Q3 2021
for the period ended December 31, 2020

COMPUTER MODELLING GROUP LTD.

To Our Shareholders:

Computer Modelling Group Ltd. announces its third quarter results for the three and nine months ended December 31, 2020.

Third Quarter Highlights

Three months ended December 31, ($ thousands, except per share data)	2020	2019	$ change	% change
Annuity/maintenance software licenses	**13,477**	16,612	(3,135)	-19%
Perpetual software licenses	**660**	964	(304)	-32%
Total revenue	**16,038**	19,275	(3,237)	-17%
Operating profit	**8,437**	7,538	899	12%
Net income	**5,875**	5,112	763	15%
Earnings per share - basic	**0.07**	0.06	0.01	17%
Funds flow from operations per share - basic	**0.09**	0.09	-	0%
Free cash flow per share - basic (1)	**0.09**	0.08	0.01	13%

Nine months ended December 31, ($ thousands, except per share data)	2020	2019	$ change	% change
Annuity/maintenance software licenses	**42,144**	48,741	(6,597)	-14%
Perpetual software licenses	**2,435**	3,269	(834)	-26%
Total revenue	**50,562**	57,271	(6,709)	-12%
Operating profit	**24,009**	23,949	60	0%
Net income	**15,897**	16,422	(525)	-3%
Earnings per share - basic	**0.20**	0.20	-	0%
Funds flow from operations per share - basic	**0.25**	0.26	(0.01)	-4%
Free cash flow per share - basic (1)	**0.23**	0.25	(0.02)	-8%

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

Management's Discussion and Analysis

This Management's Discussion and Analysis ("MD&A") for Computer Modelling Group Ltd. ("CMG", the "Company", "we" or "our"), presented as at February 8, 2021, should be read in conjunction with the unaudited condensed consolidated interim financial statements and related notes of the Company for the three and nine months ended December 31, 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;
- 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 (“CEWS”) and Canada Emergency Rent Subsidy (“CERS”) 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 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 have been affected by the ongoing outbreak of COVID-19. The prolonged continuance of the COVID-19 pandemic could further adversely impact CMG's operations, including sales activities and financial performance. In addition, the 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 resulting in 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 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".

Quarterly Performance

	Fiscal 2019(1)	Fiscal 2020(2)				**Fiscal 2021(3)**		
($ thousands, unless otherwise stated)	Q4	Q1	Q2	Q3	Q4	Q1	Q2	**Q3**
Annuity/maintenance licenses	16,734	15,756	16,373	16,612	15,233	14,523	14,144	**13,477**
Perpetual licenses	2,891	1,159	1,146	964	1,403	-	1,775	**660**
Software licenses	19,625	16,915	17,519	17,576	16,636	14,523	15,919	**14,137**
Professional services	1,513	1,208	2,354	1,699	1,879	2,149	1,933	**1,901**
Total revenue	21,138	18,123	19,873	19,275	18,515	16,672	17,852	**16,038**
Operating profit	8,750	7,068	9,343	7,538	7,802	5,711	9,861	**8,437**
Operating profit (%)	41	39	47	39	42	34	55	**53**
Profit before income and other taxes	8,400	6,439	9,350	7,054	9,613	4,405	9,360	**7,410**
Income and other taxes	2,426	1,997	2,482	1,942	2,550	1,143	2,600	**1,535**
Net income for the period	5,974	4,442	6,868	5,112	7,063	3,262	6,760	**5,875**
EBITDA(4)	9,250	8,118	10,426	8,644	8,923	6,767	10,933	**9,509**
Cash dividends declared and paid	8,023	8,022	8,026	8,025	8,024	4,013	4,013	**4,015**
Funds flow from operations	7,024	6,097	7,787	7,366	7,515	4,703	7,991	**7,322**
Free cash flow(4)	6,948	5,707	7,274	6,726	6,840	4,239	7,474	**7,005**
Per share amounts - ($/share)								
Earnings per share (EPS) - basic and diluted	0.07	0.06	0.09	0.06	0.09	0.04	0.08	**0.07**
Cash dividends declared and paid	0.10	0.10	0.10	0.10	0.10	0.05	0.05	**0.05**
Funds flow from operations per share - basic	0.09	0.08	0.10	0.09	0.09	0.06	0.10	**0.09**
Free cash flow per share - basic(4)	0.09	0.07	0.09	0.08	0.09	0.05	0.09	**0.09**

(1) Q4 of fiscal 2019 includes $1.8 million 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 and Q2 of fiscal 2021 include $0.2 million and $0.2 million, respectively, 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.

Commentary on Quarterly Performance

For the Three months ended / ***For the Nine months ended***

December 31, 2020, and compared to the same period of the previous fiscal year, when appropriate:

For the Three months ended

- Annuity/maintenance license revenue decreased by 19%, 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 32%;
- Total revenue decreased by 17%, with lower software revenue being slightly offset by higher professional services revenue;
- Total operating expenses decreased by 35%, as a result of $1.7 million of CEWS and CERS benefits and the Company implementing compensation reductions effective July 1;
- Quarterly operating profit was up 12% and the operating profit margin of 53% exceeded the comparative quarter's figure of 39%, mainly due to the CEWS and CERS benefits and compensation reductions. Without the CEWS and CERS benefit, quarterly operating profit was 42%, more in line with our fiscal 2019 and fiscal 2020 historic average of 40%;
- Basic EPS of $0.07 was slightly higher than the comparative period;
- Achieved free cash flow per share of $0.09;
- Declared and paid a dividend of $0.05 per share.

For the Nine months ended

- Annuity/maintenance license revenue decreased by 14%, 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 decreased by 26%;
- Total revenue decreased by 12%, with lower software revenue being slightly offset by higher professional services revenue;
- Total operating expenses decreased by 20%, as a result of $4.2 million of CEWS and CERS benefits and the Company implementing compensation reductions effective July 1;
- Year-to-date operating profit was level with the comparative period and the operating profit margin was 47%. Without the CEWS and CERS benefits, year-to-date operating profit was 39%, essentially tracking to our fiscal 2019 and fiscal 2020 historic average of 40%;
- Basic EPS of $0.20 was level with the comparative period;
- Achieved free cash flow per share of $0.25;
- Declared and paid dividends of $0.15 per share.

CMG's Response to 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. These conditions persisted through the second and third quarters.

The COVID-19 pandemic and the related economic uncertainty negatively impacted our financial results for the three and nine months ended December 31, 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 to renew them at reduced levels. These factors continue to contribute to a decrease in software license revenue during the three and nine months ended December 31, 2020.

CMG realizes that retaining its employees and continuing to prioritize product development and customer support is important to its customers as well as the long-term success of the business. Accordingly, effective July 1, 2020, CMG took the following pre-emptive actions to minimize the negative impact that the COVID-19 pandemic is expected to have on its business, and liquidity:

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

The reductions to compensation 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 which is associated with fiscal 2021 corporate performance.

As a result of the decline in revenue, CMG became eligible for the CEWS and CERS programs and, during the three and nine months ended December 31, 2020, recorded a CEWS benefit of $1.6 million and $4.1 million, respectively, and a CERS benefit of $0.1 million and $0.1 million, respectively.

To further preserve liquidity and maintain balance sheet strength, CMG's Board reduced the quarterly dividend from $0.10 per share to $0.05 per share, starting June 15, 2020. On February 8, 2021, CMG's Board approved a quarterly dividend of $0.05 per share on CMG's Common Shares, payable on March 15, 2020 to shareholders of record at the close of business on March 5, 2020.

We implemented 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. These measures also allow for maximum flexibility in our capital allocation decisions, including 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. 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.

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.

Revenue

Three months ended December 31, ($ thousands)	**2020**	2019	$ change	% change
Software license revenue	**14,137**	17,576	(3,439)	-20%
Professional services	**1,901**	1,699	202	12%
Total revenue	**16,038**	19,275	(3,237)	-17%
Software license revenue as a % of total revenue	**88%**	91%		
Professional services as a % of total revenue	**12%**	9%		

Nine months ended December 31, ($ thousands)	**2020**	2019	$ change	% change
Software license revenue	**44,579**	52,010	(7,431)	-14%
Professional services	**5,983**	5,261	722	14%
Total revenue	**50,562**	57,271	(6,709)	-12%
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 and nine months ended December 31, 2020 decreased by 17% and 12%, respectively, due to a decrease in software license revenue, 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 December 31, ($ thousands)	**2020**	2019	$ change	% change
Annuity/maintenance license revenue	**13,477**	16,612	(3,135)	-19%
Perpetual license revenue	**660**	964	(304)	-32%
Total software license revenue	**14,137**	17,576	(3,439)	-20%
Annuity/maintenance as a % of total software license revenue	**95%**	95%		
Perpetual as a % of total software license revenue	**5%**	5%		

Nine months ended December 31, ($ thousands)	**2020**	2019	$ change	% change
Annuity/maintenance license revenue	**42,144**	48,741	(6,597)	-14%
Perpetual license revenue	**2,435**	3,269	(834)	-26%
Total software license revenue	**44,579**	52,010	(7,431)	-14%
Annuity/maintenance as a % of total software license revenue	**95%**	94%		
Perpetual as a % of total software license revenue	**5%**	6%		

Total software license revenue for the three and nine months ended December 31, 2020 decreased by 20% and 14%, 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-month period, CMG's annuity/maintenance license revenue decreased by 19%, compared to the same period of the previous fiscal year. Canada, the US and South America contributed to the decrease, while the Eastern Hemisphere stayed essentially level. The decreases in Canada, the US and South America 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.

During the nine-month period, CMG's annuity/maintenance license revenue decreased by 14%, compared to the same period of the previous fiscal year. Canada, the US and South America contributed to the decrease, while the Eastern Hemisphere increased by 4%, due to the addition of a multi-year contract and increased licensing by existing customers.

Perpetual license revenue decreased by 32% and 26% during the three and nine months ended December 31, 2020, 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 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 had a slight negative impact on reported software license revenue during the three and nine months ended December 31, 2020, 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 December 31, ($ thousands)		**2020**	2019	$ change	% change
US dollar annuity/maintenance license revenue	**US$**	**7,787**	9,796	(2,009)	-21%
Weighted average conversion rate		**1.333**	1.337		
Canadian dollar equivalent	**CDN$**	**10,380**	13,094	(2,714)	-21%
US dollar perpetual license revenue	**US$**	**509**	732	(223)	-30%
Weighted average conversion rate		**1.297**	1.318		
Canadian dollar equivalent	**CDN$**	**660**	964	(304)	-32%

Nine months ended December 31, ($ thousands)		**2020**	2019	$ change	% change
US dollar annuity/maintenance license revenue	**US$**	**24,650**	28,724	(4,074)	-14%
Weighted average conversion rate		**1.333**	1.336		
Canadian dollar equivalent	**CDN$**	**32,847**	38,375	(5,528)	-14%
US dollar perpetual license revenue	**US$**	**1,850**	2,461	(611)	-25%
Weighted average conversion rate		**1.316**	1.328		
Canadian dollar equivalent	**CDN$**	**2,435**	3,269	(834)	-26%

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

Three months ended December 31, ($ thousands)	2019	Incremental License Growth	Foreign Exchange Impact	**2020**
Annuity/maintenance license revenue	16,612	(3,107)	(28)	**13,477**
Perpetual license revenue	964	(293)	(11)	**660**
Total software license revenue	17,576	(3,400)	(39)	**14,137**

Nine months ended December 31, ($ thousands)	2019	Incremental License Growth	Foreign Exchange Impact	**2020**
Annuity/maintenance license revenue	48,741	(6,513)	(84)	**42,144**
Perpetual license revenue	3,269	(812)	(22)	**2,435**
Total software license revenue	52,010	(7,325)	(106)	**44,579**

Software Revenue by Geographic Region

Three months ended December 31, ($ thousands)	**2020**	2019	$ change	% change
Annuity/maintenance license revenue				
Canada	**3,097**	3,950	(853)	-22%
United States	**3,649**	5,147	(1,498)	-29%
South America	**1,320**	2,015	(695)	-34%
Eastern Hemisphere(1)	**5,411**	5,500	(89)	-2%
	13,477	16,612	(3,135)	-19%
Perpetual license revenue				
Canada	**-**	-	-	0%
United States	**-**	-	-	0%
South America	**41**	511	(470)	-92%
Eastern Hemisphere	**619**	453	166	37%
	660	964	(304)	-32%
Total software license revenue				
Canada	**3,097**	3,950	(853)	-22%
United States	**3,649**	5,147	(1,498)	-29%
South America	**1,361**	2,526	(1,165)	-46%
Eastern Hemisphere	**6,030**	5,953	77	1%
	14,137	17,576	(3,439)	-20%

Nine months ended December 31, ($ thousands)	**2020**	2019	$ change	% change
Annuity/maintenance license revenue				
Canada	**9,452**	11,653	(2,201)	-19%
United States	**11,533**	15,131	(3,598)	-24%
South America	**4,412**	5,931	(1,519)	-26%
Eastern Hemisphere(1)	**16,747**	16,026	721	4%
	42,144	48,741	(6,597)	-14%
Perpetual license revenue				
Canada	**-**	-	-	0%
United States	**-**	298	(298)	-100%
South America	**1,020**	1,280	(260)	-20%
Eastern Hemisphere	**1,415**	1,691	(276)	-16%
	2,435	3,269	(834)	-26%
Total software license revenue				
Canada	**9,452**	11,653	(2,201)	-19%
United States	**11,533**	15,429	(3,896)	-25%
South America	**5,432**	7,211	(1,779)	-25%
Eastern Hemisphere	**18,162**	17,717	445	3%
	44,579	52,010	(7,431)	-14%

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

During the three and nine months ended December 31, 2020, total software license revenue decreased in all geographic regions except for the Eastern Hemisphere.

The Canadian region (representing 21% of year-to-date software license revenue) experienced decreases of 22% and 19% in annuity/maintenance license revenue during the three and nine months ended December 31, 2020, compared to the same periods 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.

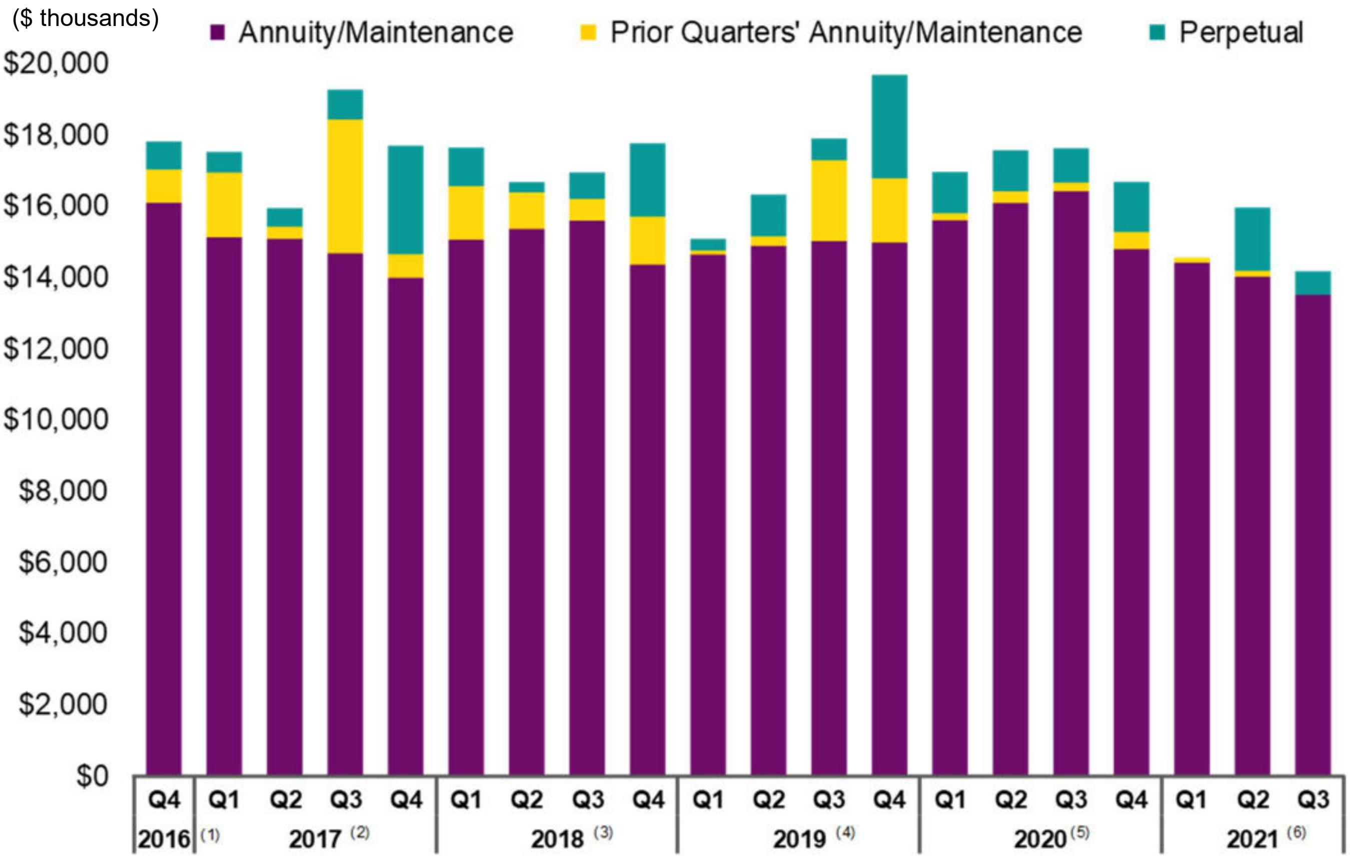
The United States (representing 26% of year-to-date software license revenue) experienced decreases of 29% and 24% in annuity/maintenance license revenue during the three and nine months ended December 31, 2020, compared to the same periods of the previous fiscal year. The decreases were a result of 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.

South America (representing 12% of year-to-date software license revenue) experienced decreases of 34% and 26% in annuity/maintenance license revenue during the three and nine months ended December 31, 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. Perpetual sales during the three and nine months ended December 31, 2020 were lower than in the comparative periods.

The Eastern Hemisphere (representing 41% of year-to-date software license revenue) experienced a slight decrease of 2% in annuity/maintenance license revenue during the three months ended December 31, 2020, compared to the same period of the previous fiscal year, as decreased licensing by some customers was nearly offset by increased licensing by others, including a new multi-year annuity contract that commenced at the end of the previous fiscal year. During the nine months ended December 31, 2020, annuity/maintenance license revenue increased by 4%, due to increased licensing from existing customers and the afore-mentioned multi-year contract, partially offset by reduced licensing by some customers. Perpetual sales were up by 37% during the three months and down by 16% during the nine months ended December 31, 2020, 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



(1) Q4 of fiscal 2016 includes $0.9 million 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, Q2 and Q3 of fiscal 2021 include $0.2 million, $0.2 million and 0.0 million, respectively 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)	**19,549**	23,849			(4,300)	-18%
Q3 (December 31)	**15,347**	15,679			(332)	-2%
Q4 (March 31)		33,838	35,015	(1)	(1,177)	-3%

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

The above table illustrates the normal trend in the deferred revenue balance from the beginning of the calendar year (which corresponds with Q4 of our fiscal year), when most renewals occur, to the end of the calendar year (which corresponds with Q3 of our fiscal year). Our fourth quarter corresponds with the beginning of the fiscal year for most oil and gas companies, representing a time when they enter a new budget year and sign/renew their contracts.

The deferred revenue balance at the end of Q3 of fiscal 2021 decreased by 2% when compared to Q3 of fiscal 2020 and was positively affected by early renewals.

Professional Services Revenue

Professional services revenue for the three and nine months ended December 31, 2020 was $1.9 million and $6.0 million, respectively, an increase of $0.2 million and $0.7 million, respectively, from the same periods of the previous fiscal year. Both increases were largely 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 December 31, ($ thousands)	**2020**	2019	$ change	% change
Sales, marketing and professional services	**3,335**	4,744	(1,409)	-30%
Research and development	**3,092**	5,171	(2,079)	-40%
General and administrative	**1,174**	1,822	(648)	-36%
Total operating expenses	**7,601**	11,737	(4,136)	-35%
Direct employee costs(1)	**5,590**	9,202	(3,612)	-39%
Other corporate costs	**2,011**	2,535	(524)	-21%
	7,601	11,737	(4,136)	-35%

Nine months ended December 31, ($ thousands)	**2020**	2019	$ change	% change
Sales, marketing and professional services	**11,209**	13,728	(2,519)	-18%
Research and development	**11,158**	14,461	(3,303)	-23%
General and administrative	**4,186**	5,133	(947)	-18%
Total operating expenses	**26,553**	33,322	(6,769)	-20%
Direct employee costs(1)	**20,257**	25,752	(5,495)	-21%
Other corporate costs	**6,296**	7,570	(1,274)	-17%
	26,553	33,322	(6,769)	-20%

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

Total operating expenses for the three and nine months ended December 31, 2020 decreased by 35% and 20%, respectively, compared to the same periods of the previous fiscal year, as both direct employee costs and other corporate costs decreased.

Direct Employee Costs

As a technology company, CMG's largest investment is its people. Approximately 76% of the total operating expenses for the nine months ended December 31, 2020 related to direct employee costs. Direct employee costs for the three and nine months ended December 31, 2020 decreased by 39% and 21%, respectively, compared to the same periods of the previous fiscal year. The decrease was due to the CEWS benefit and salary reductions that were announced in our March 31, 2020 MD&A and implemented effective July 1, 2020. As a result of the decline in revenue, CMG became eligible for the CEWS program and recorded a CEWS benefit of $1.6 million and $4.1 million during the three and nine months ended December 31, 2020.

This decrease was partially offset by an increase in direct employee costs due to higher staffing levels in the current fiscal year to date, compared to the previous fiscal year to date. At December 31, 2020, CMG's full-time equivalent staff complement was 197 employees and consultants, up from 193 full-time equivalent employees and consultants at December 31, 2019, the majority of the increase being due to the commitment under the CoFlow agreement.

Other Corporate Costs

Other corporate costs for the three and nine months ended December 31, 2020 decreased by 21% and 17%, 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 $0.1 million CERS benefit. These decreases were partially offset by lower SR&ED credits, as explained in the next section.

Research and Development

Three months ended December 31, ($ thousands)	**2020**	2019	$ change	% change
Research and development, net of government grants	**3,231**	5,480	(2,249)	-41%
SR&ED credits	**(139)**	(309)	170	-55%
Research and development	**3,092**	5,171	(2,079)	-40%
Research and development as a % of total revenue	**19%**	27%		

Nine months ended December 31, ($ thousands)	**2020**	2019	$ change	% change
Research and development, net of government grants	**11,709**	15,642	(3,933)	-25%
SR&ED credits	**(551)**	(1,181)	630	-53%
Research and development	**11,158**	14,461	(3,303)	-23%
Research and development as a % of total revenue	**22%**	25%		

CMG maintains a belief that its strategy of growing long-term value for shareholders is enhanced 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 $1.4 million and $5.0 million of costs for CoFlow for the three and nine months ended December 31, 2020, respectively, (three and nine months ended December 31, 2019 – $1.9 million and $5.2 million, respectively). See discussion under "Commitments, Off Balance Sheet Items and Transactions with Related Parties".

Research and development costs for the three and nine months ended December 31, 2020 decreased by 40% and 23%, respectively, compared to the same periods of the previous fiscal year, mainly due to the CEWS benefit and salary reductions. This decrease was partially offset by lower SR&ED credits and a higher headcount in the CoFlow department. Pursuant to its agreement with Shell, CMG received additional Professional Services Revenue to offset this expense.

SR&ED credits decreased by 55% and 53% for the three and nine months ended December 31, 2020, 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 December 31, ($ thousands)	2020	2019	$ change	% change
Depreciation of property and equipment, allocated to:				
Sales, marketing and professional services	**259**	271	(12)	-4%
Research and development	**675**	696	(21)	-3%
General and administrative	**138**	139	(1)	-1%
Total depreciation	**1,072**	1,106	(34)	-3%

Nine months ended December 31, ($ thousands)	2020	2019	$ change	% change
Depreciation of property and equipment, allocated to:				
Sales, marketing and professional services	**761**	806	(45)	-6%
Research and development	**2,023**	2,015	8	0%
General and administrative	**416**	418	(2)	0%
Total depreciation	**3,200**	3,239	(39)	-1%

Depreciation for the three and nine months ended December 31, 2020 remained consistent with the same periods of the previous fiscal year.

Finance Income and Costs

Three months ended December 31, ($ thousands)	2020	2019	$ change	% change
Interest income	**92**	278	(186)	-67%
Total finance income	**92**	278	(186)	-67%
Interest expense on lease liability	**(517)**	(532)	15	-3%
Net foreign exchange loss	**(602)**	(230)	(372)	162%
Total finance costs	**(1,119)**	(762)	(357)	47%

Nine months ended December 31, ($ thousands)	2020	2019	$ change	% change
Interest income	**288**	922	(634)	-69%
Total finance income	**288**	922	(634)	-69%
Interest expense on lease liability	**(1,563)**	(1,600)	37	-2%
Net foreign exchange loss	**(1,559)**	(428)	(1,131)	264%
Total finance costs	**(3,122)**	(2,028)	(1,094)	54%

Interest income decreased during the three and nine months ended December 31, 2020, compared to the same periods of the previous fiscal year, due to lower interest rates and lower cash balances. 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 nine months ended December 31, 2020 (2019 – 74%) is denominated in US dollars, whereas only approximately 28% (2019 – 24%) of CMG's total costs are denominated in US dollars.

The following chart shows the exchange rates used to translate CMG's USD-denominated working capital at December 31, 2020, 2019 and 2018 and the average exchange rates used to translate income statement items during the three months ended December 31, 2020, 2019 and 2018:

CDN$ to US$	At June 30	At September 30	At December 31	Nine month trailing average
2018	0.7594	0.7725	0.7330	0.7673
2019	0.7641	0.7551	0.7699	0.7530
2020	0.7338	0.7497	**0.7854**	**0.7408**

CMG recorded net foreign exchange losses of $0.6 million and $1.6 million for the three and nine months ended December 31, 2020, due to a weakening of the US dollar during the three- and nine-month periods, 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 nine months ended December 31, 2020 is 24.9% (2019 – 28.1%), 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 December 31, ($ thousands, except per share data)	**2020**	2019	$ change	% change
Total revenue	**16,038**	19,275	(3,237)	-17%
Operating expenses	**(7,601)**	(11,737)	4,136	-35%
Operating profit	**8,437**	7,538	899	12%
Operating profit as a % of revenue	**53%**	39%		
Net income for the period	**5,875**	5,112	763	15%
Net income as a % of total revenue	**37%**	27%		
Basic earnings per share ($/share)	**0.07**	0.06	0.01	17%

Nine months ended December 31, ($ thousands, except per share data)	**2020**	2019	$ change	% change
Total revenue	**50,562**	57,271	(6,709)	-12%
Operating expenses	**(26,553)**	(33,322)	6,769	-20%
Operating profit	**24,009**	23,949	60	0%
Operating profit as a % of revenue	**47%**	42%		
Net income for the period	**15,897**	16,422	(525)	-3%
Net income as a % of total revenue	**31%**	29%		
Basic earnings per share ($/share)	**0.20**	0.20	0.00	0%

Operating profit as a percentage of total revenue for the three and nine months ended December 31, 2020 was 53% and 47%, respectively, up from 39% and 42% in the comparative periods, because, while both revenue and operating expenses decreased, operating expenses decreased by a higher percentage, as a result of 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 42% and 39% for the three and nine months ended December 31, 2020, respectively, more in line with our fiscal 2019 and fiscal 2020 average quarterly operating profit of 40%.

Net income as a percentage of total revenue was 37% and 31% for the three and nine months ended December 31, 2020, respectively, up from 27% and 29% in the comparative periods, due to lower operating expenses, partially offset by lower revenue and interest income.

EBITDA[1]

Three months ended December 31, ($ thousands)	**2020**	2019	$ change	% change
Net income for the period	**5,875**	5,112	763	15%
Add (deduct):				
Depreciation	**1,072**	1,106	(34)	-3%
Finance (income) costs	**1,027**	484	543	112%
Income and other taxes	**1,535**	1,942	(407)	-21%
EBITDA	**9,509**	8,644	865	10%
EBITDA as a % of total revenue	**59%**	45%		

Nine months ended December 31, ($ thousands)	**2020**	2019	$ change	% change
Net income for the period	**15,897**	16,422	(525)	-3%
Add (deduct):				
Depreciation	**3,200**	3,239	(39)	-1%
Finance (income) costs	**2,834**	1,106	1,728	156%
Income and other taxes	**5,278**	6,421	(1,143)	-18%
EBITDA	**27,209**	27,188	21	0%
EBITDA as a % of total revenue	**54%**	47%		

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

EBITDA as a percentage of total revenue for the three and nine months ended December 31, 2020 was 59% and 54%, respectively, up from 45% and 47% in the comparative periods, because, while both revenue and operating expenses decreased, operating expenses decreased by a higher percentage, as a result of the CEWS and CERS benefits and salary reductions. Without the impact of the CEWS and CERS benefits, EBITDA as a percentage of total revenue was 49% and 45% for the three and nine months ended December 31, 2020, respectively, relatively consistent with the comparative periods.

Liquidity and Capital Resources

Three months ended December 31, ($ thousands)	**2020**	2019	$ change	% change
Cash, beginning of period	**43,982**	47,050	(3,068)	-7%
Cash flow used in:				
Operating activities	**(474)**	(1,612)	1,138	71%
Financing activities	**(4,325)**	(8,314)	3,989	48%
Investing activities	**(7)**	(351)	344	98%
Cash, end of period	**39,176**	36,773	2,403	7%

Nine months ended December 31, ($ thousands)	**2020**	2019	$ change	% change
Cash, beginning of period	**40,505**	54,290	(13,785)	-25%
Cash flow provided by (used in):				
Operating activities	**12,010**	8,099	3,911	48%
Financing activities	**(12,983)**	(24,922)	11,939	48%
Investing activities	**(356)**	(694)	338	49%
Cash, end of period	**39,176**	36,773	2,403	7%

At December 31, 2020, CMG had $39.2 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 capital expenditure needs.

During the nine months ended December 31, 2020, 20.9 million shares of CMG's public float were traded on the TSX. As at December 31, 2020, CMG's market capitalization based upon its December 31, 2020 closing price of $4.88 was $391.8 million.

Operating Activities

Funds flow from operations during the three months ended December 31, 2020 was consistent with the comparative quarter, yet cash used in operating activities decreased by $1.1 million due to the movement in the non-cash working capital.

Funds flow from operations during the nine months ended December 31, 2020 was lower than the comparative period, as the revenue and interest income decrease was greater that the expenses decrease; yet cash provided by operating activities increased by $3.9 million due to the movement in the non-cash working capital.

Financing Activities

Cash used in financing activities decreased in the three and nine months ended December 31, 2020, 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 nine months ended December 31, 2020, CMG paid $12.0 million in dividends, representing the following quarterly dividends:

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

In the nine months ended December 31, 2019 CMG paid $24.1 million in dividends, representing the following quarterly dividends:

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

On February 8, 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 March 15, 2021 to shareholders of record at the close of business on March 5, 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 nine months ended December 31, 2020, CMG's cash expenditures on property and equipment were $0.4 million, primarily composed of computer equipment. CMG expects full year capital expenditures to be $0.5 million, which would be half of last year's amount.

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 $6.7 million in fiscal 2021) and Shell would be responsible for providing a contribution for the continuing development of the software (estimated to be $6.9 million in fiscal 2021).

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 December 31, 2020:

(thousands of $)	Undiscounted lease liability payments	Operating costs and short-term leases	Total commitments
Less than one year	3,369	1,115	4,484
Between one and five years	14,128	4,496	18,624
More than five years	44,073	13,119	57,192
	61,570	18,730	80,300

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 February 8, 2021 (thousands)	
Common Shares	80,286
Stock options	3,513
Restricted share units(1)	482
Performance share units(1)	69

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

The maximum number of Common Shares that may be reserved for issuance under the Company's security-based compensation plans is limited to 10% of the issued and outstanding Common Shares. Based on this calculation, at February 8, 2021, CMG could reserve up to 8,028,000 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 December 31, 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 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

	Fiscal 2019	Fiscal 2020						**Fiscal 2021**
($ thousands)	Q4	Q1	Q2	Q3	Q4	Q1	Q2	**Q3**
Funds flow from operations	7,024	6,097	7,787	7,366	7,515	4,703	7,991	**7,322**
Capital expenditures	(76)	(108)	(235)	(351)	(296)	(149)	(200)	**(7)**
Repayment of lease liabilities	-	(282)	(278)	(289)	(379)	(315)	(317)	**(310)**
Free cash flow	6,948	5,707	7,274	6,726	6,840	4,239	7,474	**7,005**

Outlook

Through the COVID-19 pandemic and economic crises, we continue our research and development activities and continue providing technical support to our customers globally. We have seen increased support requests, training activity and commercial customers running "Energy Transition" models related to CO_2 enhanced recovery, carbon sequestration and geothermal projects.

Our third quarter and year-to-date annuity/maintenance license revenue decreased by 19% and 14%, respectively, compared to the same periods of the previous fiscal year. The COVID-19 pandemic and the related economic uncertainty were partially responsible for the decrease, as were low commodity prices that constrained our customers' spending. The remaining decrease was due to pre-COVID licensing cuts by some of our customers, as discussed in the fourth quarter MD&A for the previous fiscal year.

While annuity/maintenance revenue from the Eastern Hemisphere essentially remained consistent on a quarterly basis and modestly increased on a year-to-date basis, annuity/maintenance revenue from Canada, the US and South America decreased on both a quarterly and year-to-date basis. On a year-to-date basis, the Eastern Hemisphere increased by 4%, due primarily to the addition of a multi-year annuity contract that started at the end of the previous fiscal year. Revenue from Canada decreased by 22% and 19% for the quarter and year to date, respectively, as consolidation activity in the oil and gas industry translated into lower licensing needs by the new, merged entities. The 29% and 24% decreases in US revenue for the quarter and year to date, respectively, were caused by a combination of consolidation in the industry and the slowdown of US shale production. The 34% and 26% decreases in South America revenue, for the quarter and year to date, respectively, were primarily due to the negative impacts of COVID-19 and the related economic uncertainty affecting the oil and gas industry.

Looking at perpetual revenue, we generated $0.7 million in perpetual sales in South America and the Eastern Hemisphere during the quarter and $2.4 million year to date. We are pleased to have realized 75% of last year's perpetual revenue over the same period. One significant perpetual sale during this fiscal year was to a customer in South East Asia, who chose CMG's software for enhanced oil recovery and improving their long-term production declines, which validates our belief that companies will need CMG's technology, even more so, as they engage in complex recovery processes to mitigate their declining production.

Total operating expenses were 35% and 20% lower than in the comparative quarter and year-to-date period, respectively, due to the CEWS and CERS benefits and cost containment measures. CMG recorded CEWS and CERS benefits of $1.7 million during the quarter and $4.2 million during the year to date.

Our cost containment measures, which came into effect on July 1, 2020, included 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 will be reassessed following review of the fiscal 2021 results and adjusted as appropriate.

The reduction in operating expenses resulted in an operating profit of 53% for the quarter and 47% for the year to date. If we exclude the CEWS and CERS benefits from operating expenses, operating profit was 42% for the quarter and 40% for the year to date, more in line with our fiscal 2019 and fiscal 2020 quarterly average of 40%.

Recent progress in the development and distribution of the COVID-19 vaccine provides a reason for cautious optimism. While we are not in a position to predict the future, we are focusing on matters within our control: maintaining liquidity and protecting our bottom line by adjusting our cost structure. We are working closely with our customers to address their needs while acknowledging their ongoing challenges. Our business has remained comparatively resilient through the pandemic, as even though our customers are experiencing financial pressures, they recognize that they need CMG's technology. We believe that the value of our reservoir simulation software is even greater during times of market uncertainty, as companies strive to optimize their production and improve operating margins.

We closed the quarter with $39.2 million of cash and no debt. We realized free cash flow per share of $0.09 during the quarter and on February 8, 2021, the Board declared a dividend of $0.05 per share.

Ryan N. Schneider
President and Chief Executive Officer
February 8, 2021

Condensed Consolidated Statements of Financial Position

UNAUDITED (thousands of Canadian $)	**December 31, 2020**	March 31, 2020
Assets		
Current assets:		
Cash	**39,176**	40,505
Trade and other receivables	**15,420**	26,277
Prepaid expenses	**983**	913
Prepaid income taxes (note 11)	**42**	771
	55,621	68,466
Property and equipment	**12,459**	13,507
Right-of-use assets	**36,106**	37,901
Deferred tax asset (note 11)	**1,546**	992
Total assets	**105,732**	120,866
Liabilities and shareholders' equity		
Current liabilities:		
Trade payables and accrued liabilities	**5,596**	6,224
Income taxes payable (note 11)	**400**	60
Deferred revenue (note 5)	**15,347**	33,838
Lease liability (note 6)	**1,345**	1,313
	22,688	41,435
Lease liability (note 6)	**40,088**	41,062
Total liabilities	**62,776**	82,497
Shareholders' equity:		
Share capital (note 12)	**80,051**	79,851
Contributed surplus	**14,064**	13,533
Deficit	**(51,159)**	(55,015)
Total shareholders' equity	**42,956**	38,369
Total liabilities and shareholders' equity	**105,732**	120,866

Subsequent event (note 16)

See accompanying notes to condensed consolidated interim financial statements.

Condensed Consolidated Statements of Operations and Comprehensive Income

	Three months ended December 31		Nine months ended December 31	
UNAUDITED (thousands of Canadian $ except per share amounts)	**2020**	2019	**2020**	2019
Revenue (note 7)	**16,038**	19,275	**50,562**	57,271
Operating expenses (note 8)				
Sales, marketing and professional services	**3,335**	4,744	**11,209**	13,728
Research and development (note 9)	**3,092**	5,171	**11,158**	14,461
General and administrative	**1,174**	1,822	**4,186**	5,133
	7,601	11,737	**26,553**	33,322
Operating profit	**8,437**	7,538	**24,009**	23,949
Finance income (note 10)	**92**	278	**288**	922
Finance costs (note 10)	**(1,119)**	(762)	**(3,122)**	(2,028)
Profit before income and other taxes	**7,410**	7,054	**21,175**	22,843
Income and other taxes (note 11)	**1,535**	1,942	**5,278**	6,421
Net and total comprehensive income	**5,875**	5,112	**15,897**	16,422
Earnings per share				
Basic and diluted (note 12(d))	**0.07**	0.06	**0.20**	0.20

See accompanying notes to condensed consolidated interim financial statements.

Condensed Consolidated Statements of Changes in Equity

UNAUDITED (thousands of Canadian $)	Share capital	Contributed surplus	Deficit	Total equity
Balance, April 1, 2019	79,711	12,808	(46,403)	46,116
Total comprehensive income for the year	-	-	16,422	16,422
Dividends paid	-	-	(24,073)	(24,073)
Shares issued on redemption of restricted share units (note 12(b))	140	-	-	140
Stock-based compensation:				
Current period expense (note 12(c))	-	571	-	571
Balance, December 31, 2019	79,851	13,379	(54,054)	39,176
Balance, April 1, 2020	**79,851**	**13,533**	**(55,015)**	**38,369**
Total comprehensive income for the year	**-**	**-**	**15,897**	**15,897**
Dividends paid	**-**	**-**	**(12,041)**	**(12,041)**
Shares issued on redemption of restricted share units (note 12(b))	**200**	**-**	-	**200**
Stock-based compensation:				
Current period expense (note 12(c))	**-**	**531**	-	**531**
Balance, December 31, 2020	**80,051**	**14,064**	**(51,159)**	**42,956**

See accompanying notes to condensed consolidated interim financial statements.

Condensed Consolidated Statements of Cash Flows

UNAUDITED (thousands of Canadian $)	Three months ended December 31 2020	2019	Nine months ended December 31 2020	2019
Operating activities				
Net income	**5,875**	5,112	**15,897**	16,422
Adjustments for:				
Depreciation	**1,072**	1,106	**3,200**	3,239
Deferred income tax recovery (note 11)	**(120)**	(246)	**(554)**	(348)
Stock-based compensation (note 12(c))	**495**	1,394	**1,473**	1,937
Funds flow from operations	**7,322**	7,366	**20,016**	21,250
Movement in non-cash working capital:				
Trade and other receivables	**(4,345)**	(1,419)	**10,857**	7,448
Trade payables and accrued liabilities	**676**	325	**(1,371)**	(1,414)
Prepaid expenses	**98**	301	**(70)**	211
Income taxes payable	**(23)**	(15)	**1,069**	(60)
Deferred revenue	**(4,202)**	(8,170)	**(18,491)**	(19,336)
Increase in non-cash working capital	**(7,796)**	(8,978)	**(8,006)**	(13,151)
Net cash (used in) provided by operating activities	**(474)**	(1,612)	**12,010**	8,099
Financing activities				
Repayment of lease liability (note 6)	**(310)**	(289)	**(942)**	(849)
Dividends paid	**(4,015)**	(8,025)	**(12,041)**	(24,073)
Net cash used in financing activities	**(4,325)**	(8,314)	**(12,983)**	(24,922)
Investing activities				
Property and equipment additions	**(7)**	(351)	**(356)**	(694)
Decrease in cash	**(4,806)**	(10,277)	**(1,329)**	(17,517)
Cash, beginning of period	**43,982**	47,050	**40,505**	54,290
Cash, end of period	**39,176**	36,773	**39,176**	36,773
Supplementary cash flow information				
Interest received	**91**	277	**289**	931
Interest paid (notes 6 and 10)	**517**	532	**1,563**	1,600
Income taxes paid	**722**	1,663	**4,200**	5,723

See accompanying notes to condensed consolidated interim financial statements.

Notes to Condensed Consolidated Interim Financial Statements

For the three and nine months ended December 31, 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 interim financial statements as at and for the three and nine months ended December 31, 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 interim financial statements have been prepared in accordance with International Accounting Standard ("IAS") 34 Interim Financial Reporting. Accordingly, they do not include all of the information required for full annual financial statements and should be read in conjunction with the Company's most recent annual consolidated financial statements as at and for the year ended March 31, 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 and nine months ended December 31, 2020 were authorized for issuance by the Board of Directors on February 8, 2021.

(b) Basis of Measurement:

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

(c) Functional and Presentation Currency:

The condensed consolidated interim financial statements are presented in Canadian dollars, which is the Company's functional currency. All financial information presented in Canadian dollars has been rounded to the nearest thousand.

(d) Use of Estimates, Judgments and Assumptions:

The preparation of financial statements in conformity with IFRS requires management to make judgments, estimates and assumptions that affect the application of accounting policies, the reported amounts of assets and liabilities and the disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue, costs and expenses. Estimates and underlying assumptions are 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 interim financial statements were the same as those that applied to the consolidated financial statements for the year ended March 31, 2020.

(e) Impact of the COVID-19 Pandemic:

In March 2020, the World Health Organization declared the 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 nine months ended December 31, 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 December 31, 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 December 31, 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. Significant Accounting Policies:

Except as described below, the accounting policies applied in these condensed consolidated interim financial statements are the same as those applied in the Company's consolidated financial statements as at and for the year ended March 31, 2020.

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 8).

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 7):

(thousands of $)	**December 31, 2020**	March 31, 2020
Canada	**47,366**	49,957
United States	**808**	972
South America	**351**	427
Eastern Hemisphere[1]	**40**	52
	48,565	51,408

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

5. Deferred Revenue:

The following table presents changes in the deferred revenue balance for the nine months ended December 31, 2020:

(thousands of $)	
Balance, March 31, 2020	33,838
Invoiced during the period, excluding amount recognized as revenue during the period	13,214
Recognition of deferred revenue included in the balance at the beginning of the period	(31,705)
Balance, December 31, 2020	**15,347**

6. 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 10)	**1,563**
Lease payments	**(2,505)**
Balance, December 31, 2020	**41,433**
Current	**1,345**
Long-term	**40,088**

The following table presents contractual undiscounted payments for lease liability as at December 31, 2020:

(thousands of $)	
Less than one year	**3,369**
Between one and five years	**14,128**
More than five years	**44,073**
Total undiscounted payments	**61,570**

7. Revenue:

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

(thousands of $)	Three months ended December 31 2020	Three months ended December 31 2019	Nine months ended December 31 2020	Nine months ended December 31 2019
Annuity/maintenance license revenue				
Canada	**3,097**	3,950	**9,452**	11,653
United States	**3,649**	5,147	**11,533**	15,131
South America	**1,320**	2,015	**4,412**	5,931
Eastern Hemisphere	**5,411**	5,500	**16,747**	16,026
	13,477	16,612	**42,144**	48,741
Perpetual license revenue				
Canada	**-**	-	**-**	-
United States	**-**	-	**-**	298
South America	**41**	511	**1,020**	1,280
Eastern Hemisphere	**619**	453	**1,415**	1,691
	660	964	**2,435**	3,269
Total software license revenue	**14,137**	17,576	**44,579**	52,010
Professional services				
Canada	**1,690**	1,499	**5,241**	4,668
United States	**45**	89	**436**	154
South America	**-**	21	**26**	89
Eastern Hemisphere	**166**	90	**280**	350
	1,901	1,699	**5,983**	5,261
Total revenue				
Canada	**4,787**	5,449	**14,693**	16,321
United States	**3,694**	5,236	**11,969**	15,583
South America	**1,361**	2,547	**5,458**	7,300
Eastern Hemisphere	**6,196**	6,043	**18,442**	18,067
	16,038	19,275	**50,562**	57,271

The amount of revenue recognized during the nine months ended December 31, 2020 from performance obligations satisfied (or partially satisfied) in previous periods is $1.3 million.

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

Receivables from contracts with customers were as follows:

(thousands of $)	**December 31, 2020**	March 31, 2020
Receivables (included in "Trade and other receivables")	**13,559**	26,020

During the nine months ended December 31, 2020, one customer comprised 12.9% of the Company’s total revenue. During the nine months ended December 31, 2019, one customer comprised 10.9% of the Company’s total revenue.

8. 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 three and nine months ended December 31, 2020 recorded a CEWS benefit of $1.6 million and $4.1 million, respectively, and a CERS benefit of $0.1 million and $0.1 million, respectively. 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:

Three months ended December 31, (thousands of $)	**2020**
Sales, marketing and professional services	**(287)**
Research and development	**(1,131)**
General and administrative	**(271)**
	(1,689)

Nine months ended December 31, (thousands of $)	**2020**
Sales, marketing and professional services	**(719)**
Research and development	**(2,833)**
General and administrative	**(677)**
	(4,229)

9. Research and Development Costs:

Three months ended December 31, (thousands of $)	**2020**	2019
Research and development, net of government grants	**3,231**	5,480
Scientific research and experimental development ("SR&ED") investment tax credits	**(139)**	(309)
	3,092	5,171

Nine months ended December 31, (thousands of $)	**2020**	2019
Research and development, net of government grants	**11,709**	15,642
Scientific research and experimental development ("SR&ED") investment tax credits	**(551)**	(1,181)
	11,158	14,461

10. Finance Income and Finance Costs:

Three months ended December 31, (thousands of $)	**2020**	2019
Interest income	**92**	278
Finance income	**92**	278
Interest expense on lease liability (note 6)	**(517)**	(532)
Net foreign exchange loss	**(602)**	(230)
Finance costs	**(1,119)**	(762)

Nine months ended December 31, (thousands of $)	**2020**	2019
Interest income	**288**	922
Finance income	**288**	922
Interest expense on lease liability (note 6)	**(1,563)**	(1,600)
Net foreign exchange loss	**(1,559)**	(428)
Finance costs	**(3,122)**	(2,028)

11. Income and Other Taxes:

The major components of income tax expense are as follows:

Nine months ended December 31, (thousands of $)	**2020**	2019
Current year income tax expense	**5,515**	6,613
Adjustment for prior year	**(44)**	47
Current income taxes	**5,471**	6,660
Deferred tax recovery	**(554)**	(348)
Foreign withholding and other taxes	**361**	109
	5,278	6,421

During the nine months ended December 31, 2020, the blended statutory tax rate was 23.5% (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. 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:

Nine months ended December 31, (thousands of $, unless otherwise stated)	**2020**	2019
Combined statutory tax rate	**23.50%**	26.00%
Expected income tax	**4,976**	5,939
Non-deductible costs	**148**	210
Effect of statutory tax rate reduction	**(8)**	225
Withholding taxes	**195**	18
Effect of tax rates in foreign jurisdictions	**(15)**	(6)
Adjustment for prior year	**(44)**	47
Other	**26**	(12)
	5,278	6,421

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

(thousands of $)	**December 31, 2020**	March 31, 2020
SR&ED investment tax credits	**(127)**	(274)
Property and equipment	**101**	50
Right-of-use assets	**1,184**	999
Stock-based compensation liability	**388**	217
Net deferred tax asset	**1,546**	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.

12. 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, December 31, 2019	80,249
Balance, April 1, 2020	**80,249**
Issued on redemption of restricted share units	**37**
Balance, December 31, 2020	**80,286**

(c) Stock-Based Compensation:

Stock-Based Compensation Expense

The following table summarizes stock-based compensation expense:

Three months ended December 31, (thousands of $)	**2020**	2019
Equity-settled plans	**190**	170
Cash-settled plans	**339**	1,223
Total stock-based compensation expense	**529**	1,393

Nine months ended December 31, (thousands of $)	**2020**	2019
Equity-settled plans	**531**	571
Cash-settled plans	**1,742**	1,809
Total stock-based compensation expense	**2,273**	2,380

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 $)	**December 31, 2020**	March 31, 2020
SARs	**207**	15
RSUs	**1,009**	745
PSUs	**121**	-
DSUs	**350**	183
Total stock-based compensation liability	**1,687**	943

(1) The intrinsic value of the vested awards at December 31, 2020 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 December 31, 2020, 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:

	Nine months ended December 31, 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	**786**	**5.08**	757	6.37
Forfeited/expired	**(1,166)**	**12.04**	(1,965)	12.80
Outstanding at end of period	**3,520**	**7.82**	3,900	9.64
Options exercisable at end of period	**2,236**	**8.96**	2,704	10.61

The range of exercise prices of stock options outstanding and exercisable at December 31, 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)
5.08 to 6.30	786	4.6	5.08	-	-
6.31 to 6.60	738	3.6	6.32	369	6.32
6.61 to 9.20	497	2.7	9.18	368	9.19
9.21 to 9.33	775	1.6	9.33	775	9.33
9.34 to 10.16	724	0.6	9.79	724	9.79
	3,520	**2.6**	**7.82**	**2,236**	**8.96**

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

	Nine months ended December 31, 2020	Year ended March 31, 2020
Fair value at grant date ($/option)	**1.00 to 1.01**	0.72 to 1.42
Share price at grant date ($/share)	**5.08**	6.31 to 8.70
Risk-free interest rate (%)	**0.32 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 38**	28 to 31
Dividend yield per common share (%)	**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:

	Nine months ended December 31, 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**	**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:

(thousands)	**Nine months ended December 31, 2020**			Year ended March 31, 2020		
	RSUs	**PSUs**	**DSUs**	RSUs	PSUs	DSUs
Outstanding at beginning of period	**421**	**30**	**48**	237	-	24
Granted	**375**	**62**	**31**	309	30	24
Exercised	**(181)**	**-**	**(7)**	(91)	-	-
Forfeited	**(29)**	**-**	**-**	(34)	-	-
Outstanding at end of period	**586**	**92**	**72**	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 December 31, (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	5,875	80,286	0.07	5,112	80,249	0.06
Dilutive effect of share-based awards		182			132	
Diluted	5,875	80,468	0.07	5,112	80,381	0.06

Nine months ended December 31, (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	15,897	80,267	0.20	16,422	80,238	0.20
Dilutive effect of share-based awards		218			117	
Diluted	15,897	80,485	0.20	16,422	80,355	0.20

During the three and nine months ended December 31, 2020, nil and 115,000 awards, respectively (three and nine months ended December 31, 2019 – nil and 189,000 awards, respectively), were excluded from the computation of the weighted average number of diluted shares outstanding because their effect was not dilutive.

13. 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.

14. 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 $6.7 million in fiscal 2021) and Shell would be responsible for providing a contribution for the continuing development of the software (estimated to be $6.9 million in fiscal 2021).

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 three and nine months ended December 31, 2020, the Company recorded professional services revenue of $1.7 million and $5.2 million, respectively (three and nine months ended December 31, 2019 – $1.0 million and $3.0 million, respectively), and CoFlow costs of $1.4 million and $5.0 million, respectively, to research and development expenses (three and nine months ended December 31, 2019 – $1.9 million and $5.2 million, respectively).

(b) Commitments:

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

(thousands of $)	December 31, 2020
Less than one year	**1,115**
Between one and five years	**4,496**
More than five years	**13,119**
	18,730

15. Line Of Credit:

The Company has arranged for a $2.0 million line of credit with its principal banker, which can be drawn down by way of a demand operating credit facility or may be used to support letters of credit. As at December 31, 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.

16. Subsequent Event:

On February 8, 2021, the Board of Directors declared a quarterly cash dividend of $0.05 per share on its common shares, payable on March 15, 2021 to all shareholders of record at the close of business on March 5, 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. Tomyn
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**