Q3 2022
for the period ended December 31, 2021

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, 2021.

Third Quarter Highlights

Three months ended December 31, ($ thousands, except per share data)	**2021**	2020	$ change	% change
Annuity/maintenance software licenses	**13,575**	13,477	98	1%
Perpetual software licenses	**1,497**	660	837	127%
Total revenue	**17,045**	16,038	1,007	6%
Operating profit	**7,755**	8,437	(682)	-8%
Net income	**5,574**	5,875	(301)	-5%
Earnings per share - basic	**0.07**	0.07	-	0%
Funds flow from operations per share - basic	**0.09**	0.09	-	0%
Free cash flow per share - basic (1)	**0.08**	0.09	(0.01)	-11%

Nine months ended December 31, ($ thousands, except per share data)	**2021**	2020	$ change	% change
Annuity/maintenance software licenses	**39,100**	42,144	(3,044)	-7%
Perpetual software licenses	**2,468**	2,435	33	1%
Total revenue	**47,408**	50,562	(3,154)	-6%
Operating profit	**18,768**	24,009	(5,241)	-22%
Net income	**13,453**	15,897	(2,444)	-15%
Earnings per share - basic	**0.17**	0.20	(0.03)	-15%
Funds flow from operations per share - basic	**0.21**	0.25	(0.04)	-16%
Free cash flow per share - basic (1)	**0.19**	0.23	(0.04)	-17%

(1) This is a non-IFRS financial measure. See 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 9, 2022, should be read in conjunction with the unaudited condensed consolidated interim financial statements and related notes of the Company for the three and nine months ended December 31, 2021 and 2020. Additional information relating to CMG, including our Annual Information Form, can be found at www.sedar.com. The financial data contained herein have been prepared in accordance with International Financial Reporting Standards ("IFRS") and, unless otherwise indicated, all amounts in this report are expressed in Canadian dollars.

Forward-Looking Information

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

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

- future software license sales;
- the continued financing by and participation of the Company's CoFlow partner and it being completed in a timely manner, associated costs and future revenue;
- the Company's ability to increase or sustain its revenue in a volatile oil price environment;
- the Company's ability to pay dividends;
- ability to enter into additional software license agreements;
- ability to continue current research and new product development;
- ability to recruit and retain qualified staff;
- 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 this MD&A:

- Economic conditions in the energy industry;
- Reliance on key customers;
- Foreign exchange;
- Economic and political risks in countries where the Company currently does or proposes to do business;
- Increased competition;
- Reliance on employees with specialized skills or knowledge;

- Protection of proprietary rights.

Should one or more of these risks or uncertainties materialize, or should assumptions underlying the forward-looking statements prove incorrect, actual results, performance or achievement may vary materially from those expressed or implied by the forward-looking information contained in this MD&A. These factors should be carefully considered and readers are cautioned not to place undue reliance on forward-looking information, which speaks only as of the date of this MD&A. All subsequent forward-looking information attributable to the Company herein is expressly qualified in its entirety by the cautionary statements contained in or referred to herein. The Company does not undertake any obligation to release publicly any revisions to forward-looking information contained in this MD&A to reflect events or circumstances that occur after the date of this MD&A or to reflect the occurrence of unanticipated events, except as may be required under applicable securities laws.

Additional IFRS Measure

Funds flow from operations is an additional IFRS measure that the Company presents in its consolidated statements of cash flows. Funds flow from operations is calculated as cash flows provided by operating activities adjusted for changes in non-cash working capital. Management believes that this measure provides useful supplemental information about operating performance and liquidity, as it represents cash generated during the period, regardless of the timing of collection of receivables and payment of payables, which may reduce comparability between periods.

Non-IFRS Financial Measures

Certain financial measures in this MD&A – namely, adjusted total operating expenses, direct employee costs, adjusted direct employee costs, other corporate costs, adjusted other corporate costs, adjusted operating profit, adjusted net income, EBITDA, adjusted EBITDA and free cash flow – do not have a standard meaning prescribed by IFRS and, accordingly, may not be comparable to measures used by other companies. Management believes that these indicators nevertheless provide useful measures in evaluating the Company's performance.

Direct employee costs include salaries (net of CEWS), bonuses, stock-based compensation, benefits, commission expenses, and professional development. Other corporate costs include facility-related expenses, corporate reporting, professional services, marketing and promotion, computer expenses, travel, and other office-related expenses. Direct employee costs and other corporate costs should not be considered an alternative to total operating expenses as determined in accordance with IFRS. People-related costs represent the Company's largest area of expenditure; hence, management considers highlighting separately corporate and direct employee costs to be important in evaluating the quantitative impact of cost management of these two major expenditure pools. See "Expenses" heading for a reconciliation of direct employee costs and other corporate costs to total operating expenses.

EBITDA refers to net income before adjusting for depreciation expense, finance income, finance costs, and income and other taxes. Adjusted EBITDA also excludes CEWS and CERS subsidies and restructuring charges. EBITDA/adjusted EBITDA should not be construed as an alternative to net income as determined by IFRS. The Company believes that EBITDA/adjusted EBITDA are useful supplemental measures as they provide an indication of the results generated by the Company's main business activities prior to consideration of how those activities are amortized, financed or taxed. See "Adjusted EBITDA" heading for a reconciliation of EBITDA and adjusted EBITDA to net income.

Free cash flow is a non-IFRS financial measure that is calculated as funds flow from operations less capital expenditures and repayment of lease liabilities. Free cash flow per share is calculated by dividing free cash flow by the number of weighted average outstanding shares during the period. Management uses free cash flow and free cash flow per share to help measure the capacity of the Company to pay dividends and invest in business growth opportunities.

Free Cash Flow Reconciliation to Funds Flow from Operations

	Fiscal 2020	Fiscal 2021				**Fiscal 2022**		
($ thousands, unless otherwise stated)	Q4	Q1	Q2	Q3	Q4	Q1	Q2	**Q3**
Funds flow from operations	7,515	4,703	7,991	7,322	6,267	4,811	4,904	**7,022**
Capital expenditures	(296)	(149)	(200)	(7)	(41)	(27)	(133)	**(481)**
Repayment of lease liabilities	(379)	(315)	(317)	(310)	(471)	(306)	(277)	**(314)**
Free cash flow	6,840	4,239	7,474	7,005	5,755	4,478	4,494	**6,227**
Weighted average shares – basic (thousands)	80,249	80,249	80,265	80,286	80,286	80,286	80,307	**80,335**
Free cash flow per share – basic	0.09	0.05	0.09	0.09	0.07	0.06	0.06	**0.08**

Corporate Profile

CMG is a computer software technology company serving the energy industry. The Company is a leading supplier of advanced process reservoir modelling software, with a diverse customer base of international oil companies and technology centers in approximately 60 countries. CMG's existing technology has differentiating capabilities built into its software products that can also be directly applied to the energy transition needs of its customers. The Company also provides professional services consisting of highly specialized support, consulting, training, and contract research activities. CMG has sales and technical support services based in Calgary, Houston, London, Dubai, Bogota and Kuala Lumpur. CMG's Common Shares are listed on the Toronto Stock Exchange ("TSX") and trade under the symbol "CMG".

Quarterly Performance

	Fiscal 2020(2)	Fiscal 2021(3)				**Fiscal 2022(4)**		
($ thousands, unless otherwise stated)	Q4	Q1	Q2	Q3	Q4	Q1	Q2	**Q3**
Annuity/maintenance license revenue	15,233	14,523	14,144	13,477	13,790	12,286	13,239	**13,575**
Perpetual license revenue	1,403	-	1,775	660	1,184	125	846	**1,497**
Software license revenue	16,636	14,523	15,919	14,137	14,974	12,411	14,085	**15,072**
Professional services	1,879	2,149	1,933	1,901	1,827	2,003	1,864	**1,973**
Total revenue	18,515	16,672	17,852	16,038	16,801	14,414	15,949	**17,045**
Operating profit	7,802	5,711	9,861	8,437	6,556	5,573	5,440	**7,755**
Operating profit (%)	42	34	55	53	39	39	34	**45**
Profit before income and other taxes	9,613	4,405	9,360	7,410	5,747	4,827	5,321	**7,310**
Income and other taxes	2,550	1,143	2,600	1,535	1,454	1,094	1,175	**1,736**
Net income for the period	7,063	3,262	6,760	5,875	4,293	3,733	4,146	**5,574**
EBITDA(1)	8,923	6,767	10,933	9,509	7,627	6,596	6,473	**8,843**
Cash dividends declared and paid	8,024	4,013	4,013	4,015	4,014	4,015	4,016	**4,017**
Funds flow from operations	7,515	4,703	7,991	7,322	6,267	4,811	4,904	**7,022**
Free cash flow(1)	6,840	4,239	7,474	7,005	5,755	4,478	4,494	**6,227**
Per share amounts – ($/share)								
Earnings per share (EPS) – basic and diluted	0.09	0.04	0.08	0.07	0.05	0.05	0.05	**0.07**
Cash dividends declared and paid	0.10	0.05	0.05	0.05	0.05	0.05	0.05	**0.05**
Funds flow from operations per share – basic	0.09	0.06	0.10	0.09	0.08	0.06	0.06	**0.09**
Free cash flow per share – basic(1)	0.09	0.05	0.09	0.09	0.07	0.06	0.06	**0.08**

(1) This is a non-IFRS financial measure. See the "Non-IFRS Financial Measures" section.
(2) Q4 of fiscal 2020 includes $0.5 million, in revenue that pertains to usage of CMG's products in prior quarters.
(3) Q1, Q2, Q3 and Q4 of fiscal 2021 include $0.2 million, $0.2 million, $nil and $1.1 million, respectively, in revenue that pertains to usage of CMG's products in prior quarters.
(4) Q1, Q2 and Q3 of fiscal 2022 include $nil, $0.5 million and $nil, respectively, in revenue that pertains to usage of CMG's products in prior quarters.

Commentary on Quarterly Performance

For the Three Months Ended / ***For the Nine Months Ended***

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

For the Three Months Ended

- Annuity/maintenance license revenue increased by 1%;
- Perpetual license revenue increased by $0.8 million, or 127%;
- Total revenue increased by 6%;
- Total operating expenses increased by 22%. Adjusted for CEWS and CERS benefits, operating expenses increased by 4%;
- Quarterly operating profit margin was 45%, down from the comparative quarter's figure of 53%. Adjusted for CEWS and CERS benefits, operating profit margin was 43% and 42%, respectively, in line with the pre-COVID average for fiscal 2019 and fiscal 2020 of 40%;
- Basic EPS of $0.07 was consistent with the comparative quarter;
- Achieved free cash flow per share of $0.08;
- Declared and paid a dividend of $0.05 per share.

For the Nine Months Ended

- Annuity/maintenance license revenue decreased by 7%;
- Perpetual license revenue remained flat;
- Total revenue decreased by 6%;
- Total operating expenses increased by 8%. Adjusted for CEWS and CERS benefits and a one-time restructuring charge, operating expenses decreased by 7%, due to lower stock-based compensation expense, salary reductions and lower headcount;
- Year-to-date operating profit margin was 40%, down from the comparative period's figure of 47%. Adjusted for CEWS and CERS benefits and the one-time restructuring charge, operating profit was 40% and 39%, respectively;
- Basic EPS of $0.17 was lower than the comparative period's EPS of $0.20;
- Achieved free cash flow per share of $0.19;
- Declared and paid dividends of $0.15 per share.

Revenue

Three months ended December 31, ($ thousands)	**2021**	2020	$ change	% change
Software license revenue	**15,072**	14,137	935	7%
Professional services	**1,973**	1,901	72	4%
Total revenue	**17,045**	16,038	1,007	6%
Software license revenue as a % of total revenue	**88%**	88%		
Professional services as a % of total revenue	**12%**	12%		

Nine months ended December 31, ($ thousands)	**2021**	2020	$ change	% change
Software license revenue	**41,568**	44,579	(3,011)	-7%
Professional services	**5,840**	5,983	(143)	-2%
Total revenue	**47,408**	50,562	(3,154)	-6%
Software license revenue as a % of total revenue	**88%**	88%		
Professional services as a % of total revenue	**12%**	12%		

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

Total revenue for the three months ended December 31, 2021 increased by 6%, due to increases in both software license revenue and professional services revenue. Total revenue for the nine months ended December 31, 2021 decreased by 6%, due to decreases in both software license revenue and professional services revenue.

Software License Revenue

Software license revenue is made up of annuity/maintenance license fees charged for the use of the Company's software products, which is generally for a term of one year or less, and perpetual software license sales, whereby the customer purchases the then-current version of the software and has the right to use that version in perpetuity. Annuity/maintenance license fees have historically had a high renewal rate and, accordingly, provide a recurring revenue stream, while perpetual license sales are more variable and unpredictable in nature as the purchase decision and its timing fluctuate with the customers' needs and budgets. The majority of CMG's customers who have acquired perpetual software licenses subsequently purchase our maintenance package to ensure ongoing product support and access to current versions of CMG's software.

Three months ended December 31, ($ thousands)	**2021**	2020	$ change	% change
Annuity/maintenance license revenue	**13,575**	13,477	98	1%
Perpetual license revenue	**1,497**	660	837	127%
Total software license revenue	**15,072**	14,137	935	7%
Annuity/maintenance as a % of total software license revenue	**90%**	95%		
Perpetual as a % of total software license revenue	**10%**	5%		

Nine months ended December 31, ($ thousands)	**2021**	2020	$ change	% change
Annuity/maintenance license revenue	**39,100**	42,144	(3,044)	-7%
Perpetual license revenue	**2,468**	2,435	33	1%
Total software license revenue	**41,568**	44,579	(3,011)	-7%
Annuity/maintenance as a % of total software license revenue	**94%**	95%		
Perpetual as a % of total software license revenue	**6%**	5%		

Total software license revenue for the three months ended December 31, 2021 increased by 7%, compared to the same period of the previous fiscal year, primarily due to higher perpetual license revenue. Total software license revenue for the nine months ended December 31, 2021 decreased by 7%, compared to the same period of the previous fiscal year, due to a decrease in annuity/maintenance license revenue.

During the three months ended December 31, 2021, CMG's annuity/maintenance license revenue remained consistent with same period of the previous fiscal year, increasing by 1%. Increases in Canada and South America were almost offset by decreases in the US and the Eastern Hemisphere. During the nine months ended December 31, 2021, CMG's annuity/maintenance license revenue decreased by 7%, as decreases in the US and the Eastern Hemisphere were partially offset by an increase in South America, which was primarily due to a multi-year agreement that includes CoFlow annuity licensing.

Perpetual license revenue increased by 127% and 1% during the three and nine months ended December 31, 2021, respectively, compared to the same periods of the previous fiscal year. Volatility in commodity prices and the resulting unpredictability of cash flows reduced our customers' budgets for perpetual licenses in the near term. Sales of perpetual licenses may fluctuate significantly between periods due to the uncertainty associated with the timing and the location where sales are generated. For this reason, even though we expect to achieve a certain level of perpetual sales on an annual basis, we expect to observe fluctuations in the quarterly perpetual revenue amounts throughout the fiscal year. In our experience, the majority of perpetual sales are generated in South America and the Eastern Hemisphere, as North American customers usually prefer annuity licenses to perpetual purchases.

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

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

Three months ended December 31, ($ thousands)		**2021**	2020	$ change	% change
US dollar annuity/maintenance license revenue	**US$**	**8,054**	7,787	267	3%
Weighted average conversion rate		**1.275**	1.333		
Canadian dollar equivalent	**CDN$**	**10,267**	10,380	(113)	-1%
US dollar perpetual license revenue	**US$**	**1,176**	509	667	131%
Weighted average conversion rate		**1.272**	1.297		
Canadian dollar equivalent	**CDN$**	**1,497**	660	837	127%

Nine months ended December 31, ($ thousands)		**2021**	2020	$ change	% change
US dollar annuity/maintenance license revenue	**US$**	**23,273**	24,650	(1,377)	-6%
Weighted average conversion rate		**1.277**	1.333		
Canadian dollar equivalent	**CDN$**	**29,724**	32,847	(3,123)	-10%
US dollar perpetual license revenue	**US$**	**1,956**	1,850	106	6%
Weighted average conversion rate		**1.261**	1.316		
Canadian dollar equivalent	**CDN$**	**2,468**	2,435	33	1%

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

Three months ended December 31, ($ thousands)	2020	Incremental License Growth/(Decrease)	Foreign Exchange Impact	**2021**
Annuity/maintenance license revenue	13,477	567	(469)	**13,575**
Perpetual license revenue	660	865	(28)	**1,497**
Total software license revenue	14,137	1,432	(497)	**15,072**

Nine months ended December 31, ($ thousands)	2020	Incremental License Growth/(Decrease)	Foreign Exchange Impact	**2021**
Annuity/maintenance license revenue	42,144	(1,756)	(1,288)	**39,100**
Perpetual license revenue	2,435	141	(108)	**2,468**
Total software license revenue	44,579	(1,615)	(1,396)	**41,568**

Software Revenue by Geographic Region

Three months ended December 31, ($ thousands)	**2021**	2020	$ change	% change
Annuity/maintenance license revenue				
Canada	**3,303**	3,097	206	7%
United States	**3,429**	3,649	(220)	-6%
South America	**1,884**	1,320	564	43%
Eastern Hemisphere[1]	**4,959**	5,411	(452)	-8%
	13,575	13,477	98	1%
Perpetual license revenue				
Canada	**-**	-	-	-
United States	**180**	-	180	100%
South America	**-**	41	(41)	-100%
Eastern Hemisphere	**1,317**	619	698	113%
	1,497	660	837	127%
Total software license revenue				
Canada	**3,303**	3,097	206	7%
United States	**3,609**	3,649	(40)	-1%
South America	**1,884**	1,361	523	38%
Eastern Hemisphere	**6,276**	6,030	246	4%
	15,072	14,137	935	7%

Nine months ended December 31, ($ thousands)	**2021**	2020	$ change	% change
Annuity/maintenance license revenue				
Canada	**9,425**	9,452	(27)	0%
United States	**9,502**	11,533	(2,031)	-18%
South America	**5,195**	4,412	783	18%
Eastern Hemisphere[1]	**14,978**	16,747	(1,769)	-11%
	39,100	42,144	(3,044)	-7%
Perpetual license revenue				
Canada	**-**	-	-	-
United States	**401**	-	401	100%
South America	**-**	1,020	(1,020)	-100%
Eastern Hemisphere	**2,067**	1,415	652	46%
	2,468	2,435	33	1%
Total software license revenue				
Canada	**9,425**	9,452	(27)	0%
United States	**9,903**	11,533	(1,630)	-14%
South America	**5,195**	5,432	(237)	-4%
Eastern Hemisphere	**17,045**	18,162	(1,117)	-6%
	41,568	44,579	(3,011)	-7%

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

During the three months ended December 31, 2021, compared to the same period of the previous fiscal year, total software license revenue increased in all geographic regions, with the exception of United States, which experienced a slight 1% decrease. During the nine months ended December 31, 2021, total software licensing revenue decreased in all geographic regions, except for Canada, which stayed flat.

The Canadian region (representing 23% of year-to-date total software license revenue) experienced a 7% increase in annuity/maintenance license revenue during the three months ended December 31, 2021, due to a returning customer and increased licensing by some existing customers. Annuity/maintenance license revenue remained flat during the nine months ended December 31, 2021.

The United States (representing 24% of year-to-date total software license revenue) experienced decreases of 6% and 18% in annuity/maintenance license revenue during the three and nine months ended December 31, 2021, compared to the same periods of the previous fiscal year. The decreases were largely due to the same factors that affected the region's revenue in the previous fiscal year: consolidation in the industry and reduced licensing due to ongoing challenges experienced by US unconventional shale plays. Perpetual license revenue was up, as there were no perpetual sales in the comparative periods.

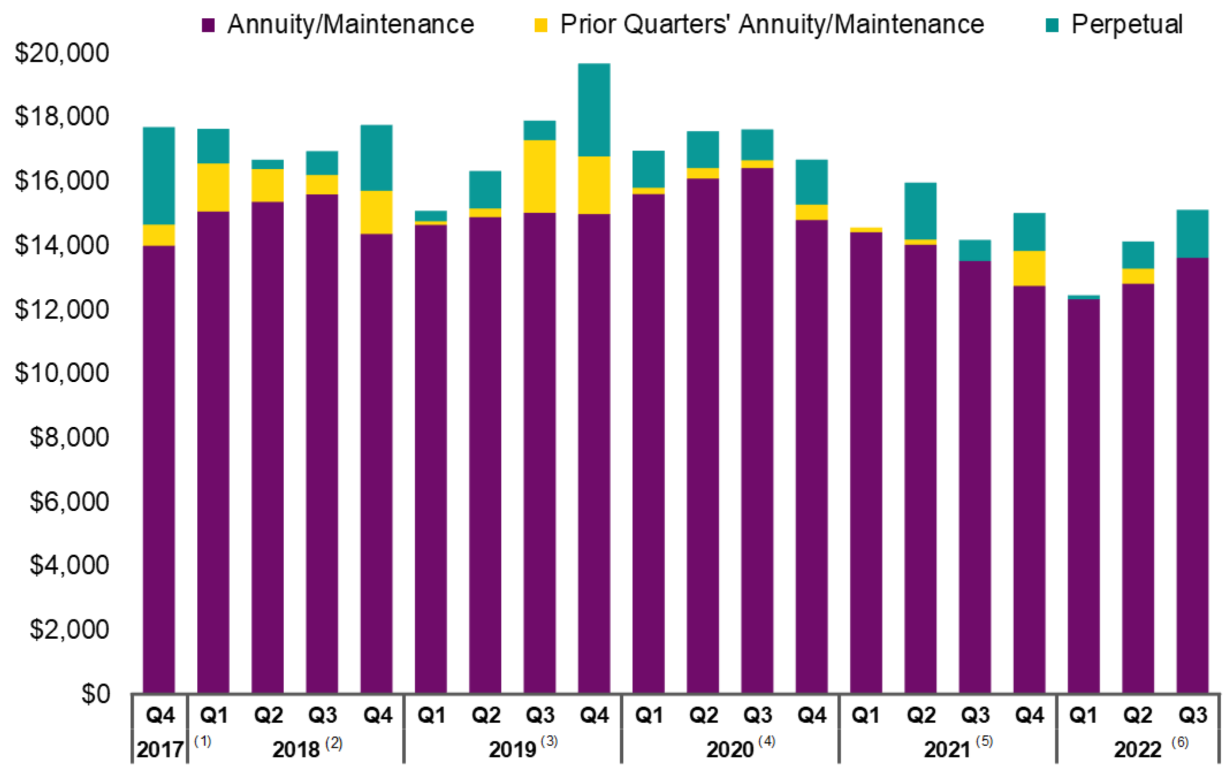
South America (representing 12% of year-to-date total software license revenue) experienced increases of 43% and 18% in annuity/maintenance license revenue during the three and nine months ended December 31, 2021, compared to the same periods of the previous fiscal year, primarily due to a new multi-year lease that includes CoFlow. There were no perpetual sales in South America in the current period and year to date.

The Eastern Hemisphere (representing 41% of year-to-date total software license revenue) experienced decreases of 8% and 11% in annuity/maintenance license revenue during the three and nine months ended December 31, 2021, mainly due to reduced licensing by some customers. Perpetual revenue during the three and nine months ended December 31, 2021 increased by 113% and 46%, respectively, as a result of perpetual sales realized in Asia and Europe.

As footnoted in the Quarterly Software License Revenue graph, in the normal course of business CMG may complete the negotiation of certain annuity/maintenance contracts and/or fulfill revenue recognition requirements within a current quarter that includes usage of CMG's products in prior quarters. This situation particularly affects contracts negotiated with countries that face increased economic and political risks leading to the revenue recognition criteria being satisfied only at the time of the receipt of cash. The dollar magnitude of such contracts may be significant to the quarterly comparatives of our annuity/maintenance license revenue stream. To provide a normalized comparison, we specifically identify the revenue component where revenue recognition is satisfied in the current period for products provided in previous quarters. Please refer to the yellow bars and the footnotes in the following graph:

Quarterly Software License Revenue

($ thousands)



(1) Q4 of fiscal 2017 includes $0.7 million in revenue that pertains to usage of CMG's products in prior quarters.
(2) Q1, Q2, Q3 and Q4 of fiscal 2018 include $1.5 million, $1.0 million, $0.6 million, and $1.3 million, respectively, in revenue that pertains to usage of CMG's products in prior quarters.
(3) Q1, Q2, Q3 and Q4 of fiscal 2019 include $0.1 million, $0.3 million, $2.3 million, and $1.8 million, respectively, in revenue that pertains to usage of CMG's products in prior quarters.
(4) Q1, Q2, Q3 and Q4 of fiscal 2020 include $0.2 million, $0.3 million, $0.2 million and $0.5 million, respectively, in revenue that pertains to usage of CMG's products in prior quarters.
(5) Q1, Q2, Q3 and Q4 of fiscal 2021 include $0.2 million, $0.2 million, $nil and $1.1 million, respectively, in revenue that pertains to usage of CMG's products in prior quarters.
(6) Q1, Q2 and Q3 of fiscal 2022 include $nil, $0.5 million and $nil, respectively, in revenue that pertains to usage of CMG's products in prior quarters.

Deferred Revenue

($ thousands)	**Fiscal 2022**	Fiscal 2021	Fiscal 2020	$ change	% change
Deferred revenue at:					
Q1 (June 30)	**23,451**	25,492		(2,041)	-8%
Q2 (September 30)	**21,242**	19,549		1,693	9%
Q3 (December 31)	**23,056**	15,347		7,709	50%
Q4 (March 31)		30,461	33,838	(3,377)	-10%

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

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

The deferred revenue balance at the end of Q3 of fiscal 2022 increased by 50% compared to Q3 of fiscal 2021, mainly due to the positive effect of early renewals.

Professional Services Revenue

Professional services revenue for the three months ended December 31, 2021 was $2.0 million, a slight increase over the comparative quarter. Professional services revenue for the nine months ended December 31, 2021 was $5.8 million, a slight decrease over the comparative period. The increase and the decrease were mainly due to fluctuations in development funding from Shell Global Solutions International B.V. ("Shell") for CoFlow development and support (see "Commitments, Off Balance Sheet Items and Transactions with Related Parties").

Professional services revenue consists of specialized consulting, training, and contract research activities. CMG performs consulting and contract research activities on an ongoing basis. Our experience is that consulting activities are variable in nature as both the timing and dollar magnitude of work are dependent on activities and budgets within customer companies.

Expenses

Three months ended December 31, ($ thousands)	**2021**	2020	$ change	% change
Sales, marketing and professional services	**3,810**	3,335	475	14%
Research and development	**3,926**	3,092	834	27%
General and administrative	**1,554**	1,174	380	32%
Total operating expenses	**9,290**	7,601	1,689	22%
Direct employee costs(1)	**7,054**	5,590	1,464	26%
Other corporate costs(1)	**2,236**	2,011	225	11%
	9,290	7,601	1,689	22%

Nine months ended December 31, ($ thousands)	**2021**	2020	$ change	% change
Sales, marketing and professional services	**11,062**	11,209	(147)	-1%
Research and development	**12,599**	11,158	1,441	13%
General and administrative	**4,979**	4,186	793	19%
Total operating expenses	**28,640**	26,553	2,087	8%
Direct employee costs(1)	**22,703**	20,257	2,446	12%
Other corporate costs(1)	**5,937**	6,296	(359)	-6%
	28,640	26,553	2,087	8%

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

Adjusted total operating expenses, adjusted direct employee costs and adjusted other corporate costs are non-IFRS financial measures. They do not have a standard meaning prescribed by IFRS and, accordingly, may not be comparable to measures used by other companies. They are calculated by excluding CEWS subsidies, CERS subsidies and restructuring charges, as applicable, from the related non-adjusted measures. Management believes that analyzing the Company's expenses exclusive of these items illustrates underlying trends in our costs and provides better comparability between periods.

The following tables provide a reconciliation of total operating expenses to adjusted total operating expenses, direct employee costs to adjusted direct employee costs and other corporate costs to adjust other corporate costs:

($ thousands)	Three months ended December 31 2021	Three months ended December 31 2020	Nine months ended December 31 2021	Nine months ended December 31 2020
Total operating expenses	**9,290**	7,601	**28,640**	26,553
CEWS	**259**	1,550	**583**	4,090
CERS	**140**	139	**183**	139
Restructuring charge	**-**	-	**(851)**	-
Adjusted total operating expenses	**9,689**	9,290	**28,555**	30,782
Direct employee costs	**7,054**	5,590	**22,703**	20,257
CEWS	**259**	1,550	**583**	4,090
Restructuring charge	**-**	-	**(851)**	-
Adjusted direct employee costs	**7,313**	7,140	**22,435**	24,347
Other corporate costs	**2,236**	2,011	**5,937**	6,296
CERS	**140**	139	**183**	139
Adjusted other corporate costs	**2,376**	2,150	**6,120**	6,435

Total operating expenses increased by 22% for the three months ended December 31, 2021, compared to the same period of the previous fiscal year. Adjusted total operating expenses increased by 4%.

Total operating expenses increased by 8% for the nine months ended December 31, 2021, compared to the same period of the previous fiscal year. Adjusted total operating expenses decreased by 7%.

Direct Employee Costs

As a technology company, CMG's largest investment is its people, and approximately 80% of total operating expenses relate to direct employee costs. Effective July 1, 2021, CMG revised staff compensation, resulting in adjustments of some staff salaries that had been reduced since July 1, 2020. Directors' cash compensation and executives' salaries reductions remain reduced during fiscal 2022. In September 2021, CMG restructured its Calgary office, incurring a one-time restructuring cost of $0.9 million before tax. The restructuring, net of salary reinstatements, is expected to result in annual savings of approximately $0.2 million before tax.

The restructuring decreased our headcount, and at December 31, 2021, CMG's full-time equivalent staff complement was 178 employees and consultants (December 31, 2020: 197 employees).

For the three months ended December 31, 2021, adjusted direct employee costs increased by $0.2 million, or 2%, compared to the same period of the previous fiscal year. For the nine months ended December 31, 2021, adjusted direct employee costs decreased by $1.9 million, or 8%, compared to the same period of the previous fiscal year, due to lower stock-based compensation expense, salary reductions implemented on July 1, 2020 and lower headcount.

Other Corporate Costs

Adjusted other corporate costs increased by 11% for the three months ended December 31, 2021, compared to the same period of the previous fiscal year, due to small increases in a number of corporate categories. Adjusted other corporate costs for the nine months ended December 31, 2021 decreased by 5%, compared to the same period of the previous fiscal year, due to a refund of office operating costs and higher SR&ED credits.

Research and Development

Three months ended December 31, ($ thousands)	2021	2020	$ change	% change
Research and development, net of government grants	**4,104**	3,231	873	27%
SR&ED credits	**(178)**	(139)	(39)	-28%
Research and development	**3,926**	3,092	834	27%
Research and development as a % of total revenue	**23%**	19%		

Nine months ended December 31, ($ thousands)	2021	2020	$ change	% change
Research and development, net of government grants	**13,263**	11,709	1,554	13%
SR&ED credits	**(664)**	(551)	(113)	-21%
Research and development	**12,599**	11,158	1,441	13%
Research and development as a % of total revenue	**27%**	22%		

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

The above research and development costs include $1.8 million and $5.6 million of costs for CoFlow for the three and nine months ended December 31, 2021, respectively, up from $1.4 million and $5.0 million in the same periods of the previous fiscal year, primarily due to lower CEWS benefits in the current year's periods. 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, 2021 increased by 27% and 13%, respectively, compared to the same periods of the previous fiscal year, primarily due to lower CEWS benefits in the current year's periods. SR&ED credits increased by 28% and 21% for the three and nine months ended December 31, 2021, compared to the same periods of the previous fiscal year, due to lower CEWS benefits (CEWS benefits decrease SRE&D-eligible wages).

Depreciation

Three months ended December 31, ($ thousands)	2021	2020	$ change	% change
Depreciation of property and equipment, allocated to:				
Sales, marketing and professional services	**233**	259	(26)	-10%
Research and development	**719**	675	44	7%
General and administrative	**136**	138	(2)	-1%
Total depreciation	**1,088**	1,072	16	1%

Nine months ended December 31, ($ thousands)	2021	2020	$ change	% change
Depreciation of property and equipment, allocated to:				
Sales, marketing and professional services	**669**	761	(92)	-12%
Research and development	**2,066**	2,023	43	2%
General and administrative	**409**	416	(7)	-2%
Total depreciation	**3,144**	3,200	(56)	-2%

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

Finance Income and Costs

Three months ended December 31, ($ thousands)	2021	2020	$ change	% change
Interest income	**115**	92	23	25%
Total finance income	**115**	92	23	25%
Interest expense on lease liability	**(500)**	(517)	(17)	-3%
Net foreign exchange loss	**(60)**	(602)	(542)	-90%
Total finance costs	**(560)**	(1,119)	(559)	-50%

Nine months ended December 31, ($ thousands)	2021	2020	$ change	% change
Interest income	**339**	288	51	18%
Total finance income	**339**	288	51	18%
Interest expense on lease liability	**(1,510)**	(1,563)	(53)	-3%
Net foreign exchange loss	**(139)**	(1,559)	(1,420)	-91%
Total finance costs	**(1,649)**	(3,122)	(1,473)	-47%

Interest income for the three and nine months ended December 31, 2021 was higher than the same periods of the previous fiscal year, due to higher interest rates earned.

Interest expense on the lease liability for the three and nine months ended December 31, 2021 was consistent with the comparative periods.

CMG is impacted by foreign exchange fluctuations, as approximately 69% of CMG's revenue for the nine months ended December 31, 2021 (2020 – 71%) is denominated in US dollars, whereas only approximately 24% (2020 – 28%) 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, 2021, 2020 and 2019 and the average exchange rates used to translate income statement items during the three months ended December 31, 2021, 2020 and 2019:

CDN$ to US$	At June 30	At September 30	At December 31	Nine month trailing average
2019	0.7641	0.7551	0.7699	0.7530
2020	0.7338	0.7497	0.7854	0.7408
2021	**0.8068**	**0.7849**	**0.7888**	**0.8015**

CMG recorded a net foreign exchange loss of $0.1 million for the three months ended December 31, 2021, due to a weakening of the US dollar during the quarter, which negatively affected the valuation of the USD-denominated portion of the Company's working capital. For the nine months ended December 31, 2021, CMG recorded a net foreign exchange loss of $0.1 million.

Income and Other Taxes

CMG's effective tax rate for the three months ended December 31, 2021 is 22.9% (2020 – 24.9%), whereas the blended Canadian statutory tax rate for the Company's 2022 fiscal year is 23% (down from 23.5% in fiscal 2021, due to a reduction in the Alberta provincial tax rate). The difference between the effective rate and the statutory rate is primarily due to prior year adjustments.

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)	**2021**	2020	$ change	% change
Total revenue	**17,045**	16,038	1,007	6%
Operating expenses	**(9,290)**	(7,601)	(1,689)	-22%
Operating profit	**7,755**	8,437	(682)	-8%
Operating profit as a % of revenue	**45%**	53%		
Net income	**5,574**	5,875	(301)	-5%
Net income as a % of total revenue	**33%**	37%		
Basic earnings per share ($/share)	**0.07**	0.07	-	-

Nine months ended December 31, ($ thousands, except per share data)	**2021**	2020	$ change	% change
Total revenue	**47,408**	50,562	(3,154)	-6%
Operating expenses	**(28,640)**	(26,553)	(2,087)	-8%
Operating profit	**18,768**	24,009	(5,241)	-22%
Operating profit as a % of revenue	**40%**	47%		
Net income	**13,453**	15,897	(2,444)	-15%
Net income as a % of total revenue	**28%**	31%		
Basic earnings per share ($/share)	**0.17**	0.20	(0.03)	-15%

Adjusted operating profit and adjusted net income are non-IFRS financial measures. They do not have a standard meaning prescribed by IFRS and, accordingly, may not be comparable to measures used by other companies. Adjusted operating profit is calculated as operating profit excluding CEWS and CERS subsidies and restructuring charges. Adjusted net income is calculated as net income excluding tax-affected CEWS and CERS subsidies and restructuring charges. Management believes that analyzing the Company's performance exclusive of these items illustrates underlying trends in our business and provides better comparability between periods.

The following table provides a reconciliation of operating profit to adjusted operating profit and net income to adjusted net income:

	Three months ended December 31		Nine months ended December 31	
($ thousands)	**2021**	2020	**2021**	2020
Operating profit	**7,755**	8,437	**18,768**	24,009
CEWS	**(259)**	(1,550)	**(583)**	(4,090)
CERS	**(140)**	(139)	**(183)**	(139)
Restructuring charge	**-**	-	**851**	-
Adjusted operating profit	**7,356**	6,748	**18,853**	19,780
Adjusted operating profit as a % of revenue	**43%**	42%	**40%**	39%
Net income	**5,574**	5,875	**13,453**	15,897
CEWS	**(259)**	(1,550)	**(583)**	(4,090)
CERS	**(140)**	(139)	**(183)**	(139)
Restructuring charge	**-**	-	**851**	-
Tax impact of adjusting items	**92**	365	**(20)**	994
Adjusted net income	**5,267**	4,551	**13,518**	12,662
Adjusted net income as a % of total revenue	**31%**	28%	**29%**	25%

Operating profit as a percentage of total revenue for the three months ended December 31, 2021 was 45%, down from 53% in the comparative quarter. Adjusted operating profit was 43%, consistent with the 42% in the comparative quarter.

Operating profit as a percentage of total revenue for the nine months ended December 31, 2021 was 40%, down from 47% in the comparative period. Adjusted operating profit was 40%, consistent with the 39% in the comparative period.

Net income as a percentage of total revenue for the three months ended December 31, 2021 was 33%, down from 37% in the comparative quarter. Adjusted net income as a percentage of total revenue was 31% in the current quarter, up from 28% in the comparative quarter.

Net income as a percentage of total revenue for the nine months ended December 31, 2021 was 28%, down from 31% in the comparative period. Adjusted net income as a percentage of total revenue was 29% in the current year-to-date period, up from 25% in the prior year period.

Adjusted EBITDA[1]

Three months ended December 31, ($ thousands)	2021	2020	$ change	% change
Net income	**5,574**	5,875	(301)	-5%
Add (deduct):				
Depreciation	**1,088**	1,072	16	1%
Finance (income) costs	**445**	1,027	(582)	-57%
Income and other taxes	**1,736**	1,535	201	13%
EBITDA[1]	**8,843**	9,509	(666)	-7%
Add (deduct):				
CEWS	**(259)**	(1,550)	1,291	83%
CERS	**(140)**	(139)	(1)	-1%
Adjusted EBITDA[1]	**8,444**	7,820	624	8%
Adjusted EBITDA as a % of total revenue	**50%**	49%		

Nine months ended December 31, ($ thousands)	2021	2020	$ change	% change
Net income	**13,453**	15,897	(2,444)	-15%
Add (deduct):				
Depreciation	**3,144**	3,200	(56)	-2%
Finance (income) costs	**1,310**	2,834	(1,524)	-54%
Income and other taxes	**4,005**	5,278	(1,273)	-24%
EBITDA[1]	**21,912**	27,209	(5,297)	-19%
Add (deduct):				
CEWS	**(583)**	(4,090)	3,507	86%
CERS	**(183)**	(139)	(44)	-32%
Restructuring charge	**851**	-	851	100%
Adjusted EBITDA[1]	**21,997**	22,980	(983)	-4%
Adjusted EBITDA as a % of total revenue	**46%**	45%		

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

Adjusted EBITDA as a percentage of total revenue was 50% in the current quarter, consistent with the 49% in the prior year quarter.

Adjusted EBITDA as a percentage of total revenue was 46% in the current year-to-date period, consistent with the 45% in the prior year period.

Liquidity and Capital Resources

Three months ended December 31, ($ thousands)	**2021**	2020	$ change	% change
Cash, beginning of period	**48,012**	43,982	4,030	9%
Cash provided by (used in):				
Operating activities	**4,527**	(474)	5,001	1055%
Financing activities	**(4,331)**	(4,325)	(6)	0%
Investing activities	**(481)**	(7)	(474)	-6771%
Cash, end of period	**47,727**	39,176	8,551	22%

Nine months ended December 31, ($ thousands)	**2021**	2020	$ change	% change
Cash, beginning of period	**49,068**	40,505	8,563	21%
Cash provided by (used in):				
Operating activities	**12,245**	12,010	235	2%
Financing activities	**(12,945)**	(12,983)	38	0%
Investing activities	**(641)**	(356)	(285)	-80%
Cash, end of period	**47,727**	39,176	8,551	22%

At December 31, 2021, CMG had $47.7 million in cash, no borrowings and access to approximately $1.0 million under a line of credit with its principal banker. The Company's primary non-operating use of cash is dividend payments. Management believes that the Company has sufficient capital resources to meet its operating and capital expenditure needs.

During the nine months ended December 31, 2021, 19.7 million shares of CMG's public float were traded on the TSX. As at December 31, 2021, CMG's market capitalization based upon its December 31, 2021 closing price of $4.26 was $342.2 million.

Operating Activities

Cash provided by operating activities increased by $5.0 million during the three months ended December 31, 2021, compared to the same period of the previous fiscal year. While funds flow from operations was relatively consistent with the comparative quarter, there was an increase in cash due to the movement in non-cash working capital, the main factor being the change in the deferred revenue balance.

Cash provided by operating activities increased by $0.2 million during the nine months ended December 31, 2021, compared to the same period of the previous fiscal year. This was the result of a $3.5 million increase in cash due to the movement in non-cash working capital, mainly in the deferred revenue balance, partially offset by $3.3 million lower funds flow from operations, which was primarily due to lower revenue and lower CEWS benefits.

Financing Activities

Cash used in financing activities in the three and nine months ended December 31, 2021 was consistent with the same periods of the previous fiscal year.

In the nine months ended December 31, 2021, 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, 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

On February 9, 2022, CMG announced the payment of a quarterly dividend of $0.05 per share on CMG's common shares. The dividend will be paid on March 15, 2022 to shareholders of record at the close of business on March 7, 2022. Decisions with respect to dividend payments are made by the Board of Directors on a quarterly basis and take into account market conditions and the financial performance of the Company.

Investing Activities

CMG's investing activities consist of capital asset additions, all of which are being funded internally. During the nine months ended December 31, 2021, CMG's capital asset additions were composed of computer equipment and totalled $0.6 million, a decrease compared to the same period of the previous fiscal year. CMG's capital budget for fiscal 2022 is $0.7 million.

Commitments, Off Balance Sheet Items and Transactions with Related Parties

CMG, in partnership with Shell Global Solutions International B.V. ("Shell") at present, and also in partnership with Petroleo Brasileiro S.A. historically, is the developer of CoFlow, the newest generation of reservoir and production system simulation software.

On January 1, 2017, Shell and CMG entered into an agreement (the "CoFlow Agreement") with an initial five-year term whereby CMG would be responsible for the research and development costs of CoFlow and Shell would be responsible for providing a contribution for the continuing development of the software.

On December 21, 2020, the CoFlow Agreement was amended when Shell exercised its right to request a five-year term extension, commencing January 1, 2022. All other terms and conditions in the CoFlow Agreement, including any related amendments, remain unchanged and in full force and effect during the extended term. In September 2021, CMG and Shell agreed that CMG will add and/or allocate up to six additional full-time employees in order to accelerate CoFlow development and support targeted CoFlow deployments, and Shell's contribution will increase accordingly.

CoFlow costs are estimated to be $7.6 million and Shell's contribution is estimated to be $6.9 million in fiscal 2022, which includes the additional resources agreed to in September of 2021.

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, 2021:

(thousands of $)	Undiscounted lease liability payments	Operating costs and short-term leases	Total commitments
Less than one year	3,477	1,101	4,578
Between one and five years	13,959	4,332	18,291
More than five years	40,710	11,462	52,172
	58,146	16,895	75,041

Business Risks and Critical Accounting Estimates

These remain unchanged from the factors detailed in CMG's 2021 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 9, 2022 (thousands)	
Common shares	80,335
Stock options	3,684
Restricted share units(1)	573
Performance share units(1)	122

(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 9, 2022, CMG could reserve up to 8,033,000 common shares for issuance under its security-based compensation plans.

Disclosure Controls and Procedures and Internal Control over Financial Reporting

Management is responsible for establishing and maintaining disclosure controls and procedures ("DC&P") and internal control over financial reporting ("ICFR") as defined under National Instrument 52-109. These controls and procedures were reviewed and the effectiveness of their design and operation was evaluated in fiscal 2021 in accordance with the COSO control framework (2013). The evaluation confirmed the effectiveness of DC&P and ICFR at March 31, 2021. During the 2022 fiscal year, we continue to monitor and review our controls and procedures. During the three months ended December 31, 2021, there have been no significant changes to the Company's ICFR that have materially affected, or are reasonably likely to materially affect, the Company's ICFR.

Outlook

Our annuity/maintenance revenue increased slightly by 1% during Q3 of fiscal 2022 compared to Q3 of fiscal 2021, which was encouraging to see after experiencing comparable quarter declines in this revenue stream since late in fiscal 2020 when the COVID-19 pandemic first occurred. We are also encouraged by consecutive increases in fiscal 2022 sequential quarter annuity/maintenance revenue and a number of early renewals which had a positive effect on our December 31, 2021 deferred revenue balance.

On a year-to-date basis, annuity/maintenance revenue decreased by 7% affected by the headwinds experienced earlier in the fiscal year when our customers' spending was affected by COVID-related cautions and uncertainties.

Geographically, South American annuity/maintenance revenue was positively affected by a multi-year agreement with Petroleo Brasileiro S.A that includes commercial use of CoFlow. We are observing stability in Canadian annuity/maintenance revenue as evidenced by a 7% growth during the quarter which contributed to a flat year-to-date comparison. The United States and the Eastern Hemisphere saw decreases both during the quarter and year to date, as license reductions that occurred at the beginning of calendar 2021 continue to negatively affect revenue comparison with the prior year.

During the quarter, we closed two more deals for commercial licensing of CoFlow – one with a customer in South America (which was messaged in the previous quarter's MD&A) and one in the Eastern Hemisphere.

Perpetual revenue was up $0.8 million, or 127%, during the three months ended December 31, 2021, mainly due to perpetual sales realized in Asia and Europe. Year-to-date perpetual sales were comparable to the same period of the previous fiscal year.

We remain focused on expense management. In Q2 of this year, we reduced our headcount and adjusted staff salaries. Executives' and directors' cash compensation remains reduced in fiscal 2022. Adjusted total operating expenses increased by

4% during the quarter, compared to the same quarter of the previous fiscal year. Year-to-date adjusted total operating expenses decreased by 7%, due to lower stock-based compensation expense, salary reductions and lower headcount. For almost two fiscal years now, discretionary expenses, such as travel, tradeshows and customer engagement have been reduced due to pandemic restrictions.

Adjusted operating profit margin was 43% and 40% for the year and year to date, respectively, in line with the pre-COVID fiscal 2019 and fiscal 2020 historic average of 40% and reflective of our effective cost management.

We continue to maintain a strong financial position. We closed the quarter with $47.7 million in cash, no debt and no significant accounts receivable collectability concerns. Basic earnings per share were $0.07 for the quarter and $0.17 for the year to date. During the quarter and year to date, we generated free cash flow of $0.08 and $0.19 per share, respectively. During the three months ended December 31, 2021, we declared and paid dividends totaling $0.05 per share.

Energy transition-related modelling, such as carbon capture and sequestration and geothermal processes, continues to be an area of opportunity for CMG, as CMG's existing software has the technical capabilities to support energy transition-related modelling. As producers and governments become increasingly interested in these processes, we believe that CMG is the experienced go-to partner for energy transition modelling solutions. During the current quarter, we continued to add new software and consulting contracts for energy transition and CO_2-related work.

During the current quarter we continued to observe recovery in both oil and gas demand and commodity prices. As market sentiment improves and our customers adapt to operating in volatile market conditions, we are encouraged by the renewals that we have seen in our customers' calendar 2022 budget cycle. As the market focuses on energy transition, capital discipline, operational efficiencies and debt reduction, CMG will be responsive and proactive to our customers' needs and will support them in improving the value of their assets by optimizing production and realizing operational cost efficiencies. We are hopeful for a more positive 2022. We look forward to getting back into the office, as well as attending in-person trade shows and events and re-engaging with customers in a more significant way, as the pandemic restrictions are loosened.

Ryan N. Schneider
President and Chief Executive Officer
February 9, 2022

Condensed Consolidated Statements of Financial Position

UNAUDITED (thousands of Canadian $)	**December 31, 2021**	March 31, 2021
Assets		
Current assets:		
Cash	**47,727**	49,068
Trade and other receivables	**18,768**	23,239
Prepaid expenses	**1,065**	820
Prepaid income taxes (note 10)	**1,149**	8
	68,709	73,135
Property and equipment	**11,305**	12,025
Right-of-use assets	**33,698**	35,509
Deferred tax asset (note 10)	**1,926**	1,822
Total assets	**115,638**	122,491
Liabilities and shareholders’ equity		
Current liabilities:		
Trade payables and accrued liabilities	**5,781**	6,316
Income taxes payable (note 10)	**18**	49
Deferred revenue (note 4)	**23,056**	30,461
Lease liability (note 5)	**1,526**	1,356
	30,381	38,182
Long-term stock-based compensation liability (note 11(c))	**1,156**	1,281
Long-term lease liability (note 5)	**38,510**	39,606
Total liabilities	**70,047**	79,069
Shareholders’ equity:		
Share capital (note 11)	**80,248**	80,051
Contributed surplus	**14,818**	14,251
Deficit	**(49,475)**	(50,880)
Total shareholders' equity	**45,591**	43,422
Total liabilities and shareholders' equity	**115,638**	122,491

Subsequent event (note 15)

See accompanying notes to condensed consolidated interim financial statements.

Condensed Consolidated Statements of Operations and Comprehensive Income

UNAUDITED (thousands of Canadian $ except per share amounts)	Three months ended December 31 2021	Three months ended December 31 2020	Nine months ended December 31 2021	Nine months ended December 31 2020
Revenue (note 6)	**17,045**	16,038	**47,408**	50,562
Operating expenses (note 7)				
Sales, marketing and professional services	**3,810**	3,335	**11,062**	11,209
Research and development (note 8)	**3,926**	3,092	**12,599**	11,158
General and administrative	**1,554**	1,174	**4,979**	4,186
	9,290	7,601	**28,640**	26,553
Operating profit	**7,755**	8,437	**18,768**	24,009
Finance income (note 9)	**115**	92	**339**	288
Finance costs (note 9)	**(560)**	(1,119)	**(1,649)**	(3,122)
Profit before income and other taxes	**7,310**	7,410	**17,458**	21,175
Income and other taxes (note 10)	**1,736**	1,535	**4,005**	5,278
Net and total comprehensive income	**5,574**	5,875	**13,453**	15,897
Earnings per share				
Basic and diluted (note 11(d))	**0.07**	0.07	**0.17**	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, 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 11(b))	200	-	-	200
Stock-based compensation:				
Current period expense (note 11(c))	-	531	-	531
Balance, December 31, 2020	80,051	14,064	(51,159)	42,956
Balance, April 1, 2021	**80,051**	**14,251**	**(50,880)**	**43,422**
Total comprehensive income for the year	**-**	**-**	**13,453**	**13,453**
Dividends paid	**-**	**-**	**(12,048)**	**(12,048)**
Shares issued on redemption of restricted share units (note 11(b))	**197**	**-**	**-**	**197**
Stock-based compensation:				
Current period expense (note 11(c))	**-**	**567**	**-**	**567**
Balance, December 31, 2021	**80,248**	**14,818**	**(49,475)**	**45,591**

See accompanying notes to condensed consolidated interim financial statements.

Condensed Consolidated Statements of Cash Flows

UNAUDITED (thousands of Canadian $)	Three months ended December 31 2021	2020	Nine months ended December 31 2021	2020
Operating activities				
Net income	**5,574**	5,875	**13,453**	15,897
Adjustments for:				
Depreciation	**1,088**	1,072	**3,144**	3,200
Deferred income tax expense (recovery) (note 10)	**(49)**	(120)	**(104)**	(554)
Stock-based compensation (note 11(c))	**409**	495	**244**	1,473
Funds flow from operations	**7,022**	7,322	**16,737**	20,016
Movement in non-cash working capital:				
Trade and other receivables	**(4,687)**	(4,345)	**4,471**	10,857
Trade payables and accrued liabilities	**68**	676	**(141)**	(1,371)
Prepaid expenses	**(45)**	98	**(245)**	(70)
Income taxes payable	**355**	(23)	**(1,172)**	1,069
Deferred revenue	**1,814**	(4,202)	**(7,405)**	(18,491)
Increase in non-cash working capital	**(2,495)**	(7,796)	**(4,492)**	(8,006)
Net cash provided by (used in) by operating activities	**4,527**	(474)	**12,245**	12,010
Financing activities				
Repayment of lease liability (note 5)	**(314)**	(310)	**(897)**	(942)
Dividends paid	**(4,017)**	(4,015)	**(12,048)**	(12,041)
Net cash used in financing activities	**(4,331)**	(4,325)	**(12,945)**	(12,983)
Investing activities				
Property and equipment additions	**(481)**	(7)	**(641)**	(356)
Decrease in cash	**(285)**	(4,806)	**(1,341)**	(1,329)
Cash, beginning of period	**48,012**	43,982	**49,068**	40,505
Cash, end of period	**47,727**	39,176	**47,727**	39,176
Supplementary cash flow information				
Interest received (note 9)	**115**	91	**339**	289
Interest paid (notes 5 and 9)	**500**	517	**1,510**	1,563
Income taxes paid	**1,107**	722	**4,617**	4,200

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, 2021 and 2020.

1. Reporting Entity:

Computer Modelling Group Ltd. ("CMG") is a company domiciled in Alberta, Canada and is incorporated pursuant to the Alberta Business Corporations Act, with its common shares listed on the Toronto Stock Exchange under the symbol "CMG". The address of CMG's registered office is 3710 33 Street N.W., Calgary, Alberta, Canada, T2L 2M1. The condensed consolidated interim financial statements as at and for the three and nine months ended December 31, 2021 comprise CMG and its subsidiaries (together referred to as the "Company"). The Company is a computer software technology company engaged in the development and licensing of reservoir simulation software. The Company also provides professional services consisting of highly specialized support, consulting, training, and contract research activities.

2. Basis of Preparation:

(a) Statement of Compliance:

These 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, 2021, 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, 2021 were authorized for issuance by the Board of Directors on February 9, 2022.

(b) Basis of Measurement:

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

(c) Functional and Presentation Currency:

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

(d) Use of Estimates, Judgments and Assumptions:

The preparation of financial statements in conformity with IFRS requires management to make judgments, estimates and assumptions that affect the application of accounting policies, the reported amounts of assets and liabilities and the disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue, costs and expenses. Estimates and underlying assumptions are 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, 2021.

(e) Impact of the COVID-19 Pandemic:

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

3. 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 $)	**December 31, 2021**	March 31, 2021
Canada	**44,114**	46,393
United States	**610**	755
South America	**233**	325
Eastern Hemisphere(1)	**46**	61
	45,003	47,534

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

4. Deferred Revenue:

The following table presents changes in the deferred revenue balance:

(thousands of $)	
Balance, March 31, 2021	30,461
Invoiced during the period, excluding amounts recognized as revenue during the period	20,973
Recognition of deferred revenue included in the balance at the beginning of the period	(28,378)
Balance, December 31, 2021	**23,056**

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, 2021	40,962
Interest on lease liability (note 9)	1,510
Lease payments	(2,407)
Remeasurement due to renegotiated lease payments	(29)
Balance, December 31, 2021	**40,036**
Current	**1,526**
Long-term	**38,510**

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

(thousands of $)	
Less than one year	3,477
Between one and five years	13,959
More than five years	40,710
Total undiscounted payments	**58,146**

6. Revenue:

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

	Three months ended December 31		Nine months ended December 31	
(thousands of $)	**2021**	2020	**2021**	2020
Annuity/maintenance license revenue				
Canada	**3,303**	3,097	**9,425**	9,452
United States	**3,429**	3,649	**9,502**	11,533
South America	**1,884**	1,320	**5,195**	4,412
Eastern Hemisphere	**4,959**	5,411	**14,978**	16,747
	13,575	13,477	**39,100**	42,144
Perpetual license revenue				
Canada	**-**	-	**-**	-
United States	**180**	-	**401**	-
South America	**-**	41	**-**	1,020
Eastern Hemisphere	**1,317**	619	**2,067**	1,415
	1,497	660	**2,468**	2,435
Total software license revenue	**15,072**	14,137	**41,568**	44,579
Professional services				
Canada	**1,798**	1,690	**5,368**	5,241
United States	**9**	45	**66**	436
South America	**12**	-	**91**	26
Eastern Hemisphere	**154**	166	**315**	280
	1,973	1,901	**5,840**	5,983
Total revenue				
Canada	**5,101**	4,787	**14,793**	14,693
United States	**3,618**	3,694	**9,969**	11,969
South America	**1,896**	1,361	**5,286**	5,458
Eastern Hemisphere	**6,430**	6,196	**17,360**	18,442
	17,045	16,038	**47,408**	50,562

During the nine months ended December 31, 2021, revenue recognized from performance obligations satisfied (or partially satisfied) in previous periods is $1.4 million (2020 – $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, 2021**	March 31, 2021
Receivables (included in “Trade and other receivables”)	**18,556**	22,812

During the nine months ended December 31, 2021, one customer comprised 12.2% of the Company's total revenue (2020 – one customer, 12.9%).

7. 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, 2021 recorded a CEWS benefit of $0.3 million and $0.6 million, respectively (three and nine months ended December 31, 2020 – $1.6 million and $4.1 million, respectively), and a CERS benefit of $0.1 million and $0.2 million, respectively (three and nine months ended December 31, 2020 – $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 $)	**2021**	2020
Sales, marketing and professional services	**(68)**	(287)
Research and development	**(267)**	(1,131)
General and administrative	**(64)**	(271)
	(399)	(1,689)

Nine months ended December 31, (thousands of $)	**2021**	2020
Sales, marketing and professional services	**(130)**	(719)
Research and development	**(513)**	(2,833)
General and administrative	**(123)**	(677)
	(766)	(4,229)

8. Research and Development Costs:

Three months ended December 31, (thousands of $)	**2021**	2020
Research and development, net of government grants	**4,104**	3,231
Scientific research and experimental development (SR&ED) investment tax credits	**(178)**	(139)
	3,926	3,092

Nine months ended December 31, (thousands of $)	**2021**	2020
Research and development, net of government grants	**13,263**	11,709
Scientific research and experimental development (SR&ED) investment tax credits	**(664)**	(551)
	12,599	11,158

9. Finance Income and Finance Costs:

Three months ended December 31, (thousands of $)	**2021**	2020
Interest income	**115**	92
Finance income	**115**	92
Interest expense on lease liability (note 5)	**(500)**	(517)
Net foreign exchange loss	**(60)**	(602)
Finance costs	**(560)**	(1,119)

Nine months ended December 31, (thousands of $)	**2021**	2020
Interest income	**339**	288
Finance income	**339**	288
Interest expense on lease liability (note 5)	**(1,510)**	(1,563)
Net foreign exchange loss	**(139)**	(1,559)
Finance costs	**(1,649)**	(3,122)

10. Income and Other Taxes:

The major components of income tax expense are as follows:

Nine months ended December 31, (thousands of $)	**2021**	2020
Current year income tax expense	**4,232**	5,515
Adjustment for prior year	**(131)**	(44)
Current income taxes	**4,101**	5,471
Deferred tax recovery	**(104)**	(554)
Foreign withholding and other taxes	**8**	361
	4,005	5,278

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)	**2021**	2020
Combined statutory tax rate	**23.00%**	23.50%
Expected income tax	**4,015**	4,976
Non-deductible costs	**180**	148
Withholding taxes	**(73)**	195
Effect of tax rates in foreign jurisdictions	**(6)**	(15)
Effect of statutory tax rate reduction	**-**	(8)
Adjustment for prior year	**(131)**	(44)
Other	**20**	26
	4,005	5,278

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

(thousands of $)	**December 31, 2021**	March 31, 2021
Right-of-use assets	**1,421**	1,245
Stock-based compensation liability	**497**	616
Property and equipment	**149**	115
SR&ED investment tax credits	**(141)**	(154)
Net deferred tax asset	**1,926**	1,822

All movement in deferred tax assets and liabilities is recognized through net income of the respective period.

Prepaid income taxes and current income taxes payable have not been offset as the amounts relate to income taxes levied by different tax authorities on different taxable entities.

11. Share Capital:

(a) Authorized:

An unlimited number of common shares, an unlimited number of non-voting shares, and an unlimited number of preferred shares, issuable in series.

(b) Issued:

(thousands of shares)	Common shares
Balance, April 1, 2020	80,249
Issued on redemption of restricted share units	37
Balance, December 31, 2020	80,286
Balance, April 1, 2021	**80,286**
Issued on redemption of restricted share units	**49**
Balance, December 31, 2021	**80,335**

(c) Stock-Based Compensation:

Stock-Based Compensation Expense

The following table summarizes stock-based compensation expense:

Three months ended December 31, (thousands of $)	**2021**	2020
Equity-settled plans	**188**	190
Cash-settled plans	**225**	339
Total stock-based compensation expense	**413**	529

Nine months ended December 31, (thousands of $)	**2021**	2020
Equity-settled plans	**567**	531
Cash-settled plans	**517**	1,742
Total stock-based compensation expense	**1,084**	2,273

Liability Recognized for Stock-Based Compensation (1)

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

(thousands of $)	**December 31, 2021**	March 31, 2021
SARs	**207**	407
RSUs	**1,128**	1,641
PSUs	**306**	204
DSUs	**518**	426
Total stock-based compensation liability	**2,159**	2,678
Current, recorded within trade payables and accrued liabilities	**1,003**	1,397
Long-term	**1,156**	1,281

(1) The intrinsic value of the vested awards at December 31, 2021 was $0.5 million.

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

The maximum number of common shares reserved for issuance under the Company's security-based compensation plans is limited to 10% of the issued and outstanding common shares. Based on this calculation, at December 31, 2021, the Company may reserve up to 8,033,000 common shares for issuance under its security-based compensation plans.

(i) Stock Option Plan

The Company adopted a rolling stock option plan as of July 13, 2005, which was reaffirmed by the Company's shareholders on July 16, 2020. 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 anniversary from the grant date and then 25% vest on each of the second and third anniversary dates. Stock options have a five-year life.

The following table outlines changes in stock options:

	Nine months ended December 31, 2021		Year ended March 31, 2021	
	Number of Options (thousands)	**Weighted Average Exercise Price ($/share)**	Number of Options (thousands)	Weighted Average Exercise Price ($/share)
Outstanding at beginning of period	**3,524**	**7.82**	3,900	9.64
Granted	**1,006**	**3.98**	796	5.10
Forfeited/expired	**(846)**	**9.51**	(1,172)	12.03
Outstanding at end of period	**3,684**	**6.38**	3,524	7.82
Options exercisable at end of period	**2,116**	**7.74**	2,234	8.95

The range of exercise prices of stock options outstanding and exercisable at December 31, 2021 is as follows:

	Outstanding			Exercisable	
Exercise Price ($/option)	Number of Options (thousands)	Weighted Average Remaining Contractual Life (years)	Weighted Average Exercise Price ($/option)	Number of Options (thousands)	Weighted Average Exercise Price ($/option)
3.98 to 5.07	991	4.6	3.98	-	-
5.08 to 6.30	779	3.6	5.08	393	5.08
6.31 to 9.19	745	2.6	6.38	554	6.38
9.20 to 9.32	465	1.6	9.20	465	9.20
9.33 to 9.33	704	0.6	9.33	704	9.33
	3,684	**2.9**	**6.38**	**2,116**	**7.74**

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

	Nine months ended December 31, 2021	Year ended March 31, 2021
Fair value at grant date ($/option)	**0.78 to 0.80**	1.00 to 1.50
Share price at grant date ($/share)	**3.98**	5.08 to 6.59
Risk-free interest rate (%)	**0.57 to 0.70**	0.22 to 0.37
Estimated hold period prior to exercise (years)	**3 to 4**	3 to 4
Volatility in the price of common shares (%)	**39 to 42**	35 to 41
Dividend yield per common share (%)	**5.18**	3.06 to 3.71

(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, 2021		Year ended March 31, 2021	
	Number of SARs (thousands)	**Weighted Average Exercise Price ($/SAR)**	Number of SARs (thousands)	Weighted Average Exercise Price ($/SAR)
Outstanding at beginning of period	**1,373**	**8.19**	1,152	8.80
Granted	**278**	**3.98**	221	5.08
Forfeited/expired	**(208)**	**9.78**	-	-
Outstanding at end of period	**1,443**	**7.15**	1,373	8.19
SARs exercisable at end of period	**999**	**8.31**	948	9.04

(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, 2021**			Year ended March 31, 2021	
	RSUs	**PSUs**	**DSUs**	RSUs	PSUs	DSUs
Outstanding at beginning of period	**589**	**93**	**74**	421	30	48
Granted	**485**	**70**	**48**	379	63	33
Exercised	**(256)**	**-**	**-**	(181)	-	(7)
Forfeited	**(81)**	**-**	**-**	(30)	-	-
Outstanding at end of period	**737**	**163**	**122**	589	93	74

(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)			**2021**			2020
	Earnings ($)	**Weighted average shares outstanding**	**Earnings per share ($/share)**	Earnings ($)	Weighted average shares outstanding	Earnings per share ($/share)
Basic	**5,574**	**80,335**	**0.07**	5,875	80,286	0.07
Dilutive effect of share-based awards		**324**			182	
Diluted	**5,574**	**80,659**	**0.07**	5,875	80,468	0.07

Nine months ended December 31, (thousands except per share amounts)			**2021**			2020
	Earnings ($)	**Weighted average shares outstanding**	**Earnings per share ($/share)**	Earnings ($)	Weighted average shares outstanding	Earnings per share ($/share)
Basic	**13,453**	**80,309**	**0.17**	15,897	80,267	0.20
Dilutive effect of share-based awards		**362**			218	
Diluted	**13,453**	**80,671**	**0.17**	15,897	80,485	0.20

During the three and nine months ended December 31, 2021, nil and 173,000 awards, respectively, (three and nine months ended December 31, 2020 – nil and 115,000 awards, respectively) were excluded from the computation of the weighted average number of diluted shares outstanding because their effect was not dilutive.

12. 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.

13. Commitments:

(a) Research Commitment:

CMG, in partnership with Shell Global Solutions International B.V. ("Shell") at present, and also in partnership with Petroleo Brasileiro S.A. historically, is the developer of CoFlow, the newest generation of reservoir and production system simulation software.

On January 1, 2017, Shell and CMG entered into an agreement (the "CoFlow Agreement") with an initial five-year term whereby CMG would be responsible for the research and development costs of CoFlow and Shell would be responsible for providing a contribution for the continuing development of the software.

On December 21, 2020, the CoFlow Agreement was amended when Shell exercised its right to request a five-year term extension, commencing January 1, 2022. All other terms and conditions in the CoFlow Agreement, including any related amendments, remain unchanged and in full force and effect during the extended term. In September 2021, CMG and Shell agreed that CMG will add and/or allocate up to six additional full-time employees in order to accelerate CoFlow development and support targeted CoFlow deployments, and Shell's contribution will increase accordingly.

CoFlow costs are estimated to be $7.6 million and Shell's contribution is estimated to be $6.9 million in fiscal 2022, which includes the additional resources agreed to in September of 2021.

During the three and nine months ended December 31, 2021, the Company recorded professional services revenue of $1.8 million and $5.1 million, respectively (three and nine months ended December 31, 2020 – $1.7 million and $5.2 million, respectively), and CoFlow costs of $1.8 million and $5.6 million, respectively, to research and development expenses (three and nine months ended December 31, 2020 – $1.4 million and $5.0 million, respectively).

(b) Commitments:

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

(thousands of $)	December 31, 2021
Less than one year	**1,101**
Between one and five years	**4,332**
More than five years	**11,462**
	16,895

14. Line of Credit:

The Company has arranged for a $2.0 million line of credit with its principal banker, which can be drawn down by way of a demand operating credit facility or may be used to support letters of credit. As at December 31, 2021, $1.0 million (March 31, 2021 – $0.9 million) had been reserved on this line of credit for letters of credit supporting performance bonds.

15. Subsequent Event:

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

Corporate Information

Directors

Judith J. Athaide (4)

John E. Billowits (4)

Kenneth M. Dedeluk (5)

Christopher L. Fong (2) (4)

Patrick R. Jamieson (3)

Peter H. Kinash (1)

Ryan N. Schneider

Mark R. Miller (2)
Chairman of the Board

(1) Chair, Audit Committee
(2) Member, Audit Committee
(3) Chair, Governance Committee
(4) Member, Governance Committee
(5) Vice Chairman of the Board

Officers

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,
Research & Development and Chief Technology Officer

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Transfer Agent

Computershare Trust Company of Canada

Stock Exchange Listing

Toronto Stock Exchange: **CMG**