Q1 2021
for the period ended June 30, 2020

COMPUTER MODELLING GROUP LTD.

To Our Shareholders:

Computer Modelling Group Ltd. announces its first quarter results for the three months ended June 30, 2020.

First Quarter Highlights

Three months ended June 30, ($ thousands, except per share data)	**2020**	2019	$ change	% change
Annuity/maintenance software licenses	**14,523**	15,756	(1,233)	-8%
Perpetual software licenses	**-**	1,159	(1,159)	-100%
Total revenue	**16,672**	18,123	(1,451)	-8%
Operating profit	**5,711**	7,068	(1,357)	-19%
Net income	**3,262**	4,442	(1,180)	-27%
Earnings per share - basic	**0.04**	0.06	(0.02)	-33%
Funds flow from operations per share - basic	**0.06**	0.08	(0.02)	-25%
Free cash flow per share - basic (1)	**0.05**	0.07	(0.02)	-29%

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

Management's Discussion and Analysis

This Management's Discussion and Analysis ("MD&A") for Computer Modelling Group Ltd. ("CMG", the "Company", "we" or "our"), presented as at August 10, 2020, should be read in conjunction with the unaudited condensed consolidated interim financial statements and related notes of the Company for the three months ended June 30, 2020 and 2019. Additional information relating to CMG, including our Annual Information Form, can be found at www.sedar.com. The financial data contained herein have been prepared in accordance with International Financial Reporting Standards ("IFRS") and, unless otherwise indicated, all amounts in this report are expressed in Canadian dollars.

Forward-Looking Information

Certain information included in this MD&A is forward-looking. Forward-looking information includes statements that are not statements of historical fact and which address activities, events or developments that the Company expects or anticipates will or may occur in the future, including such things as investment objectives and strategy, the development plans and status of the Company's software development projects, the Company's intentions, results of operations, levels of activity, future capital and other expenditures (including the amount, nature and sources of funding thereof), business prospects and opportunities, research and development timetable, and future growth and performance. When used in this MD&A, statements to the effect that the Company or its management "believes", "expects", "expected", "plans", "may", "will", "projects", "anticipates", "estimates", "would", "could", "should", "endeavours", "seeks", "predicts" or "intends" or similar statements, including "potential", "opportunity", "target" or other variations thereof that are not statements of historical fact should be construed as forward-looking information. These statements reflect management's current beliefs with respect to future events and are based on information currently available to management of the Company. The Company believes that the expectations reflected in such forward-looking information are reasonable, but no assurance can be given that these expectations will prove to be correct and such forward-looking information should not be unduly relied upon.

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

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

Forward-looking information is not a guarantee of future performance and involves a number of risks and uncertainties, only some of which are described herein. Many factors could cause the Company's actual results, performance or achievements, or future events or developments to differ materially from those expressed or implied by the forward-looking information including, without limitation, the following factors, which are discussed in greater detail in the "Business Risks" section of CMG's MD&A for the year ended March 31, 2020:

- 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.

COVID-19 Risk

The Company's operations may be affected by the ongoing outbreak of COVID-19. The prolonged continuance of the COVID-19 pandemic could adversely impact CMG's operations, including sales activities and financial performance. In addition, the sharp decrease in global energy demand and the uncertainty surrounding the impacts of COVID-19 have led to significant declines in commodity prices and decreased oil and gas production. Low commodity prices and resulting lower cash flow and capital spending in the industry could adversely impact the demand for CMG's products. The extent to which the COVID-19 pandemic may impact our operating results, financial condition, and cash flows will depend on future global developments, which are highly uncertain, outside of the Company's control and cannot be accurately predicted at this time.

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 blue chip 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".

Quarterly Performance

	Fiscal 2019[1]			Fiscal 2020[2]				**Fiscal 2021[3]**
($ thousands, unless otherwise stated)	Q2	Q3	Q4	Q1	Q2	Q3	Q4	**Q1**
Annuity/maintenance licenses	15,111	17,240	16,734	15,756	16,373	16,612	15,233	**14,523**
Perpetual licenses	1,172	611	2,891	1,159	1,146	964	1,403	**-**
Software licenses	16,283	17,851	19,625	16,915	17,519	17,576	16,636	**14,523**
Professional services	1,658	1,222	1,513	1,208	2,354	1,699	1,879	**2,149**
Total revenue	17,941	19,073	21,138	18,123	19,873	19,275	18,515	**16,672**
Operating profit	7,024	8,406	8,750	7,068	9,343	7,538	7,802	**5,711**
Operating profit (%)	39	44	41	39	47	39	42	**34**
Profit before income and other taxes	7,104	9,406	8,400	6,439	9,350	7,054	9,613	**4,405**
Income and other taxes	2,048	2,559	2,426	1,997	2,482	1,942	2,550	**1,143**
Net income for the period	5,056	6,847	5,974	4,442	6,868	5,112	7,063	**3,262**
EBITDA[4]	7,505	8,915	9,250	8,118	10,426	8,644	8,923	**6,767**
Cash dividends declared and paid	8,024	8,022	8,023	8,022	8,026	8,025	8,024	**4,013**
Funds flow from operations	5,777	7,550	7,024	6,097	7,787	7,366	7,515	**4,703**
Free cash flow[4]	5,697	7,297	6,948	5,707	7,274	6,726	6,840	**4,239**
Per share amounts - ($/share)								
Earnings per share (EPS) - basic and diluted	0.06	0.09	0.07	0.06	0.09	0.06	0.09	**0.04**
Cash dividends declared and paid	0.10	0.10	0.10	0.10	0.10	0.10	0.10	**0.05**
Funds flow from operations per share - basic	0.07	0.09	0.09	0.08	0.10	0.09	0.09	**0.06**
Free cash flow per share - basic[4]	0.07	0.09	0.09	0.07	0.09	0.08	0.09	**0.05**

(1) Q2, Q3 and Q4 of fiscal 2019 include $0.3 million, $2.3 million and $1.8 million, respectively, in revenue that pertains to usage of CMG's products in prior quarters.
(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 of fiscal 2021 includes $0.2 million in revenue that pertains to usage of CMG's products in prior quarters.
(4) Non-IFRS financial measures are defined in the "Non-IFRS Financial Measures" section.

Highlights

During the three months ended June 30, 2020, as compared to the same period of the previous fiscal year:

- Annuity/maintenance license revenue decreased by 8%, due in part to the impacts of the COVID-19 pandemic;
- Total revenue decreased by 8%;
- Total operating expenses decreased by 1%;
- EBITDA decreased by 17%, but was still strong at 41% of total revenue.

During the three months ended June 30, 2020:

- Realized basic EPS of $0.04;
- Achieved free cash flow per share of $0.05;
- Declared and paid a dividend of $0.05 per share.

Impact of the COVID-19 Pandemic

In March, 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.

The COVID-19 pandemic and the related economic uncertainty partially impacted our financial results for the three months ended June 30, 2020, as some of our customers, faced with the economic uncertainly and decreasing commodity prices, curtailed spending and chose not to renew their licensing agreements or renewed at reduced levels. The most significant impact has been on our perpetual license sales, as low commodity prices and resulting lower cash flows negatively affected our customers' ability to purchase perpetual licenses. These factors contributed to a decrease in software license revenue during the three months ended June 30, 2020.

As previously announced, in order to minimize the negative impact of the ongoing disruption to the oil and gas industry, including volatility in commodity prices and reduction in energy consumption precipitated by the COVID-19 pandemic, effective July 1, 2020, CMG has taken the following actions to preserve liquidity, manage costs and protect shareholder value:

- reducing the CEO's annual salary by 25%;
- reducing directors' cash compensation by 20%;
- reducing executive officers' annual salaries by 20%;
- implementing graduated salary reductions to staff.

These reductions are expected to continue throughout the fiscal year and will be reassessed following review of the fiscal 2021 results. The staff, executive and CEO's base salary concessions were reallocated to variable cash compensation associated with fiscal 2021 corporate performance. These compensation reductions were taken in part to retain employees because we are prioritizing product development and support, both of which are important to our customers and to long-term success of our business.

In addition, we decreased our June 15, 2020 quarterly dividend to $0.05 per share (from our previous quarterly dividend of $0.10 per share). On August 10, 2020, CMG's Board approved a quarterly dividend of $0.05 per share on CMG's Common Shares, payable on September 15, 2020 to shareholders of record at the close of business on September 4, 2020.

We are implementing these measures to protect CMG's profitability and optimize free cash flow generation to maintain the strength of our balance sheet, in all potential scenarios. This will also allow for maximum flexibility in our capital allocation decisions, including focusing on delivering a sustainable dividend. At the same time, it is our intention to continue to invest in research and development, and sales and marketing efforts, at approximately similar levels as historically proportionate to revenue. Since the start of the pandemic restrictions, we have been operating remotely to ensure our research and development activities and technical support for our customers continue uninterrupted.

CMG will continue to monitor the impact of the current environment on its customers, operations and financial performance and may adjust its compensation structure and capital allocation as appropriate.

The COVID-19 pandemic and the related economic uncertainty is an evolving situation that will continue to have widespread implications for our business environment, operations and financial condition. CMG's sustainable business model driven by superior technology, commitment to research and development and outstanding customer support will help us to deal with uncertain times and continue contributing to CMG's future success.

Revenue

Three months ended June 30, ($ thousands)	**2020**	2019	$ change	% change
Software license revenue	**14,523**	16,915	(2,392)	-14%
Professional services	**2,149**	1,208	941	78%
Total revenue	**16,672**	18,123	(1,451)	-8%
Software license revenue as a % of total revenue	**87%**	93%		
Professional services as a % of total revenue	**13%**	7%		

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 June 30, 2020 decreased by 8%, compared to the same period of the previous fiscal year, due to a decrease in software license revenue, which was partially 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 reliable revenue stream, while perpetual license sales are more variable and unpredictable in nature as the purchase decision and its timing fluctuate with the customers' needs and budgets. The majority of CMG's customers who have acquired perpetual software licenses subsequently purchase our maintenance package to ensure ongoing product support and access to current versions of CMG's software.

Three months ended June 30, ($ thousands)	**2020**	2019	$ change	% change
Annuity/maintenance license revenue	**14,523**	15,756	(1,233)	-8%
Perpetual license revenue	**-**	1,159	(1,159)	-100%
Total software license revenue	**14,523**	16,915	(2,392)	-14%
Annuity/maintenance as a % of total software license revenue	**100%**	93%		
Perpetual as a % of total software license revenue	**0%**	7%		

Total software license revenue for the three months ended June 30, 2020 decreased by 14% compared to the same period of the previous fiscal year, due to decreases in both annuity/maintenance license revenue and perpetual license revenue.

CMG's annuity/maintenance license revenue for the three months ended June 30, 2020 decreased by 8%, compared to the same period of the previous fiscal year. All geographic regions, except for the Eastern Hemisphere, decreased 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.

There were no perpetual sales realized during the three months ended June 30, 2020. Low commodity prices and resulting lower cash flows in the oil and gas industry have put a strain on our customers and adversely affected their ability to purchase perpetual licenses. 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 aggregate 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 did not have a significant impact on reported software license revenue during the three months ended June 30, 2020, compared to the same period 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 June 30, ($ thousands)		**2020**	2019	$ change	% change
US dollar annuity/maintenance license revenue	**US$**	**8,569**	9,286	(717)	-8%
Weighted average conversion rate		**1.334**	1.335		
Canadian dollar equivalent	**CDN$**	**11,432**	12,398	(966)	-8%
US dollar perpetual license revenue	**US$**	**-**	860	(860)	-100%
Weighted average conversion rate		**-**	1.346		
Canadian dollar equivalent	**CDN$**	**-**	1,159	(1,159)	-100%

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

Three months ended June 30, ($ thousands)	2019	Incremental License Growth	Foreign Exchange Impact	**2020**
Annuity/maintenance license revenue	15,756	(1,224)	(9)	**14,523**
Perpetual license revenue	1,159	(1,159)	-	**-**
Total software license revenue	16,915	(2,383)	(9)	**14,523**

Software Revenue by Geographic Region

Three months ended June 30, ($ thousands)	**2020**	2019	$ change	% change
Annuity/maintenance license revenue				
Canada	**3,212**	3,776	(564)	-15%
United States	**4,235**	4,934	(699)	-14%
South America	**1,390**	1,945	(555)	-29%
Eastern Hemisphere[(1)]	**5,686**	5,101	585	11%
	14,523	15,756	(1,233)	-8%
Perpetual license revenue				
Canada	**-**	-	-	0%
United States	**-**	298	(298)	-100%
South America	**-**	769	(769)	-100%
Eastern Hemisphere	**-**	92	(92)	-100%
	-	1,159	(1,159)	-100%
Total software license revenue				
Canada	**3,212**	3,776	(564)	-15%
United States	**4,235**	5,232	(997)	-19%
South America	**1,390**	2,714	(1,324)	-49%
Eastern Hemisphere	**5,686**	5,193	493	9%
	14,523	16,915	(2,392)	-14%

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

During the three months ended June 30, 2020, total software license revenue decreased in all geographic regions except for the Eastern Hemisphere.

The Canadian region (representing 22% of total software license revenue) experienced a decrease of 15% in annuity/maintenance license revenue during the three months ended June 30, 2020, compared to the same period of the previous fiscal year, due to decreases in licensing by existing customers, partially caused by consolidation activity in the industry, as discussed in the fourth quarter MD&A for the previous fiscal year.

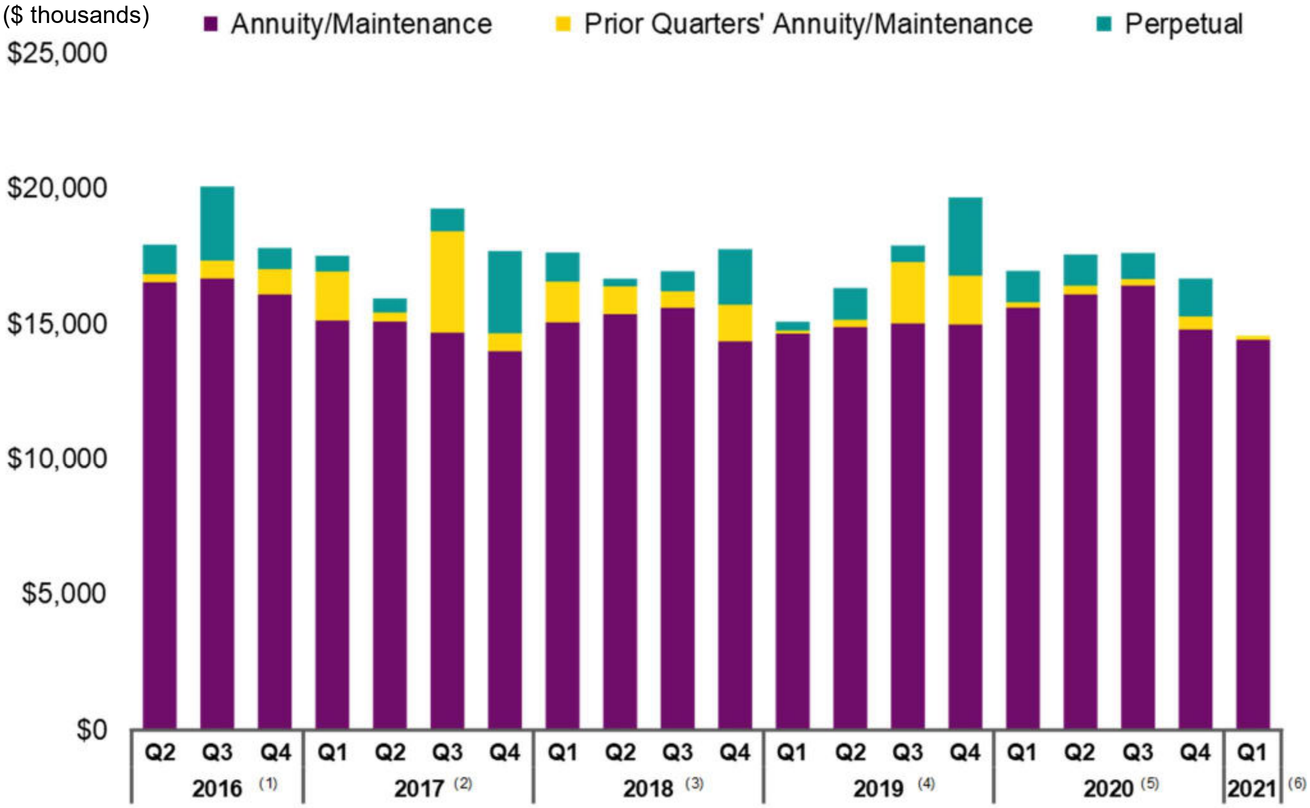
The United States (representing 29% of total software license revenue) experienced a 14% decrease in annuity/maintenance license revenue during the three months ended June 30, 2020, compared to the same period of the previous fiscal year, due to decreased licensing by some customers. The decrease is due to the combined negative effect of consolidation in the industry and reduced activity levels in unconventional shale plays both pre- and during the COVID-19 pandemic.

South America (representing 10% of total software license revenue) experienced a decrease of 29% in annuity/maintenance license revenue during the three months ended June 30, 2020, mainly due to the negative impact of the COVID-19 pandemic and the resulting economic uncertainty on the renewal of some of our maintenance contracts.

The Eastern Hemisphere (representing 39% of total software license revenue) experienced an increase of 11% in annuity/maintenance license revenue during the three months ended June 30, 2020, compared to the same period of the previous fiscal year, due to a new multi-year contract with a customer and increased licensing by existing customers.

As footnoted in the Quarterly Performance table, 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 graph below:

Quarterly Software License Revenue



(1) Q2, Q3 and Q4 of fiscal 2016 include $0.3 million, $0.7 million, and $0.9 million, respectively, in revenue that pertains to usage of CMG's products in prior quarters.
(2) 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.
(3) 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.
(4) 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.
(5) 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.
(6) Q1 of fiscal 2021 includes $0.2 million in revenue that pertains to usage of CMG's products in prior quarters.

Deferred Revenue

($ thousands)	**Fiscal 2021**	Fiscal 2020	Fiscal 2019		$ change	% change
Deferred revenue at:						
Q1 (June 30)	**25,492**	29,266			(3,774)	-13%
Q2 (September 30)		23,849	23,222	(1)	627	3%
Q3 (December 31)		15,679	13,782		1,897	14%
Q4 (March 31)		33,838	35,015	(2)	(1,177)	-3%

(1) Includes current deferred revenue of $22.9 million and long-term deferred revenue of $0.3 million.
(2) Includes current deferred revenue of $34.7 million and long-term deferred revenue of $0.3 million.

CMG's deferred revenue consists primarily of amounts for pre-sold 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.

Deferred revenue as at the end of Q1 of fiscal 2021 decreased by 13% compared to Q1 of fiscal 2020, due to lower licensing renewals in Canada, the US and South America, a trend similar to what is reflected in annuity and maintenance revenue.

Professional Services Revenue

Professional services revenue was $2.1 million for the three months ended June 30, 2020, up by $0.9 million from the same period of the previous fiscal year. The increase was due to the amendment to the CoFlow agreement with Shell Global Solutions International B.V. ("Shell"), pursuant to which CMG received development funding for additional resources allocated to 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 to be 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 June 30, ($ thousands)	**2020**	2019	$ change	% change
Sales, marketing and professional services	**4,284**	4,630	(346)	-7%
Research and development	**4,959**	4,751	208	4%
General and administrative	**1,718**	1,674	44	3%
Total operating expenses	**10,961**	11,055	(94)	-1%
Direct employee costs(1)	**8,953**	8,664	289	3%
Other corporate costs	**2,008**	2,391	(383)	-16%
	10,961	11,055	(94)	-1%

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

Total operating expenses for the three months ended June 30, 2020 decreased slightly compared to the same period of the previous fiscal year, as a decrease in other corporate costs was partially offset by an increase in direct employee costs.

As discussed under the heading "Impact of the COVID-19 Pandemic", we have implemented various measures to preserve liquidity and manage costs. These measures took effect on July 1, 2020 and will be reflected in our second quarter (three months ended September 30, 2020) results.

Direct Employee Costs

As a technology company, CMG's largest area of expenditure is its people. Approximately 82% of the total operating expenses for the three months ended June 30, 2020 related to direct employee costs. Staffing levels in the current quarter were higher compared to the previous fiscal year. At June 30, 2020, CMG's full-time equivalent staff complement was 204 employees and consultants, up from 195 full-time equivalent employees and consultants at June 30, 2019, the majority of the increase being due to the commitment under the amendment to the CoFlow agreement. Direct employee costs for the three months ended June 30, 2020 increased compared to the same period of the previous fiscal year due to the higher headcount.

Other Corporate Costs

Other corporate costs for the three months ended June 30, 2020 decreased by 16%, compared to the same period of the previous fiscal year, mainly as travel-related costs decreased due to COVID-19 restrictions.

Research and Development

Three months ended June 30, ($ thousands)	**2020**	2019	$ change	% change
Research and development (gross)	**5,303**	5,192	111	2%
SR&ED credits	**(344)**	(441)	97	-22%
Research and development	**4,959**	4,751	208	4%
Research and development as a % of total revenue	**30%**	26%		

CMG maintains a belief that its strategy of growing long-term value for shareholders can only be achieved through continued investment in research and development. CMG works closely with its customers to provide solutions to complex problems related to proven and new advanced recovery processes.

The above research and development costs include $2.2 million of costs for CoFlow for the three months ended June 30, 2020 (three months ended June 30, 2019 – $1.7 million). See discussion under "Commitments, Off Balance Sheet Items and Transactions with Related Parties".

Research and development costs for the three months ended June 30, 2020 increased by 2%, compared to the same period of the previous fiscal year, as the department's headcount increased pursuant to the amendment to the CoFlow agreement, which necessitated hiring additional resources for CoFlow development and support.

SR&ED credits decreased by 22% for the three months ended June 30, 2020, compared to the same period of the previous fiscal year, due to the elimination of the Alberta SR&ED credit.

Research and development costs as a percentage of total revenue for the three months ended June 30, 2020 were 30%, up from 26% in the same period of the previous fiscal year, mainly due to lower revenue.

Depreciation

Three months ended June 30, ($ thousands)	**2020**	2019	$ change	% change
Depreciation of property and equipment, allocated to:				
Sales, marketing and professional services	**250**	259	(9)	-3%
Research and development	**668**	652	16	2%
General and administrative	**138**	139	(1)	-1%
Total depreciation	**1,056**	1,050	6	1%

Depreciation for the three months ended June 30, 2020 remained consistent with the same period of the previous fiscal year.

Finance Income and Costs

Three months ended June 30, ($ thousands)	**2020**	2019	$ change	% change
Interest income	**99**	323	(224)	-69%
Total finance income	**99**	323	(224)	-69%
Interest expense on lease liability	**(525)**	(534)	9	-2%
Net foreign exchange loss	**(880)**	(418)	(462)	111%
Total finance costs	**(1,405)**	(952)	(453)	48%

Interest income for the three months ended June 30, 2020 was lower compared to the same period of the previous fiscal year, due to lower cash balances and interest rates. Interest expense on lease liability was consistent with the same period of the previous fiscal year.

CMG is impacted by foreign exchange fluctuations, as approximately 71% of CMG's revenue for the three months ended June 30, 2020 (2019 – 76%) is denominated in US dollars, whereas only approximately 27% (2019 – 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 June 30, 2020, 2019 and 2018 and the average exchange rates used to translate income statement items during the three months ended June 30, 2020, 2019 and 2018:

CDN$ to US$	At June 30	Three month trailing average
2018	0.7594	0.7756
2019	0.7641	0.7442
2020	**0.7338**	**0.7164**

CMG recorded a net foreign exchange loss of $0.9 million for the three months ended June 30, 2020, due to a weakening of the US dollar during the period, 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 three months ended June 30, 2020 is 25.9% (2019 – 31.0%), whereas the blended Canadian statutory tax rate for the Company's 2020 fiscal year is 24.75% (decreased from 26.0% in fiscal 2020, with further rate reductions legislated over the next two years). This difference between the effective rate and the statutory rate is primarily due to the non-tax deductibility of stock-based compensation expense.

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

Operating Profit and Net Income

Three months ended June 30, ($ thousands, except per share data)	**2020**	2019	$ change	% change
Total revenue	**16,672**	18,123	(1,451)	-8%
Operating expenses	**(10,961)**	(11,055)	94	-1%
Operating profit	**5,711**	7,068	(1,357)	-19%
Operating profit as a % of revenue	**34%**	39%		
Net income for the period	**3,262**	4,442	(1,180)	-27%
Net income as a % of total revenue	**20%**	25%		
Basic earnings per share ($/share)	**0.04**	0.06	(0.02)	-33%

Operating profit as a percentage of total revenue for the three months ended March June 30, 2020 was 34%, down from 39% in the comparative period, due to lower revenue.

Net income as a percentage of total revenue was 20% for the three months ended June 30, 2020, down from 25% in the comparative period, because while revenue decreased, operating costs remained flat and a foreign exchange loss increased.

EBITDA(1)

Three months ended June 30, ($ thousands)	**2020**	2019	$ change	% change
Net income for the period	**3,262**	4,442	(1,180)	-27%
Add (deduct):				
Depreciation	**1,056**	1,050	6	1%
Finance (income) costs	**1,306**	629	677	108%
Income and other taxes	**1,143**	1,997	(854)	-43%
EBITDA	**6,767**	8,118	(1,351)	-17%
EBITDA as a % of total revenue	**41%**	45%		

(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 June 30, 2020 was 41%, down from 45% in the comparative period, primarily due to lower revenue.

Liquidity and Capital Resources

Three months ended June 30, ($ thousands)	**2020**	2019	$ change	% change
Cash, beginning of period	**40,505**	54,290	(13,785)	-25%
Cash flow provided by (used in):				
Operating activities	**15,167**	4,875	10,292	211%
Financing activities	**(4,328)**	(8,304)	3,976	48%
Investing activities	**(149)**	(108)	(41)	-38%
Cash, end of period	**51,195**	50,753	442	1%

At June 30, 2020, CMG had $51.2 million in cash, no borrowings and access to approximately $1.0 million under a line of credit with its principal banker. The Company's primary non-operating use of cash is for paying dividends. Management believes that the Company has sufficient capital resources to meet its operating and planned capital expenditure needs.

During the three months ended June 30, 2020, 6.9 million shares of CMG's public float were traded on the TSX. As at June 30, 2020, CMG's market capitalization based upon its June 30, 2020 closing price of $4.75 was $381.2 million.

Operating Activities

Cash flow from operating activities increased by $10.3 million in the three months ended June 30, 2020, compared to the same period of the previous fiscal year, primarily due to the positive impact of the timing difference of when sales are made and when the resulting receivables are collected.

Financing Activities

Cash used in financing activities decreased in the three months ended June 30, 2020, compared to the same period of the previous fiscal year, due to a dividend decrease from $0.10 to $0.05 per Common Share.

In the three months ended June 30, 2020, CMG paid $4.0 million in dividends, representing the following quarterly dividends:

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

In the three months ended June 30, 2019 CMG paid $8.0 million in dividends, representing the following quarterly dividends:

($ per share)	Q1
Total dividends declared and paid	0.10

On August 10, 2020, CMG announced the payment of a quarterly dividend of $0.05 per share on CMG's Common Shares. The dividend will be paid on September 15, 2020 to shareholders of record at the close of business on September 4, 2020. 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 three months ended June 30, 2020, CMG's cash expenditures on property and equipment were $0.1 million, primarily composed of computer equipment. CMG's capital budget for fiscal 2021 is $1.5 million. We will continue to monitor our business operations, and will adjust our capital budget if necessary.

Commitments, Off Balance Sheet Items and Transactions with Related Parties

CMG, in partnership with Shell currently and historically also with Petroleo Brasileiro S.A., is the developer of CoFlow, the newest generation of reservoir and production system simulation software. Under a five-year agreement entered into by Shell and CMG on January 1, 2017 (the "CoFlow Agreement") and an amendment signed in July of 2019, CMG is responsible for the research and development costs of CoFlow (estimated to be $9.0 million in fiscal 2021), while Shell provides a contribution for the continuing development of the software (estimated to be $6.7 million in fiscal 2021).

CMG has very little in the way of other ongoing material contractual obligations other than pre-sold licenses, which are reflected as deferred revenue on the statement of financial position, and contractual obligations for office leases, which are estimated to be as follows as at June 30, 2020:

(thousands of $)	Undiscounted lease liability payments	Operating costs and short-term leases	Total commitments
Less than one year	3,383	1,107	4,490
Between one and five years	14,178	4,376	18,554
More than five years	45,680	13,403	59,083
	63,241	18,886	82,127

Business Risks and Critical Accounting Estimates

These remain unchanged from the factors detailed in CMG's 2020 Financial Report.

Outstanding Share Data

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

As at August 10, 2020 (thousands)	
Common Shares	80,249
Stock options	3,800
Restricted share units[1]	364
Performance share units[1]	67

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

The maximum number of Common Shares that may be reserved for issuance under the Company's security-based compensation plans is limited to 10% of the issued and outstanding Common Shares. Based on this calculation, at August 10, 2020, CMG could reserve up to 8,024,000 Common Shares for issuance under its security-based compensation plans.

Disclosure Controls and Procedures and Internal Control over Financial Reporting

Management is responsible for establishing and maintaining disclosure controls and procedures ("DC&P") and internal control over financial reporting ("ICFR") as defined under National Instrument 52-109. These controls and procedures were reviewed and the effectiveness of their design and operation was evaluated in fiscal 2020 in accordance with the COSO control framework (2013). The evaluation confirmed the effectiveness of DC&P and ICFR at March 31, 2020. During the 2021 fiscal year, we continue to monitor and review our controls and procedures. During the three months ended June 30, 2020, 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 people-related 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

		Fiscal 2019				Fiscal 2020		**Fiscal 2021**
($ thousands)	Q2	Q3	Q4	Q1	Q2	Q3	Q4	**Q1**
Funds flow from operations	5,777	7,550	7,024	6,097	7,787	7,366	7,515	**4,703**
Capital expenditures	(80)	(253)	(76)	(108)	(235)	(351)	(296)	**(149)**
Repayment of lease liabilities	-	-	-	(282)	(278)	(289)	(379)	**(315)**
Free cash flow	5,697	7,297	6,948	5,707	7,274	6,726	6,840	**4,239**

Outlook

The difficult circumstances that occurred towards the end of the previous fiscal year continued into the first quarter of fiscal 2021. Our first quarter annuity/maintenance license revenue decreased by 8%, compared to the same period of the previous fiscal year. The COVID-19 pandemic and the related economic uncertainty were partially responsible for the decrease, as low commodity prices put a strain on our customers' spending. The rest of the decrease was due to pre-COVID licensing cuts by some of our customers, as signaled in the fourth quarter MD&A for the previous fiscal year.

All geographic regions, except for the Eastern Hemisphere, experienced decreases in annuity/maintenance revenue this quarter. The Eastern Hemisphere saw an 11% increase due to the addition of a multi-year contract and increased licensing by existing customers. Revenue from Canada decreased by 15%, as consolidation activity in the oil and gas industry translated into lower licensing needs by the new, merged entities. The 14% decrease in US revenue was caused by a combination of consolidation in the industry and the slowdown of US shale production. The 29% decrease in South America revenue was primarily due to the negative impacts of COVID-19 and the related economic uncertainty affecting the oil and gas industry.

There were no perpetual sales during the three months ended June 30, 2020.

Total operating expenses were slightly (1%) lower than in the comparative period. As previously announced, we are implementing cost-cutting measures to preserve liquidity and manage costs. These measures include reducing the CEO's annual salary and executives' annual salary by 25% and 20%, respectively, reducing directors' cash compensation by 20% and implementing graduated staff salary reductions. These measures took effect on July 1, 2020, and the related savings will be reflected in our financial results starting in Q2 of the current fiscal year. The measures will be further reassessed following review of the fiscal 2021 results and adjusted as appropriate.

While we are not in a position to predict the future, we are focusing on matters within our control including ensuring the resilience of our business by adjusting our cost structure and protecting liquidity to be well positioned to deal with these uncertain times. Through the COVID-19 pandemic and economic crises, we continue our research and development activities and continue providing technical support to our customers globally as it is our belief that the value of reservoir simulation becomes even greater during times of challenging economic and regulatory uncertainty.

EBITDA, while down by 17% compared to the first quarter of the previous fiscal year, came out strong at 41% of total revenue (compared to 45% in the first quarter of the previous fiscal year).

We closed the quarter with $51.2 million of cash and no debt. We realized free cash flow per share of $0.05 during the quarter and on August 10, 2020, the Board declared a dividend of $0.05 per share.

Ryan N. Schneider
President and Chief Executive Officer
August 10, 2020

Condensed Consolidated Statements of Financial Position

UNAUDITED (thousands of Canadian $)	**June 30, 2020**	March 31, 2020
Assets		
Current assets:		
Cash	**51,195**	40,505
Trade and other receivables	**7,692**	26,277
Prepaid expenses	**953**	913
Prepaid income taxes (note 9)	**-**	771
	59,840	68,466
Property and equipment	**13,196**	13,507
Right-of-use assets	**37,305**	37,901
Deferred tax asset (note 9)	**1,419**	992
Total assets	**111,760**	120,866
Liabilities and shareholders' equity		
Current liabilities:		
Trade payables and accrued liabilities	**6,105**	6,224
Income taxes payable (note 9)	**319**	60
Deferred revenue (note 4)	**25,492**	33,838
Lease liability (note 5)	**1,324**	1,313
	33,240	41,435
Lease liability (note 5)	**40,736**	41,062
Total liabilities	**73,976**	82,497
Shareholders' equity:		
Share capital (note 10)	**79,851**	79,851
Contributed surplus	**13,699**	13,533
Deficit	**(55,766)**	(55,015)
Total shareholders' equity	**37,784**	38,369
Total liabilities and shareholders' equity	**111,760**	120,866

Subsequent event (note 14)

See accompanying notes to condensed consolidated interim financial statements.

Condensed Consolidated Statements of Operations and Comprehensive Income

Three months ended June 30, UNAUDITED (thousands of Canadian $ except per share amounts)	**2020**	2019
Revenue (note 6)	**16,672**	18,123
Operating expenses		
Sales, marketing and professional services	**4,284**	4,630
Research and development (note 7)	**4,959**	4,751
General and administrative	**1,718**	1,674
	10,961	11,055
Operating profit	**5,711**	7,068
Finance income (note 8)	**99**	323
Finance costs (note 8)	**(1,405)**	(952)
Profit before income and other taxes	**4,405**	6,439
Income and other taxes (note 9)	**1,143**	1,997
Net and total comprehensive income	**3,262**	4,442
Earnings per share		
Basic and diluted (note 10(d))	**0.04**	0.06

See accompanying notes to condensed consolidated interim financial statements.

Condensed Consolidated Statements of Changes in Equity

UNAUDITED (thousands of Canadian $)	Common 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	-	-	4,442	4,442
Dividends paid	-	-	(8,022)	(8,022)
Stock-based compensation:				
Current period expense (note 10(c))	-	216	-	216
Balance, June 30, 2019	79,711	13,024	(49,983)	42,752
Balance, April 1, 2020	**79,851**	**13,533**	**(55,015)**	**38,369**
Total comprehensive income for the year	**-**	**-**	**3,262**	**3,262**
Dividends paid	**-**	**-**	**(4,013)**	**(4,013)**
Stock-based compensation:				
Current period expense (note 10(c))	**-**	**166**	**-**	**166**
Balance, June 30, 2020	**79,851**	**13,699**	**(55,766)**	**37,784**

See accompanying notes to condensed consolidated interim financial statements.

Condensed Consolidated Statements of Cash Flows

Three months ended June 30, UNAUDITED (thousands of Canadian $)	**2020**	2019
Operating activities		
Net income	**3,262**	4,442
Adjustments for:		
Depreciation	**1,056**	1,050
Deferred income tax recovery (note 9)	**(427)**	(160)
Stock-based compensation (note 10(c))	**812**	765
Funds flow from operations	**4,703**	6,097
Movement in non-cash working capital:		
Trade and other receivables	**18,585**	6,570
Trade payables and accrued liabilities	**(765)**	(1,734)
Prepaid expenses	**(40)**	50
Income taxes payable	**1,030**	(359)
Deferred revenue	**(8,346)**	(5,749)
Decrease (increase) in non-cash working capital	**10,464**	(1,222)
Net cash provided by operating activities	**15,167**	4,875
Financing activities		
Repayment of lease liability (note 5)	**(315)**	(282)
Dividends paid	**(4,013)**	(8,022)
Net cash used in financing activities	**(4,328)**	(8,304)
Investing activities		
Property and equipment additions	**(149)**	(108)
Increase (decrease) in cash	**10,690**	(3,537)
Cash, beginning of period	**40,505**	54,290
Cash, end of period	**51,195**	**50,753**
Supplementary cash flow information		
Interest received	**99**	333
Interest paid (notes 5 and 8)	**525**	534
Income taxes paid	**184**	2,074

See accompanying notes to condensed consolidated interim financial statements.

Notes to Condensed Consolidated Financial Statements

For the three months ended June 30, 2020 and 2019 (unaudited).

1. Reporting Entity:

Computer Modelling Group Ltd. (“CMG”) is a company domiciled in Alberta, Canada and is incorporated pursuant to the Alberta Business Corporations Act, with its Common Shares listed on the Toronto Stock Exchange under the symbol "CMG". The address of CMG's registered office is 3710 33 Street N.W., Calgary, Alberta, Canada, T2L 2M1. The condensed consolidated financial statements as at and for the three months ended June 30, 2020 comprise CMG and its subsidiaries (together referred to as the “Company”). The Company is a computer software technology company engaged in the development and licensing of reservoir simulation software. The Company also provides professional services consisting of highly specialized support, consulting, training, and contract research activities.

2. Basis of Preparation:

(a) Statement of Compliance:

These condensed consolidated financial statements have been prepared in accordance with International Accounting Standard (“IAS”) 34 Interim Financial Reporting. Accordingly, they do not include all of the information required for full annual financial statements and should be read in conjunction with the Company’s most recent annual consolidated financial statements as at and for the year ended March 31, 2020, which have been prepared in accordance with International Financial Reporting Standards (“IFRS”) as issued by the International Accounting Standards Board (“IASB”).

These unaudited condensed consolidated interim financial statements as at and for the three months ended June 30, 2020 were authorized for issuance by the Board of Directors on August 10, 2020.

(b) Basis of Measurement:

The condensed 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. Estimates and underlying assumptions are reviewed on an ongoing basis. Actual results may differ from such estimates and it is possible that the differences could be material. Revisions to accounting estimates are recognized in the period in which the estimates are revised and in any future periods affected.

Significant estimates and judgments used in the preparation of these condensed consolidated financial statements were the same as those that applied to the consolidated financial statements for the year ended March 31, 2020.

Impact of the COVID-19 pandemic

In March 2020, the World Health Organization declared coronavirus outbreak ("COVID-19") 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, the decrease in demand for crude oil has resulted in a significant decline in global energy prices.

While market conditions improved during the three months ended June 30, 2020 as countries began easing lockdown restrictions, a challenging economic climate persists, and it is difficult to reliably estimate the length or severity of the pandemic and its financial impact. A potential adverse impact to the Company includes reductions in revenues and cash flows and increased risk of non-payment from customers. At June 30, 2020, there has not been a significant increase in credit risk related to the Company's accounts receivable arising from COVID-19. As such, no allowance for doubtful accounts has been established at June 30, 2020 (none at March 31, 2020).

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. Segmented Information:

The Company is organized into one operating segment represented by the development and licensing of reservoir simulation software. The Company provides professional services, consisting of support, training, consulting and contract research activities, to promote the use and development of its software; however, these activities are not evaluated as a separate business segment.

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

(thousands of $)	**June 30, 2020**	March 31, 2020
Canada	**49,138**	49,957
United States	**915**	972
South America	**404**	427
Eastern Hemisphere(1)	**44**	52
	50,501	51,408

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

4. Deferred Revenue:

The following table presents changes in the deferred revenue balance for the three months ended June 30, 2020:

(thousands of $)	
Balance, March 31, 2020	33,838
Invoiced during the period, excluding amount recognized as revenue during the period	4,077
Recognition of deferred revenue included in the balance at the beginning of the period	(12,423)
Balance, June 30, 2020	**25,492**

5. 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**
Additions	**-**
Interest on lease liability (note 8)	**525**
Lease payments	**(840)**
Balance, June 30, 2020	**42,060**
Current	**1,324**
Long-term	**40,736**

The following table presents contractual undiscounted payments for lease liability as at June 30, 2020:

(thousands of $)	
Less than one year	**3,383**
Between one and five years	**14,178**
More than five years	**45,680**
Total undiscounted payments	**63,241**

6. Revenue:

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

Three months ended June 30, (thousands of $)	**2020**	2019
Annuity/maintenance license revenue		
Canada	**3,212**	3,776
United States	**4,235**	4,934
South America	**1,390**	1,945
Eastern Hemisphere	**5,686**	5,101
	14,523	15,756
Perpetual license revenue		
Canada	**-**	-
United States	**-**	298
South America	**-**	769
Eastern Hemisphere	**-**	92
	-	1,159
Total software license revenue	**14,523**	16,915
Professional services		
Canada	**1,817**	1,025
United States	**237**	53
South America	**26**	43
Eastern Hemisphere	**69**	87
	2,149	1,208
Total revenue		
Canada	**5,029**	4,801
United States	**4,472**	5,285
South America	**1,416**	2,757
Eastern Hemisphere	**5,755**	5,280
	16,672	18,123

The amount of revenue recognized during the three months ended June 30, 2020 from performance obligations satisfied (or partially satisfied) in previous periods is $0.2 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 $)	**June 30, 2020**	March 31, 2020
Receivables (included in "Trade and other receivables")	**7,477**	26,020

During the three months ended June 30, 2020, two customers comprised more than 10% of the Company’s total revenue each (13.5% and 10.4%). During the three months ended June 30, 2019, no customer comprised more than 10% of the Company’s total revenue.

7. Research and Development Costs:

Three months ended June 30, (thousands of $)	**2020**	2019
Research and development	**5,303**	5,192
Scientific research and experimental development ("SR&ED") investment tax credits	**(344)**	(441)
	4,959	4,751

8. Finance Income and Finance Costs:

Three months ended June 30, (thousands of $)	**2020**	2019
Interest income	**99**	323
Finance income	**99**	323
Interest expense on lease liability (note 5)	**(525)**	(534)
Net foreign exchange loss	**(880)**	(418)
Finance costs	**(1,405)**	(952)

9. Income and Other Taxes:

The major components of income tax expense are as follows:

Three months ended June 30, (thousands of $)	**2020**	2019
Current year income tax expense	**1,449**	2,109
Deferred tax recovery	**(427)**	(160)
Foreign withholding and other taxes	**121**	48
	1,143	1,997

During the three months ended June 30, 2020, the blended statutory tax rate was 24.75% (2019 – 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. The rate was reduced from 12% to 11% effective July 1, 2019, reduced to 10% on January 1, 2020 and will be reduced by an additional 1% for each of the next two years until it reaches 8% on January 1, 2022.

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

Three months ended June 30, (thousands of $, unless otherwise stated)	**2020**	2019
Combined statutory tax rate	**24.75%**	26.00%
Expected income tax	**1,090**	1,674
Non-deductible costs	**31**	74
Effect of statutory tax rate reduction	**14**	243
Withholding taxes	**6**	11
Effect of tax rates in foreign jurisdictions	**(7)**	(4)
Other	**9**	(1)
	1,143	1,997

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

(thousands of $)	**June 30, 2020**	March 31, 2020
SR&ED investment tax credits	**(82)**	(274)
Property and equipment	**75**	50
Right-of-use assets	**1,060**	999
Stock-based compensation liability	**366**	217
Net deferred tax asset	**1,419**	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.

10. 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
Balance, June 30, 2019	80,227
Balance, April 1, 2020	**80,249**
Balance, June 30, 2020	**80,249**

On May 23, 2018, the Board of Directors considered the merits of renewing the Company's shareholder rights plan on or before the third-year anniversary of shareholder approval of the plan and determined that it was in the best interest of the Company to continue to have a shareholder rights plan in place. The Board of Directors approved an amended and restated rights plan (the "Amended and Restated Rights Plan") between the Company and Computershare Trust Company of Canada. The Amended and Restated Rights Plan is similar in all respects to the existing shareholder rights plan, with the exception of certain minor amendments. The Amended and Restated Rights Plan was approved by the Company's shareholders on July 12, 2018.

(c) Stock-Based Compensation:

Stock-Based Compensation Expense

The following table summarizes stock-based compensation expense:

Three months ended June 30, (thousands of $)	**2020**	2019
Equity-settled plans	**166**	216
Cash-settled plans	**646**	549
Total stock-based compensation expense	**812**	765

Liability Recognized for Stock-Based Compensation [(1)]

The following table summarizes liabilities for the Company's cash-settled plans, recorded within trade payables and accrued liabilities:

(thousands of $)	**June 30, 2020**	March 31, 2020
SARs	**127**	15
RSUs	**1,206**	745
PSUs	**26**	-
DSUs	**230**	183
Total stock-based compensation liability	**1,589**	943

(1) The intrinsic value of the vested awards at June 30, 2020 was $ 0.2 million.

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

The maximum number of Common Shares reserved for issuance under the Company's security-based compensation plans is limited to 10% of the issued and outstanding Common Shares. Based on this calculation, at June 30, 2020, the Company may reserve up to 8,024,000 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:

	Three months ended June 30, 2020		Year ended March 31, 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	**-**	**-**	757	6.37
Exercised	**-**	**-**	-	-
Forfeited/expired	**(92)**	**10.90**	(1,965)	12.80
Outstanding at end of period	**3,808**	**9.61**	3,900	9.64
Options exercisable at end of period	**2,613**	**10.60**	2,704	10.61

The range of exercise prices of stock options outstanding and exercisable at June 30, 2020 is as follows:

			Outstanding		Exercisable
Exercise Price ($/option)	Number of Options (thousands)	Weighted Average Remaining Contractual Life (years)	Weighted Average Exercise Price ($/option)	Number of Options (thousands)	Weighted Average Exercise Price ($/option)
6.31 to 6.60	745	4.1	6.32	9	6.60
6.61 to 9.20	501	3.2	9.18	241	9.20
9.21 to 9.33	798	2.1	9.33	599	9.33
9.34 to 9.78	737	1.1	9.78	737	9.78
9.79 to 13.98	1,027	0.1	12.28	1,027	12.28
	3,808	**1.9**	**9.61**	**2,613**	**10.60**

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

	Year ended March 31, 2020
Fair value at grant date ($/option)	0.72 to 1.42
Share price at grant date ($/share)	6.31 to 8.70
Risk-free interest rate (%)	1.28 to 1.53
Estimated hold period prior to exercise (years)	3 to 4
Volatility in the price of common shares (%)	28 to 31
Dividend yield per common share (%)	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:

	Three months ended June 30, 2020		Year ended March 31, 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	6.31
Forfeited	**-**	**-**	(21)	9.42
Outstanding at end of period	**1,152**	**8.80**	1,152	8.80
SARs exercisable at end of period	**657**	**9.44**	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:

(thousands)	Three months ended June 30, 2020			Year ended March 31, 2020		
	RSUs	**PSUs**	**DSUs**	RSUs	PSUs	DSUs
Outstanding at beginning of period	**421**	**30**	**48**	237	-	24
Granted	**4**	**61**	**-**	309	30	24
Exercised	**-**	**-**	**-**	(91)	-	-
Forfeited	**(3)**	**-**	**-**	(34)	-	-
Outstanding at end of period	**422**	**91**	**48**	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:

Three months ended June 30, (thousands except per share amounts)	**2020**			2019		
	Earnings ($)	**Weighted Average Shares Outstanding**	**Earnings Per Share ($/share)**	Earnings ($)	Weighted Average Shares Outstanding	Earnings Per Share ($/share)
Basic	**3,262**	**80,249**	**0.04**	4,442	80,227	0.06
Dilutive effect of share-based awards		**182**			101	
Diluted	**3,262**	**80,431**	**0.04**	4,442	80,328	0.06

During the three months ended June 30, 2020, no awards (three months ended June 30, 2019 – 2,000 awards) were excluded from the computation of the weighted average number of diluted shares outstanding because their effect was not dilutive.

11. Financial Instruments:

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

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

12. Commitments:

(a) Research Commitment:

CMG, in partnership with Shell Global Solutions International B.V. ("Shell"), is the developer of CoFlow, the newest generation of reservoir and production system simulation software. Under a five-year agreement entered into by Shell and CMG on January 1, 2017 (the "CoFlow Agreement") and an amendment signed in July of 2019, CMG is responsible for the research and development costs of CoFlow (estimated to be $9.0 million in fiscal 2021), while Shell provides a contribution for the continuing development of the software (estimated to be $6.7 million in fiscal 2021).

During the three months ended June 30, 2020, the Company recorded professional services revenue of $1.8 million (three months ended June 30, 2019 – $1.0 million) and CoFlow costs of $2.2 million to research and development expenses (three months ended June 30, 2019 – $1.7 million).

(b) Commitments:

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

(thousands of $)	June 30, 2020
Less than one year	1,107
Between one and five years	4,376
More than five years	13,403
	18,886

13. Line Of Credit:

The Company has arranged for a $2.0 million line of credit with its principal banker, which can be drawn down by way of a demand operating credit facility or may be used to support letters of credit. As at June 30, 2020 $1.0 million (March 31, 2020 – $1.0 million) had been reserved on this line of credit for letters of credit supporting performance bonds.

14. Subsequent Event:

On August 10, 2020, the Board of Directors declared a quarterly cash dividend of $0.05 per share on its Common Shares, payable on September 15, 2020 to all shareholders of record at the close of business on September 4, 2020.

CORPORATE INFORMATION

Directors

Judith J. Athaide (4)

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

Sandra Balic
Vice President,
Finance and Chief Financial Officer

Jason C. Close
Vice President,
CoFlow Commercialization

Jim C. Erdle
Vice President,
USA & Latin America

R. David Hicks
Vice President,
Eastern Hemisphere

Anjani Kumar
Vice President,
Engineering Solutions

Long X. Nghiem
Vice President,
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Transfer Agent

Computershare Trust Company of Canada

Stock Exchange Listing

Toronto Stock Exchange: **CMG**