
Current liabilities:		
Trade payables and accrued liabilities (note 7)	6,316	5,779
Income taxes payable (note 15)	49	60
Deferred revenue (note 8)	30,461	33,838
Lease liability (note 9)	1,356	1,313
	38,182	40,990
Long-term stock-based compensation liability (note 16(c))	1,281	445
Long-term lease liability (note 9)	39,606	41,062
Total liabilities	79,069	82,497
Shareholders' equity:		
Share capital (note 16)	80,051	79,851
Contributed surplus	14,251	13,533
Deficit	(50,880)	(55,015)
Total shareholders' equity	43,422	38,369
Total liabilities and shareholders' equity	122,491	120,866

Subsequent event (note 23)

See accompanying notes to consolidated financial statements.

Approved by the Board



John B. Zaozirny
Director



Peter H. Kinash
Director

Consolidated Statements of Operations and Comprehensive Income

Years ended March 31, (thousands of Canadian \$ except per share amounts)	2021	2020
Revenue (note 10)	67,363	75,786
Operating expenses (note 11)		
Sales, marketing and professional services	15,690	18,126
Research and development (note 12)	15,194	19,244
General and administrative	5,914	6,665
	36,798	44,035
Operating profit	30,565	31,751
Finance income (note 14)	374	2,833
Finance costs (note 14)	(4,017)	(2,128)
Profit before income and other taxes	26,922	32,456
Income and other taxes (note 15)	6,732	8,971
Net and total comprehensive income	20,190	23,485
Earnings per share		
Basic and diluted (note 16(d))	0.25	0.29

See accompanying notes to consolidated financial statements.

Consolidated Statements of Changes in Equity

(thousands of Canadian \$)	Share capital	Contributed surplus	Deficit	Total equity
Balance, April 1, 2019	79,711	12,808	(46,403)	46,116
Total comprehensive income for the year	-	-	23,485	23,485
Dividends paid	-	-	(32,097)	(32,097)
Shares issued on redemption of restricted share units (note 16(b))	140	-	-	140
Stock-based compensation:				
Current period expense (note 16(c))	-	725	-	725
Balance, March 31, 2020	79,851	13,533	(55,015)	38,369
Balance, April 1, 2020	79,851	13,533	(55,015)	38,369
Total comprehensive income for the year	-	-	20,190	20,190
Dividends paid	-	-	(16,055)	(16,055)
Shares issued on redemption of restricted share units (note 16(b))	200	-	-	200
Stock-based compensation:				
Current period expense (note 16(c))	-	718	-	718
Balance, March 31, 2021	80,051	14,251	(50,880)	43,422

See accompanying notes to consolidated financial statements.

Consolidated Statements of Cash Flows

Years ended March 31, (thousands of Canadian \$)	2021	2020
Operating activities		
Net income	20,190	23,485
Adjustments for:		
Depreciation (notes 5 and 6)	4,271	4,360
Deferred income tax recovery (note 15)	(831)	(13)
Stock-based compensation (note 16(c))	2,653	933
Funds flow from operations	26,283	28,765
Movement in non-cash working capital:		
Trade and other receivables	3,038	(7,057)
Trade payables and accrued liabilities	(361)	86
Prepaid expenses	93	317
Income taxes payable	752	(404)
Deferred revenue	(3,377)	(1,177)
Decrease (increase) in non-cash working capital	145	(8,235)
Net cash provided by operating activities	26,428	20,530
Financing activities		
Repayment of lease liability (note 9)	(1,413)	(1,228)
Dividends paid	(16,055)	(32,097)
Net cash used in financing activities	(17,468)	(33,325)
Investing activities		
Property and equipment additions (note 5)	(397)	(990)
Increase (decrease) in cash	8,563	(13,785)
Cash, beginning of period	40,505	54,290
Cash, end of period	49,068	40,505
Supplementary cash flow information		
Interest received (note 14)	374	1,135
Interest paid (notes 9 and 14)	2,074	2,128
Income taxes paid	6,107	7,893

See accompanying notes to consolidated financial statements.

Notes to Consolidated Financial Statements

For the years ended March 31, 2021 and 2020.

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 consolidated financial statements as at and for the year ended March 31, 2021 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 consolidated financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB").

These consolidated financial statements as at and for the year ended March 31, 2021 were authorized for issuance by the Board of Directors on May 19, 2021.

(b) Basis of Measurement:

The consolidated 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 consolidated 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 for the period. Estimates and underlying assumptions are based on historical experience and other assumptions that are considered reasonable in the circumstances and are reviewed on an on-going 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. The financial statement areas that require significant estimates and judgments are as follows:

Functional currency – the determination of the functional currency is a matter of determining the primary economic environment in which an entity operates. IAS 21 Effects of Changes in Foreign Exchange Rates sets out a number of factors to apply in making the determination of the functional currency. However, applying the factors in IAS 21 does not always result in a clear indication of functional currency. Where IAS 21 factors indicate differing functional currencies within a subsidiary, the Company uses judgment in the ultimate determination of that subsidiary's functional currency, including an assessment of the nature of the relationship between the Company and the subsidiary. Judgment was applied in the determination of the functional currency of certain of the Company's operating entities.

Property and equipment – estimates are used in determining useful economic lives of property and equipment for the purposes of calculating depreciation (note 5).

Incremental borrowing rate – under IFRS 16 Leases, a lease liability is initially measured at the present value of the lease payments, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, the Company's incremental borrowing rate. Since CMG does not have any debt, its incremental borrowing rate must be estimated using such factors as the amount of the funds that would be borrowed if the Company bought the underlying right-of-use asset, the length of the borrowing term, the nature and quality of the underlying right-of-use asset and the economic environment of the jurisdiction in which the asset is located (note 9).

Contracts with multiple products or services – contracts with customers often include promises to deliver multiple products, such as licenses and maintenance. Determining whether such bundled products and services are considered i) distinct performance obligations that should be separately recognized or ii) non-distinct and therefore should be combined with another good or service and recognized as a combined unit of accounting may require significant judgment. The determination of the standalone selling prices ("SSP") for distinct performance obligations can also require judgment and estimates. SSP for a performance obligation in a contract with customers is an estimate of the price that would be charged for the specific product or service if it was sold separately in similar circumstances and to similar customers.

Professional services revenue – the Company applies estimates when calculating professional services revenue from certain consulting contracts as it relates to remaining labour hours required to complete the contract. Estimates are continually and routinely revised as new information becomes available. In assessing revenue recognition, judgment is also used in assessing the ability to collect the corresponding account receivable.

Research and development – assumptions are made in respect to the eligibility of certain research and development projects in the calculation of scientific research and experimental development ("SR&ED") investment tax credits which are netted against the research and development costs in the statement of operations and comprehensive income. SR&ED claims are subject to audits by relevant taxation authorities and the actual amount may change depending on the outcome of such audits (note 12).

Stock-based compensation – assumptions and estimates are used in determining the inputs used in the Black-Scholes option pricing model, including assumptions regarding volatility, dividend yield, risk-free interest rates, forfeiture estimates and expected option lives (note 16 (c)).

Impact of the COVID-19 pandemic – In March 2020, the World Health Organization declared coronavirus outbreak a pandemic. Responses to the spread of COVID-19 resulted in a partial shutdown of the global economy leading to significant disruption to business operations and a significant increase in economic uncertainty with volatile commodity prices and currency exchange rates. In addition, fluctuating demand for crude oil resulting from world economies emerging from and then entering into subsequent COVID-19 waves has resulted in significant volatility in global energy prices. These events are resulting in a challenging economic climate in which it is difficult to reliably estimate the length or severity of these developments and their financial impact. A potential adverse impact to the Company includes reductions in revenues and cash flows and increased risk of non-payment from customers. Estimates made during this period of extreme volatility are subject to a higher level of uncertainty and as a result, there may be a further prospective impact in future periods.

3. Significant Accounting Policies:

(a) Basis of Consolidation:

The consolidated financial statements include the accounts of CMG and its subsidiaries, all 100% owned (note 21). All inter-company transactions and balances have been eliminated on consolidation. The financial statements of the subsidiaries are prepared for the same reporting period as the parent company, using consistent accounting policies.

(b) Revenue Recognition:

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

Type of products /service	Nature, timing of satisfaction of performance obligations, significant contract terms
Annuity license revenue	<p>Annuity agreements include a term-based software license bundled with maintenance. IFRS 15 <i>Revenue from Contracts with Customers</i> requires that the portion of the annuity agreement fee that relates to the software license should be recognized as revenue at the start of the license period, while the remainder should be recognized as maintenance revenue on a straight-line basis over the license period. However, since it is management's practice to honour customers' mid-contract requests to reduce product quantities or license term duration without a penalty and refund or credit a pro-rata share of the agreement fee, software annuity license revenue cannot be recognized upfront and will instead be recognized ratably over the term of the contract.</p> <p>The exception to this practice is certain multi-year agreements with very specific termination clauses that significantly limit the customer's ability to reduce the license term. For these agreements, the software license portion that relates to the non-cancellable period will be recognized upfront, at the start of that particular period of the license contract.</p> <p>The maintenance component of an annuity contract includes customer support and unspecified software upgrades. Maintenance license revenue is recognized on a straight-line basis over the term of the contract, as the Company satisfies its maintenance performance obligation over time.</p> <p>Since the Company does not sell term-based annuity licenses individually without maintenance and there is no comparable product in the market, there is no observable standalone selling price for term-based software annuity licenses. The Company allocates the value of bundled annuity agreements between software licenses and maintenance using the residual approach, by subtracting the standalone selling price of maintenance from the total annuity agreement fee. Based on this calculation, the standalone selling price of maintenance represents 50% of the total annuity agreement fee, leaving 50% to be allocated to the standalone software annuity license.</p>
Maintenance license revenue	<p>Maintenance agreements include customer support and unspecified software upgrades, typically for a term of one year or less. Maintenance licenses are purchased by customers who already own a perpetual license and want the additional benefit of customer support and software upgrades. Maintenance license revenue is recognized on a straight-line basis over the term of the contract, as the Company satisfies its maintenance performance obligation over time.</p>
Perpetual license revenue	<p>A perpetual license grants the customer the right to use the then-current version of the software in perpetuity. Perpetual license revenue is recognized at a point in time, upon delivery of the licensed product.</p>
Professional services revenue	<p>Revenue from professional services consists of consulting, training and contract research activities. Professional services revenue is recognized over time, based on hours incurred.</p>

Costs to obtain a contract

The Company applies the practical expedient available under IFRS 15 and does not capitalize incremental costs of obtaining contracts if the amortization period is one year or less.

(c) Cash:

Cash consists of balances held in interest-earning bank accounts.

(d) Property and Equipment:

Property and equipment are recorded at cost less accumulated depreciation. Cost includes expenditures that are directly attributable to the acquisition of the asset.

Depreciation is based on the cost of an asset and is recognized from the date the item is ready for use in the statement of operations and comprehensive income using the following annual rates and methods that are expected to amortize the cost of the property and equipment over their estimated useful lives:

Computer equipment	straight-line over 3 years
Furniture and equipment	straight-line over 5 years
Leasehold improvements	straight-line over the lease term

Any gain or loss on disposal of an item of property and equipment (calculated as the difference between the net proceeds from disposal and the carrying amount of the item) is recognized in the statement of operations and comprehensive income.

The estimated useful lives and depreciation methods are reviewed at each fiscal year-end and adjusted if appropriate.

(e) Research and Development Costs:

All costs of product research and development are expensed to operations as incurred as the impact of both technological changes and competition require the Company to continually enhance its products on an annual basis. Research and development costs are recorded net of related SR&ED investment tax credits and government grants.

(f) Finance Income and Finance Costs:

Finance income comprises interest income earned on the bank balances and is recognized as it accrues through the statement of operations and comprehensive income, using the effective interest method.

Foreign currency gains and losses are reported on a net basis as either finance income or finance cost depending on whether foreign currency movements are in a net gain or net loss position. Foreign currency gains and losses are recognized in the period in which they occur.

(g) Foreign Currency Translation:

Transactions in foreign currencies are translated to Canadian dollars, the functional currency of the Company, at exchange rates at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies are translated into Canadian dollars at the rate of exchange prevailing at the reporting date, while non-monetary assets and liabilities that are measured in terms of historical cost are translated using the exchange rates at the dates of the transactions.

Revenues and expenses are translated at the rate of exchange in effect on the transaction dates. Realized and unrealized foreign exchange gains and losses are included in the statement of operations and comprehensive income in the period in which they occur.

(h) Income Taxes:

Income taxes comprise current and deferred tax.

Current tax is the expected tax payable or receivable based on taxable profit for the period calculated using tax rates that have been enacted or substantively enacted at the reporting date, and includes any adjustments to tax payable in respect of previous years. Taxable profit differs from profit as reported in the consolidated statement of operations and comprehensive income because of items that are taxable or deductible in other years and items that are never taxable and deductible. Prepaid income taxes and current income taxes payable are offset only when a legally enforceable right of offset exists and the prepaid income tax and tax payable arise in the same tax jurisdiction and relate to the same taxable entity.

Deferred taxes are recognized for temporary differences between the tax and accounting bases of assets and liabilities and for the benefit of losses available to be carried forward for tax purposes to the extent that it is probable that future taxable profits will be available against which the losses can be utilized. Deferred tax assets and liabilities are measured using the enacted or substantively enacted tax rates expected to apply in the years in which temporary differences are expected to be recovered or settled. Any change to the net deferred tax assets and liabilities is included in operations in the period it occurs. Deferred tax assets and liabilities are offset only when a legally enforceable right of offset exists and the deferred tax assets and liabilities arise in the same tax jurisdiction and relate to the same taxable entity.

In determining the amount of current and deferred tax, the Company takes into account the impact of uncertain tax positions and whether additional taxes and interest may be due. The Company believes that its accruals for tax liabilities are adequate for all open tax years based on its assessment of many factors, including interpretations of tax law and prior experience. This assessment relies on estimates and assumptions and may involve a series of judgments about future events. New information may become available that causes the Company to change its judgment regarding the adequacy of existing tax liabilities; such changes to tax liabilities will impact tax expense in the period that such a determination is made.

(i) Investment Tax Credits:

The Company receives federal investment tax credits in Canada on qualified scientific research and experimental development expenditures incurred in each taxation year. Investment tax credits are recorded as a deduction against related expenses or capital items provided that reasonable assurance over collection of the tax credits exists.

(j) Earnings Per Share:

Basic earnings per share is computed by dividing the net income by the weighted average number of common shares outstanding for the period. Diluted per share amounts reflect the potential dilution that could occur if securities or other contracts to issue common shares were exercised or converted to common shares. In calculating the dilutive effect of stock options, it is assumed that proceeds received from the exercise of in-the-money stock options are used to purchase common shares at the average market price during the period.

(k) Stock-Based Compensation:

The Company has a stock option plan, a share appreciation rights plan, a performance share unit and restricted share unit plan, and a deferred share unit plan, as described in note 16(c).

Stock options give the holder the right to purchase common shares and are accounted for as an equity-settled plan. The fair value of stock options is determined using the Black-Scholes valuation model as of the grant date and is expensed over the vesting period, with a corresponding increase in contributed surplus. At the end of each reporting period, the Company revises its estimate of the number of options that are expected to vest and recognizes the impact of any revision in the statement of operations and comprehensive income. When stock options are exercised, the Company records consideration received, together with amounts previously recognized in contributed surplus, as an increase in share capital.

Stock-based compensation awards that settle in cash or have the option to settle in cash or shares are accounted for as cash-settled plans. These awards are remeasured at fair value each reporting period. The expense is recognized over the vesting

period, with a corresponding adjustment to liabilities, based on the Company's estimate of the number of awards that will eventually vest. When awards are surrendered for cash, the cash settlement paid reduces the outstanding liability. When awards are exercised for common shares, the previously recognized liability is recorded to share capital.

Fair value measurement inputs include the share price on the measurement date, the exercise price of the instrument, expected volatility (based on an evaluation of the Company's historic volatility, particularly over the historic period commensurate with the expected term), expected term of the instruments (based on historical experience and general option holder behaviour), expected dividends, and the risk-free interest rate (based on government bonds). Service and non-market performance conditions attached to the transactions are not taken into account in determining fair value.

(l) Short-Term Employee Benefits:

Short-term employee benefit obligations are measured on an undiscounted basis and are expensed as the related service is provided. A liability is recognized for the amount expected to be paid under short-term cash bonus or profit-sharing plans if the Company has a present legal or constructive obligation to pay this amount as a result of past service provided by the employee, and the obligation can be estimated reliably.

(m) Financial Instruments:

Financial instruments are recognized when the Company becomes a party to the contractual provisions of the instrument. Below is a list of the Company's financial instruments, their classification and subsequent measurement:

	Classification	Measurement
Cash	Amortized cost	Amortized cost
Trade and other receivables	Amortized cost	Amortized cost
Trade payables and accrued liabilities	Other financial liabilities	Amortized cost

The Company's financial assets are initially recognized at fair value plus any directly attributable transaction costs and are subsequently measured at amortized cost using the effective interest rate method less any provision for impairment. The Company derecognizes a financial asset when the contractual rights to the cash flows from the asset have expired or are transferred to another party and the Company has transferred substantially all risks and rewards of ownership. Any gain or loss on derecognition is recognized in profit or loss.

Financial liabilities are initially recognized at fair value, represented by the amount required to be paid plus any directly attributable transaction costs, and subsequently measured at amortized cost using the effective interest method. Financial liabilities are classified as current liabilities if payment is due within a year; otherwise, they are classified as non-current liabilities. The Company derecognizes a financial liability when its contractual obligations are discharged, cancelled or expire. Any gain or loss on derecognition is recognized in profit or loss.

(n) Share Capital

Common shares are classified as equity. Incremental costs directly attributable to the issue of common shares are recognized as a deduction from equity, net of any tax effects.

(o) Impairment:

(i) Receivables

Trade and other receivables are assessed for impairment at each reporting date at both a specific and collective level. All individually significant receivables are assessed for specific impairment. All individually significant receivables found not to be specifically impaired, together with receivables that are not individually significant, are collectively assessed for impairment by grouping together receivables with similar risk characteristics. In assessing collective impairment, the Company uses historical trends of the probability of default, the timing of recoveries and the amount of loss incurred, adjusted for management's judgment as to whether current economic and credit conditions are such that the actual losses are likely to be greater or less

than suggested by historical trends. An impairment loss in respect of a financial asset measured at amortized cost is calculated as the difference between its carrying amount and the present value of the estimated future cash flows discounted at the asset's original effective interest rate. Losses are recognized in the statement of operations and comprehensive income and reflected in an allowance account against trade and other receivables. When a subsequent event (such as the repayment by a debtor) causes the amount of impairment loss to decrease, the decrease is reversed through the statement of operations and comprehensive income.

(ii) Non-financial assets

The carrying amounts of the Company's non-financial assets, other than deferred tax assets, are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated, and any impairment loss required is recognized in the statement of operations and comprehensive income. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation, if no impairment loss had been recognized.

(p) Leases:

At inception of a contract, the Company assesses whether a contract is, or contains, a lease based on whether the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. The Company recognizes a right-of-use asset and a lease liability at the lease commencement date. The right-of-use asset is initially measured at the initial amount of the lease liability adjusted for any lease payments made at or before the commencement date, plus any initial direct costs incurred and an estimate of costs to dismantle and remove the underlying asset or to restore the underlying asset or the site on which it is located, less any lease incentives received. The assets are depreciated to the earlier of the end of the useful life of the right-of-use asset or the lease term using the straight-line method as this most closely reflects the expected patterns of consumption of the future economic benefits. In addition, the right-of-use assets may be periodically reduced by impairment losses, if any, and adjusted for certain re-measurements of the lease liability.

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, the Company's incremental borrowing rate. Since the Company does not have any debt, its incremental borrowing rate must be estimated using such factors as the amount of the funds that would be borrowed if the Company bought the underlying right-of-use asset, the length of the borrowing term, the nature and quality of the underlying right-of-use asset and the economic environment of the jurisdiction in which the asset is located. Subsequently, the lease liability is measured at amortized cost using the effective interest method. It is remeasured whenever there is a change in future lease payments arising from a change in an index or rate, if there is a change in the Company's estimate of the amount expected to be payable under a residual value guarantee, or if the Company changes its assessment of whether it will exercise a purchase, extension or termination option. When the lease liability is remeasured in this way, a corresponding adjustment is made to the carrying amount of the right-of-use asset, or is recorded in profit or loss if the carrying amount of the right-of-use asset has been reduced to zero.

Cash payments for the principal portion of the lease liability are presented within the financing activities and the interest portion of the lease liability is presented within the operating activities of the statement of cash flows. Short-term lease payments not included in the measurement of the lease liability are presented within the operating activities of the statement of cash flows.

The Company applies the practical expedient not to recognize right-of-use assets and lease liabilities for short-term leases that have a lease term of 12 months or less and leases of low-value assets. The lease payments associated with these leases are recognized as an expense on a straight-line basis over the lease term.

(q) Government Grants

Government grants are recognized when the Company has reasonable assurance that it has complied with the relevant conditions of the grant and that it will be received. The Company recognizes the grant against the financial statement line item that it is intended to compensate (note 11).

4. 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 10):

(thousands of \$)	March 31, 2021	March 31, 2020
Canada	46,393	49,957
United States	755	972
South America	325	427
Eastern Hemisphere ⁽¹⁾	61	52
	47,534	51,408

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

5. Property and Equipment:

Cost (thousands of \$)	Computer Equipment	Furniture and Equipment	Leasehold Improvements	Total
Balance at April 1, 2019	6,718	3,075	13,409	23,202
Additions	984	6	-	990
Disposals	(548)	-	-	(548)
Balance at March 31, 2020	7,154	3,081	13,409	23,644
Balance at April 1, 2020	7,154	3,081	13,409	23,644
Additions	367	-	30	397
Disposals	(134)	-	-	(134)
Balance at March 31, 2021	7,387	3,081	13,439	23,907
Accumulated Depreciation				
(thousands of \$)				
Balance at April 1, 2019	(5,629)	(1,605)	(1,467)	(8,701)
Depreciation charge for the year	(798)	(511)	(675)	(1,984)
Disposals	548	-	-	548
Balance at March 31, 2020	(5,879)	(2,116)	(2,142)	(10,137)
Balance at April 1, 2020	(5,879)	(2,116)	(2,142)	(10,137)
Depreciation charge for the year	(731)	(481)	(667)	(1,879)
Disposals	134	-	-	134
Balance at March 31, 2021	(6,476)	(2,597)	(2,809)	(11,882)
Carrying Amounts				
At March 31, 2020	1,275	965	11,267	13,507
At March 31, 2021	911	484	10,630	12,025

6. Right-of-Use Assets:

Cost (thousands of \$)	Offices
Balance at April 1, 2019	39,756
Additions	521
Balance at March 31, 2020	40,277
Balance at April 1, 2020	40,277
Disposals	(30)
Balance at March 31, 2021	40,247
Accumulated Depreciation (thousands of \$)	
Balance at April 1, 2019	-
Depreciation charge for the year	(2,376)
Balance at March 31, 2020	(2,376)
Balance at April 1, 2020	(2,376)
Depreciation charge for the year	(2,392)
Disposals	30
Balance at March 31, 2021	(4,738)
Carrying Amounts	
At March 31, 2020	37,901
At March 31, 2021	35,509

7. Trade Payables and Accrued Liabilities:

(thousands of \$)	March 31, 2021	March 31, 2020
Trade payables	188	402
Employee salaries, commissions and benefits payable	4,662	3,663
Accrued liabilities and other payables	1,466	1,714
	6,316	5,779

8. Deferred Revenue:

The following table presents changes in the deferred revenue balance:

(thousands of \$)	March 31, 2021	March 31, 2020
Balance, beginning of period	33,838	35,015
Invoiced during the period, excluding amounts recognized as revenue during the period	30,171	33,139
Recognition of deferred revenue included in the balance at the beginning of the period	(33,548)	(34,316)
Balance, end of period	30,461	33,838

9. Lease Liability:

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 \$)	
Balance, March 31, 2020	42,375
Interest on lease liability (note 14)	2,074
Lease payments	(3,487)
Balance, March 31, 2021	40,962
Current	1,356
Long-term	39,606

The following table presents contractual undiscounted payments for lease liability as at March 31, 2021:

(thousands of \$)	
Less than one year	3,361
Between one and five years	14,105
More than five years	43,120
Total undiscounted payments	60,586

Other lease-related items recognized in the consolidated statement of operations and comprehensive income:

Years ended March 31, (thousands of \$)	2021	2020
Variable lease expense	805	1,081
Short-term lease expense	228	260

10. Revenue:

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

Years ended March 31, (thousands of \$)	2021	2020
Annuity/maintenance license revenue		
Canada	12,464	14,977
United States	15,113	19,655
South America	6,164	7,625
Eastern Hemisphere	22,193	21,717
	55,934	63,974
Perpetual license revenue		
Canada	-	-
United States	32	461
South America	1,020	1,280
Eastern Hemisphere	2,567	2,931
	3,619	4,672
Total software license revenue	59,553	68,646
Professional services		
Canada	6,971	6,320
United States	458	325
South America	26	115
Eastern Hemisphere	355	380
	7,810	7,140
Total revenue		
Canada	19,435	21,297
United States	15,603	20,441
South America	7,210	9,020
Eastern Hemisphere	25,115	25,028
	67,363	75,786

The amount of revenue recognized during the year ended March 31, 2021 from performance obligations satisfied (or partially satisfied) in previous periods is \$1.6 million (2020 – \$1.8 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 \$)	March 31, 2021	March 31, 2020
Receivables (included in "Trade and other receivables")	22,812	26,020

During the year ended March 31, 2021, one customer comprised 12.5% of the Company's total revenue (2020 – one customer, 11.1%).

11. Canada Emergency Wage Subsidy and Canada Emergency Rent Subsidy

As a result of the decline in revenue, CMG became eligible for the Canada Emergency Wage Subsidy ("CEWS") and the Canada Emergency Rent Subsidy ("CERS") programs and during the year ended March 31, 2021 recorded a CEWS benefit of \$5.2 million and a CERS benefit of \$0.2 million. The CEWS and CERS benefits were recorded against the financial statement line items that they are intended to compensate, resulting in the following credits to the operating expense categories:

Year ended March 31, (thousands of \$)	2021
Sales, marketing and professional services	(927)
Research and development	(3,654)
General and administrative	(873)
	(5,454)

12. Research and Development Costs:

Years ended March 31, (thousands of \$)	2021	2020
Research and development, net of government grants	15,864	20,751
Scientific research and experimental development ("SR&ED") investment tax	(670)	(1,507)
	15,194	19,244

13. Personnel Expenses:

Years ended March 31, (thousands of \$)	2021	2020
Salaries, commissions and short-term employee benefits, net of government grants	24,722	32,409
Stock-based compensation (note 16(c))	3,452	1,376
	28,174	33,785

14. Finance Income and Finance Costs:

Years ended March 31, (thousands of \$)	2021	2020
Interest income	374	1,127
Net foreign exchange gain	-	1,706
Finance income	374	2,833
Interest expense on lease liability (note 9)	(2,074)	(2,128)
Net foreign exchange loss	(1,943)	-
Finance costs	(4,017)	(2,128)

15. Income and Other Taxes:

The major components of income tax expense are as follows:

Years ended March 31, (thousands of \$)	2021	2020
Current year income tax expense	7,083	8,535
Adjustment for prior year	(44)	47
Current income taxes	7,039	8,582
Deferred tax recovery	(831)	(13)
Foreign withholding and other taxes	524	402
	6,732	8,971

During the year ended March 31, 2021, the blended statutory tax rate was 23.5% (2020 – 26%). In May 2019, the Alberta government announced that the provincial corporate income tax rate will be reduced from 12% to 8% over a four-year period. Accordingly, the rate was reduced from 12% to 11% effective July 1, 2019 and from 11% to 10% on January 1, 2020. In October 2020, the previously scheduled tax rate reduction was accelerated, with the tax rate reduced to 8% effective July 1, 2020.

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:

Years ended March 31, (thousands of \$, unless otherwise stated)	2021	2020
Combined statutory tax rate	23.50%	26.00%
Expected income tax	6,327	8,439
Withholding taxes	253	34
Non-deductible costs	192	281
Adjustment for prior year	(44)	22
Effect of tax rates in foreign jurisdictions	(18)	(7)
Effect of statutory tax rate reduction	(2)	188
Other	24	14
	6,732	8,971

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

(thousands of \$)	March 31, 2021	March 31, 2020
SR&ED investment tax credits	(154)	(274)
Property and equipment	115	50
Right-of-use assets	1,245	999
Stock-based compensation liability	616	217
Net deferred tax asset	1,822	992

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.

16. 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, 2019	80,227
Issued on redemption of restricted share units	22
Balance, March 31, 2020	80,249
Balance, April 1, 2020	80,249
Issued on redemption of restricted share units	37
Balance, March 31, 2021	80,286

(c) Stock-Based Compensation:

Stock-Based Compensation Expense

The following table summarizes stock-based compensation expense:

Years ended March 31, (thousands of \$)	2021	2020
Equity-settled plans	718	725
Cash-settled plans	2,734	651
Total stock-based compensation expense	3,452	1,376

Liability Recognized for Stock-Based Compensation ⁽¹⁾

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

(thousands of \$)	March 31, 2021	March 31, 2020
SARs	407	15
RSUs	1,641	745
PSUs	204	-
DSUs	426	183
Total stock-based compensation liability	2,678	943
Current, recorded within trade payables and accrued liabilities	1,397	498
Long-term, recorded in long-term stock-based compensation liability	1,281	445

(1) The intrinsic value of the vested awards at March 31, 2021 was \$0.4 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 March 31, 2021, the Company may reserve up to 8,028,000 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. Pursuant to the stock option plan, the maximum term of an option granted cannot exceed five years from the date of grant. Fifty percent of stock options vest on the first year anniversary from the grant date and then 25% vest on each of the second and third year anniversary dates. Stock options have a five-year life.

The following table outlines changes in stock options:

Years ended March 31,	2021		2020	
	Number of Options (thousands)	Weighted Average Exercise Price (\$/share)	Number of Options (thousands)	Weighted Average Exercise Price (\$/share)
Outstanding at beginning of period	3,900	9.64	5,108	11.34
Granted	796	5.10	757	6.37
Forfeited/expired	(1,172)	12.03	(1,965)	12.80
Outstanding at end of period	3,524	7.82	3,900	9.64
Options exercisable at end of period	2,234	8.95	2,704	10.61

The range of exercise prices of stock options outstanding and exercisable at March 31, 2021 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)
5.08 to 6.30	786	4.4	5.08	-	-
6.31 to 6.60	748	3.4	6.32	373	6.32
6.61 to 9.20	497	2.4	9.18	368	9.19
9.21 to 9.33	772	1.4	9.33	772	9.33
9.34 to 10.16	721	0.4	9.79	721	9.79
	3,524	2.4	7.82	2,234	8.95

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

Years ended March 31,	2021	2020
Fair value at grant date (\$/option)	1.00 to 1.50	0.72 to 1.42
Share price at grant date (\$/share)	5.08 to 6.59	6.31 to 8.70
Risk-free interest rate (%)	0.22 to 0.37	1.28 to 1.53
Estimated hold period prior to exercise (years)	3 to 4	3 to 4
Volatility in the price of common shares (%)	35 to 41	28 to 31
Dividend yield per common share (%)	3.06 to 3.71	4.71 to 6.28

(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:

Years ended March 31,	2021		2020	
	Number of SARs (thousands)	Weighted Average Exercise Price (\$/SAR)	Number of SARs (thousands)	Weighted Average Exercise Price (\$/SAR)
Outstanding at beginning of period	1,152	8.80	952	9.38
Granted	221	5.08	221	6.31
Forfeited	-	-	(21)	9.42
Outstanding at end of period	1,373	8.19	1,152	8.80
SARs exercisable at end of period	948	9.04	657	9.44

(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:

Years ended March 31, (thousands)	2021			2020		
	RSUs	PSUs	DSUs	RSUs	PSUs	DSUs
Outstanding at beginning of period	421	30	48	237	-	24
Granted	379	63	33	309	30	24
Exercised	(181)	-	(7)	(91)	-	-
Forfeited	(30)	-	-	(34)	-	-
Outstanding at end of period	589	93	74	421	30	48

(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:

Years ended March 31, (thousands except per share amounts)	2021			2020		
	Earnings (\$)	Weighted average shares outstanding	Earnings per share (\$/share)	Earnings (\$)	Weighted average shares outstanding	Earnings per share (\$/share)
Basic	20,190	80,272	0.25	23,485	80,240	0.29
Dilutive effect of share-based awards		207			199	
Diluted	20,190	80,479	0.25	23,485	80,439	0.29

During the year ended March 31, 2021, 116,000 awards (year ended March 31, 2020 – 44,000 awards) were excluded from the computation of the weighted average number of diluted shares outstanding because their effect was not dilutive.

17. Capital Management:

The Company's objectives in managing capital are to ensure sufficient liquidity to pursue its strategy of organic growth, combined with the possibility of strategic acquisitions, and to maximize the return to its shareholders. The capital structure of the Company consists of cash, credit facilities and shareholders' equity. The Company does not have any externally imposed capital requirements and does not presently utilize any quantitative measures to monitor its capital.

The Company's policy is to pay quarterly dividends based on the Company's overall financial performance and cash flow generation. Decisions on dividend payments are made on a quarterly basis by the Board of Directors. There can be no assurance as to the amount or payment of such dividends in the future.

The Company makes adjustments to its capital structure in light of general economic conditions and the Company's working capital requirements. In order to maintain or adjust its capital structure, the Company, upon approval from its Board of Directors, may pay dividends, buy back shares or undertake other activities as deemed appropriate under the specific circumstances. The Board of Directors reviews and approves any material transactions not in the ordinary course of business.

18. Financial Instruments and Risk Management:

The Company's financial instruments consist of cash, trade and other receivables, trade payables and accrued liabilities. The carrying values of cash, trade and other receivables, trade payables and accrued liabilities approximate their fair values due to the short-term nature of these instruments.

Overview:

The Company is exposed to risks of varying degrees of significance and likelihood, which could affect its ability to achieve its strategic objectives for growth. The main objectives of the Company's risk management process are to ensure that risks are properly identified and that the capital base is adequate in relation to those risks. The principal financial risks to which the Company is exposed are described below:

(a) Credit Risk:

Credit risk is the risk of an unexpected loss if a customer or third party to a financial instrument fails to meet its contractual obligation and arises principally from the Company's trade and other receivables. The amounts reported in the statements of financial position for trade receivables are net of expected credit losses, estimated by the Company's management based on prior experience and their assessment of the current economic environment.

The Company's trade receivables consist primarily of balances from customers operating in the oil and gas industry, both domestically and internationally, as the Company sells its products and services in approximately 60 countries worldwide. Some of these countries have greater economic and political risk than experienced in North America, and as a result there may be greater risk associated with sales in those jurisdictions. The Company manages this risk by invoicing for the full license term in advance for the majority of software license sales and by invoicing as frequently as the contract allows for consulting and contract research services. In cases where collectability is not deemed probable, revenue is recognized upon receipt of cash, providing all other criteria have been met. Historically, the Company has not experienced any significant losses related to individual customers or groups of customers in any particular geographic area. At March 31, 2021, the Company assessed credit risk related to its accounts receivable, considering the COVID-19 pandemic and the related economic uncertainty facing the oil and gas industry, and established an allowance for doubtful accounts of \$71 thousand (nil at March 31, 2020).

As at March 31, 2021, the Company has a concentration of credit risk with 13 domestic and international customers who represent 75% of trade receivables (2020 – 15 customers; 84%).

The carrying amount of trade and other receivables represents the maximum credit exposure. The maximum exposure to credit risk at March 31, 2021 was \$23.2 million (2020 – \$26.3 million). The aging of trade and other receivables at the reporting date was:

(thousands of \$)	March 31, 2021	March 31, 2020
Current	12,077	14,262
31-60 days	1,590	10,466
61-90 days	7,290	1,078
Over 90 days	2,282	471
Balance, end of year	23,239	26,277

The Company assesses the creditworthiness of its customers on an ongoing basis and regularly monitors the amount and age of balances outstanding. Payment terms with customers are 30 days from invoice date; however, industry practice can extend these terms. Accordingly, the Company views the credit risk on these amounts as normal for the industry.

The Company minimizes the credit risk of cash by depositing only with a reputable financial institution in highly liquid interest-bearing cash accounts.

(b) Market Risk:

Market risk is the risk that changes in market prices of the foreign exchange rates and interest rates will affect the Company's income or the value of its financial instruments.

(i) Foreign Exchange Risk

The Company operates internationally and primarily prices its products in either the Canadian or US dollar. This gives rise to exposure to market risks from changes in the foreign exchange rates between the Canadian and US dollar. Approximately 71% (2020 – 74%) of the Company's revenues for the year ended March 31, 2021 were denominated in US dollars, and at March 31, 2021, approximately US \$13.4 million (2020 – US \$15.5 million) of the Company's working capital was denominated in US dollars. The Company currently does not use derivative instruments to hedge its exposure to those risks, but since approximately 28% (2020 – 25%) of the Company's total costs are also denominated in US dollars, they provide a partial economic hedge against the fluctuation in this currency exchange. In addition, the Company manages levels of foreign currency held by converting excess US dollars into Canadian dollars at spot rates.

The Company's operations are exposed to currency risk on US-dollar denominated financial assets and liabilities with fluctuations in the rate recognized as foreign exchange gains or losses in the consolidated statement of operations and comprehensive income. It is estimated that a one cent change in the US dollar would result in a net change of approximately \$103,000 to equity and net income for the year ended March 31, 2021. A weaker US dollar with respect to the Canadian dollar will result in a negative impact, while the reverse would result from a stronger US dollar.

(ii) *Interest Rate Risk*

The Company has significant cash balances and no interest-bearing debt. The Company's policy is to invest excess cash in interest-bearing deposits and/or guaranteed investment certificates issued by a reputable financial institution. The Company is exposed to interest cash flow risk from changes in interest rates on its cash balances. Based on the March 31, 2021 cash balance, each 1% change in the interest rate on the Company's cash balance would change equity and net income for the year ended March 31, 2021 by approximately \$375,000.

(c) Liquidity Risk:

Liquidity risk is the risk that the Company is not able to meet its financial obligations as they fall due or can do so only at excessive cost. The Company manages liquidity risk through the management of its capital structure as outlined in note 17. The Company's growth is financed through a combination of the cash flows from operations and its cash balances on hand. Given the Company's available liquid resources as compared to the timing of the payments of its liabilities, management assesses the Company's liquidity risk to be low. The Company monitors its expenditures by preparing annual budgets that are periodically updated. The company's trade payables are due within one year. At March 31, 2021, the Company has significant cash balances in excess of its obligations and approximately \$1.1 million of the line of credit available for its use (note 20).

19. 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 (estimated to be \$8.3 million in fiscal 2022) and Shell would be responsible for providing a contribution for the continuing development of the software (estimated to be \$6.7 million in fiscal 2022).

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.

During the year ended March 31, 2021 the Company recorded professional services revenue of \$6.9 million (year ended March 31, 2020 – \$6.2 million) and CoFlow costs of \$6.7 million to research and development expenses (year ended March 31, 2020 – \$8.7 million).

(b) Commitments:

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

(thousands of \$)	March 31, 2021
Less than one year	1,115
Between one and five years	4,509
More than five years	12,836
	18,460

20. 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 March 31, 2021, \$0.9 million (March 31, 2020 – \$1.0 million) had been reserved on this line of credit for letters of credit supporting performance bonds.

21. Subsidiaries:

CMG is the beneficial owner of the entire issued share capital and controls all the votes of its subsidiaries. The principal activities of all the subsidiaries are the sale and support for the use of CMG's software licenses. Transactions between subsidiaries are eliminated on consolidation.

The following is the list of CMG's subsidiaries:

Subsidiary	Country of Incorporation
Computer Modelling Group Inc.	United States
CMG Middle East FZ LLC	United Arab Emirates
CMG (Europe) Limited	United Kingdom

22. Related Parties:

(a) Intercompany Transactions:

The Company has three wholly owned subsidiaries (note 21) that have intercompany transactions under the normal course of operations and are eliminated upon consolidation.

(b) Key Management Personnel Compensation:

The key management personnel of the Company are the members of the Company's executive management team and Board of Directors and control approximately 4.2% of the outstanding shares of CMG at March 31, 2021. In addition to their salaries and director fees, as applicable, directors and executive officers also participate in the Company's stock-based compensation plans (note 16(c)), which are available to almost all employees of the Company, with the exception of the DSU plan, which is only available to non-employee directors of the Company.

Key management personnel compensation comprised the following:

Years ended March 31, (thousands of \$)	2021	2020
Salaries, bonus and employee benefits	3,670	3,802
Stock-based compensation	1,387	484
	5,057	4,286

23. Subsequent Event:

On May 19, 2021, the Board of Directors declared a quarterly cash dividend of \$0.05 per share on its common shares, payable on June 15, 2021 to all shareholders of record at the close of business on June 7, 2021.

Corporate Information

Directors

Judith J. Athaide ⁽⁴⁾

John E. Billowits

Kenneth M. Dedeluk ⁽⁵⁾

Christopher L. Fong ⁽²⁾⁽⁴⁾

Patrick R. Jamieson ⁽³⁾

Peter H. Kinash ⁽¹⁾

Mark R. Miller ⁽²⁾

Ryan N. Schneider

John B. Zaozirny

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

Ryan N. Schneider

President and Chief Executive Officer

Kelly A. Tomy

*Interim 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*

Kathy L. Krug

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

Computershare Trust Company
of Canada

Stock Exchange Listing

Toronto Stock Exchange: **CMG**



> #FutureOfSimulation

3710 33 Street NW
Calgary, Alberta T2L 2M1 Canada
Phone: +1.403.531.1300
Fax: +1.403.289.8502
www.cmgl.ca