Q3 2013

for the period ended December 31, 2012

COMPUTER MODELLING GROUP LTD.

To our Shareholders

Computer Modelling Group Ltd. is very pleased to announce our third quarter results for the three and nine months ended December 31, 2012.

THIRD QUARTER HIGHLIGHTS

For the three months ended December 31, ($ thousands, except per share data)	**2012**	2011	$ change	% change
Annuity/maintenance software licenses	**14,004**	12,056	1,948	16%
Perpetual software licenses	**1,365**	2,321	(956)	-41%
Total revenue	**16,802**	15,898	904	6%
Operating profit	**8,276**	8,093	183	2%
Net income	**6,119**	5,790	329	6%
Earnings per share - basic	**0.16**	0.16	-	0%

For the nine months ended December 31, ($ thousands, except per share data)	**2012**	2011	$ change	% change
Annuity/maintenance software licenses	**39,196**	30,361	8,835	29%
Perpetual software licenses	**6,106**	9,308	(3,202)	-34%
Total revenue	**49,341**	43,819	5,522	13%
Operating profit	**24,413**	22,411	2,002	9%
Net income	**17,569**	16,771	798	5%
Earnings per share - basic	**0.47**	0.46	0.01	2%

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 11, 2013, should be read in conjunction with the unaudited condensed consolidated financial statements and related notes of the Company for the three and nine months ended December 31, 2012 and the audited consolidated financial statements and MD&A for the years ended March 31, 2012 and 2011 contained in the 2012 Annual Report for CMG. 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 and rounded to the nearest thousand.

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 partners in the DRMS project and it being completed in a timely manner
- Ability to enter into additional software license agreements
- Ability to continue current research and new product development
- Ability to recruit and retain qualified staff

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 described in the MD&A of CMG's 2012 Annual Report under the heading “Business Risks”:

- Economic conditions in the oil and gas industry
- Reliance on key clients
- 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.

NON-IFRS FINANCIAL MEASURES

This MD&A includes certain measures which have not been prepared in accordance with IFRS such as “EBITDA”, “direct employee costs” and “other corporate costs.” Since these measures do not have a standard meaning prescribed by IFRS, they are unlikely to be comparable to similar measures presented by other issuers. Management believes that these indicators nevertheless provide useful measures in evaluating the Company’s performance.

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

“EBITDA” refers to net income before adjusting for depreciation expense, finance income, finance costs, and income and other taxes. EBITDA should not be construed as an alternative to net income as determined by IFRS. The Company believes that EBITDA is useful supplemental information as it provides an indication of the results generated by the Company’s main business activities prior to consideration of how those activities are amortized, financed or taxed. See “EBITDA” heading for a reconciliation of EBITDA to net income.

CORPORATE PROFILE

CMG is a computer software technology company serving the oil and gas industry. The Company is a leading supplier of advanced processes reservoir modelling software with a blue chip client base of international oil companies and technology centers in over 50 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, Caracas and Dubai. CMG’s Common Shares are listed on the Toronto Stock Exchange (“TSX”) and trade under the symbol “CMG”.

QUARTERLY PERFORMANCE

	Fiscal 2011(1)	Fiscal 2012(2)				**Fiscal 2013(3)**		
($ thousands, unless otherwise stated)	Q4	Q1	Q2	Q3	Q4	Q1	Q2	**Q3**
Annuity/maintenance licenses	8,531	8,997	9,308	12,056	12,497	13,179	12,012	**14,004**
Perpetual licenses	3,911	5,391	1,596	2,321	3,416	2,070	2,671	**1,365**
Software licenses	12,442	14,388	10,904	14,377	15,913	15,249	14,683	**15,369**
Professional services	1,936	1,551	1,078	1,521	1,302	1,216	1,390	**1,433**
Total revenue	14,378	15,939	11,982	15,898	17,215	16,465	16,073	**16,802**
Operating profit	7,532	9,092	5,226	8,093	9,193	8,105	8,032	**8,276**
Operating profit %	52	57	44	51	53	49	50	**49**
EBITDA(4)	7,818	9,366	5,508	8,414	9,543	8,423	8,425	**8,687**
Profit before income and other taxes	7,413	9,240	6,096	8,184	9,104	8,577	7,703	**8,556**
Income and other taxes	2,605	2,577	1,778	2,394	2,484	2,487	2,342	**2,437**
Net income for the period	4,808	6,663	4,318	5,790	6,620	6,090	5,361	**6,119**
Cash dividends declared and paid	3,643	7,519	4,053	4,079	4,848	9,736	6,020	**6,050**
Per share amounts - ($/share)								
Earnings per share - basic	0.13	0.18	0.12	0.16	0.18	0.16	0.14	**0.16**
Earnings per share - diluted	0.13	0.18	0.11	0.15	0.17	0.16	0.14	**0.16**
Cash dividends declared and paid	0.10	0.205	0.11	0.11	0.13	0.26	0.16	**0.16**

(1) Q4 of fiscal 2011 includes $0.1 million in revenue that pertains to usage of CMG’s products in prior quarters.

(2) Q1, Q2, Q3 and Q4 of fiscal 2012 include $0.3 million, $0.04 million, $2.6 million and $2.7 million, respectively, in revenue that pertains to usage of CMG’s products in prior quarters.

(3) Q1, Q2 and Q3 of fiscal 2013 include $2.1 million, $0.2 million and $1.8 million, respectively, in revenue that pertains to usage of CMG’s products in prior quarters.

(4) EBITDA is defined as net income before adjusting for depreciation expense, finance income, finance costs, and income and other taxes. See “Non-IFRS Financial Measures”.

Highlights

During the nine months ended December 31, 2012, as compared to the same period of prior fiscal year, CMG:

- Increased annuity/maintenance revenue by 29%
- Increased operating profit by 9%
- Increased net income by 5%
- Increased spending on research and development by 19%
- Increased EBITDA by 10%
- Realized earnings per share of $0.47, representing a 2% increase

Revenue

For the three months ended December 31, ($ thousands)	**2012**	2011	$ change	% change
Software licenses	**15,369**	14,377	992	7%
Professional services	**1,433**	1,521	(88)	-6%
Total revenue	**16,802**	15,898	904	6%
Software license revenue - % of total revenue	**91%**	90%		
Professional services - % of total revenue	**9%**	10%		

For the nine months ended December 31, ($ thousands)	**2012**	2011	$ change	% change
Software licenses	**45,302**	39,669	5,633	14%
Professional services	**4,039**	4,150	(111)	-3%
Total revenue	**49,341**	43,819	5,522	13%
Software license revenue - % of total revenue	**92%**	91%		
Professional services - % of total revenue	**8%**	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 increased by 6% for the three months ended December 31, 2012, compared to the same period of the previous fiscal year, due to an increase in software license sales driven by the growth in annuity/maintenance license sales.

Similarly, total revenue increased by 13% in the nine months ended December 31, 2012, compared to the same period of the previous fiscal year, as a result of the increase in software license sales led by the increase in annuity/maintenance 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.

For the three months ended December 31, ($ thousands)	**2012**	2011	$ change	% change
Annuity/maintenance licenses	**14,004**	12,056	1,948	16%
Perpetual licenses	**1,365**	2,321	(956)	-41%
Total software license revenue	**15,369**	14,377	992	7%
Annuity/maintenance as a % of total software license revenue	**91%**	84%		
Perpetual as a % of total software license revenue	**9%**	16%		

For the nine months ended December 31, ($ thousands)	**2012**	2011	$ change	% change
Annuity/maintenance licenses	**39,196**	30,361	8,835	29%
Perpetual licenses	**6,106**	9,308	(3,202)	-34%
Total software license revenue	**45,302**	39,669	5,633	14%
Annuity/maintenance as a % of total software license revenue	**87%**	77%		
Perpetual as a % of total software license revenue	**13%**	23%		

Total software license revenue grew by 7% in the three months ended December 31, 2012, compared to the same period of the previous fiscal year, due to the increase in annuity/maintenance license revenue offset by a decrease in perpetual sales. Similarly, total software license revenue grew by 14% for the nine months ended December 31, 2012, compared to the same period of the previous fiscal year, as a result of the increase in annuity/maintenance revenue stream offset by the decrease in perpetual license sales.

CMG's annuity/maintenance license revenue increased by 16% and 29% during the three and nine months ended December 31, 2012, respectively, compared to the same periods of last year. These increases were driven by sales to new and existing clients as well as an increase in maintenance revenue tied to perpetual sales generated in the current and previous fiscal years. The majority of this increase was attributed to sales to our Canadian and the United States' markets. The increase in our annuity/maintenance revenue for the three months ended December 31, 2012 has been obscured by the variability of a payment received from one of our large customers for whom revenue recognition criteria are fulfilled only at the time of the receipt of funds. During the current quarter, we received approximately half of the amount received during the same period of the previous year. The amount received during the third quarter of the previous year represented an initial payment on a multi-year arrangement. If we were to exclude revenue received from this particular customer from the third quarter's recorded revenue in both the current and previous years, to provide a normalized comparison, we would note that the annuity/maintenance revenue actually grew by 34% for the three months ended December 31, 2012, compared to the same period of the previous fiscal year.

This arrangement did not have a significant impact on our year-to-date comparative information since similar payments have been received during the nine months ended December 31, 2012 and 2011.

Given our long-standing relationship with this client, and the multi-year nature of the contract, we expect to continue to receive payments under this arrangement; however, the amount and timing are uncertain and will continue to be recorded on a cash basis which may introduce some variability in our reported quarterly annuity/maintenance revenue results.

Our annuity/maintenance license sales, representing our recurring revenue stream, have continued to experience consecutive quarterly increases over the past several fiscal years, and this trend continued in the third quarter of fiscal 2013.

We can observe from the table below that the exchange rates between the US and Canadian dollars during the three and nine months ended December 31, 2012, compared to the same periods of the previous fiscal year, had only a slight positive impact on our reported annuity/maintenance revenue.

Software license revenue under perpetual sales decreased by 41% for the three months ended December 31, 2012, compared to the same period of the previous fiscal year, due to fewer perpetual sales being realized in the United States and Eastern Hemisphere markets in the current quarter.

Perpetual license sales for the nine months ended December 31, 2012, decreased by 34% compared to the same period of the previous fiscal year. In the first quarter of the previous fiscal year, we reported an amount associated with a multi-million dollar perpetual contract in the Eastern Hemisphere which contributed significantly to the revenue growth in the first nine months of the previous fiscal year.

Software licensing under perpetual sales is a significant part of CMG's business, but 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. It should be further pointed out that strong perpetual sales in previous quarters contributed to the increase in our recurring maintenance revenue in the current quarter.

We can observe from the table below that the exchange rates between the US and Canadian dollars during the three months ended December 31, 2012, had a slight negative effect on our reported perpetual license revenue whereas the inverse is true for the nine months ended December 31, 2012.

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

For the three months ended December 31, ($ thousands)		**2012**	2011	$ change	% change
US dollar annuity/maintenance license sales	**US$**	**8,785**	8,711	74	1%
Weighted average conversion rate		**1.001**	0.992		
Canadian dollar equivalent	**CDN$**	**8,795**	8,643	152	2%
US dollar perpetual license sales	**US$**	**908**	1,866	(958)	-51%
Weighted average conversion rate		**0.994**	1.019		
Canadian dollar equivalent	**CDN$**	**903**	1,902	(999)	-53%

For the nine months ended December 31, ($ thousands)		**2012**	2011	$ change	% change
US dollar annuity/maintenance license sales	**US$**	**24,361**	20,160	4,201	21%
Weighted average conversion rate		**1.001**	0.993		
Canadian dollar equivalent	**CDN$**	**24,393**	20,020	4,373	22%
US dollar perpetual license sales	**US$**	**4,159**	9,144	(4,985)	-55%
Weighted average conversion rate		**1.000**	0.969		
Canadian dollar equivalent	**CDN$**	**4,160**	8,857	(4,697)	-53%

REVENUE BY GEOGRAPHIC SEGMENT

For the three months ended December 31, ($ thousands)	2012	2011	$ change	% change
Annuity/maintenance revenue				
Canada	**5,490**	4,007	1,483	37%
United States	**2,818**	2,139	679	32%
South America	**2,435**	3,481	(1,046)	-30%
Eastern Hemisphere(1)	**3,261**	2,429	832	34%
	14,004	12,056	1,948	16%
Perpetual revenue				
Canada	**227**	420	(193)	-46%
United States	**-**	390	(390)	-100%
South America	**26**	-	26	-
Eastern Hemisphere	**1,112**	1,511	(399)	-26%
	1,365	2,321	(956)	-41%
Total software license revenue				
Canada	**5,717**	4,427	1,290	29%
United States	**2,818**	2,529	289	11%
South America	**2,461**	3,481	(1,020)	-29%
Eastern Hemisphere	**4,373**	3,940	433	11%
	15,369	14,377	992	7%

For the nine months ended December 31, ($ thousands)	2012	2011	$ change	% change
Annuity/maintenance revenue				
Canada	**15,902**	11,648	4,254	37%
United States	**7,759**	6,191	1,568	25%
South America	**6,770**	5,229	1,541	29%
Eastern Hemisphere(1)	**8,765**	7,293	1,472	20%
	39,196	30,361	8,835	29%
Perpetual revenue				
Canada	**1,541**	452	1,089	241%
United States	**662**	992	(330)	-33%
South America	**509**	1,291	(782)	-61%
Eastern Hemisphere	**3,394**	6,573	(3,179)	-48%
	6,106	9,308	(3,202)	-34%
Total software license revenue				
Canada	**17,443**	12,100	5,343	44%
United States	**8,421**	7,183	1,238	17%
South America	**7,279**	6,520	759	12%
Eastern Hemisphere	**12,159**	13,866	(1,707)	-12%
	45,302	39,669	5,633	14%

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

On a geographic basis, total software license sales increased across all regions with the exception of the South American market which experienced an overall decrease during the three months ended December 31, 2012, compared to the same period of the previous fiscal year, due to lower annuity/maintenance revenue, and the Eastern Hemisphere, which experienced a 12% decrease in the nine months ended December 31, 2012, compared to the same period of the previous fiscal year, due to lower perpetual sales. The most significant growth came from our annuity/maintenance license sales, with increases experienced across all regions for the nine months ended December 31, 2012.

The Canadian market (representing 39% of year-to-date total software revenue) experienced strong increases in annuity/maintenance license sales during the three and nine months ended December 31, 2012, compared to the same periods of the previous fiscal year. These increases were supported by the sales to both new and existing clients. While perpetual sales decreased slightly in the current quarter, compared to the same period of the previous fiscal year, they experienced a healthy increase on a year-to-date basis. The Canadian market continues to be the leader in generating total software license revenue and, particularly, in generating the recurring annuity/maintenance revenue as evidenced by the quarterly year-over-year increases of 40%, 17%, 32% and 37% recorded during Q3 2012, Q4 2012, Q1 2013, and Q2 2013, respectively. This growth trend has continued into the third quarter of the current fiscal year with the recorded increase of 37%.

The US market (representing 19% of year-to-date total software revenue) also grew annuity/maintenance license sales during the three and nine months ended December 31, 2012, compared to the same periods of the previous fiscal year. Fewer perpetual license sales were made during the three and nine months ended December 31, 2012, compared to the same periods of the previous fiscal year. Similar to the Canadian market, we have continued to see successive increases in the annuity/maintenance license sales in the US as evidenced by the quarterly year-over-year increases of 20%, 26%, 20% and 24% recorded during Q3 2012, Q4 2012, Q1 2013, and Q2 2013, respectively. This growth trend has continued into the third quarter of the current fiscal year with the recorded increase of 32%.

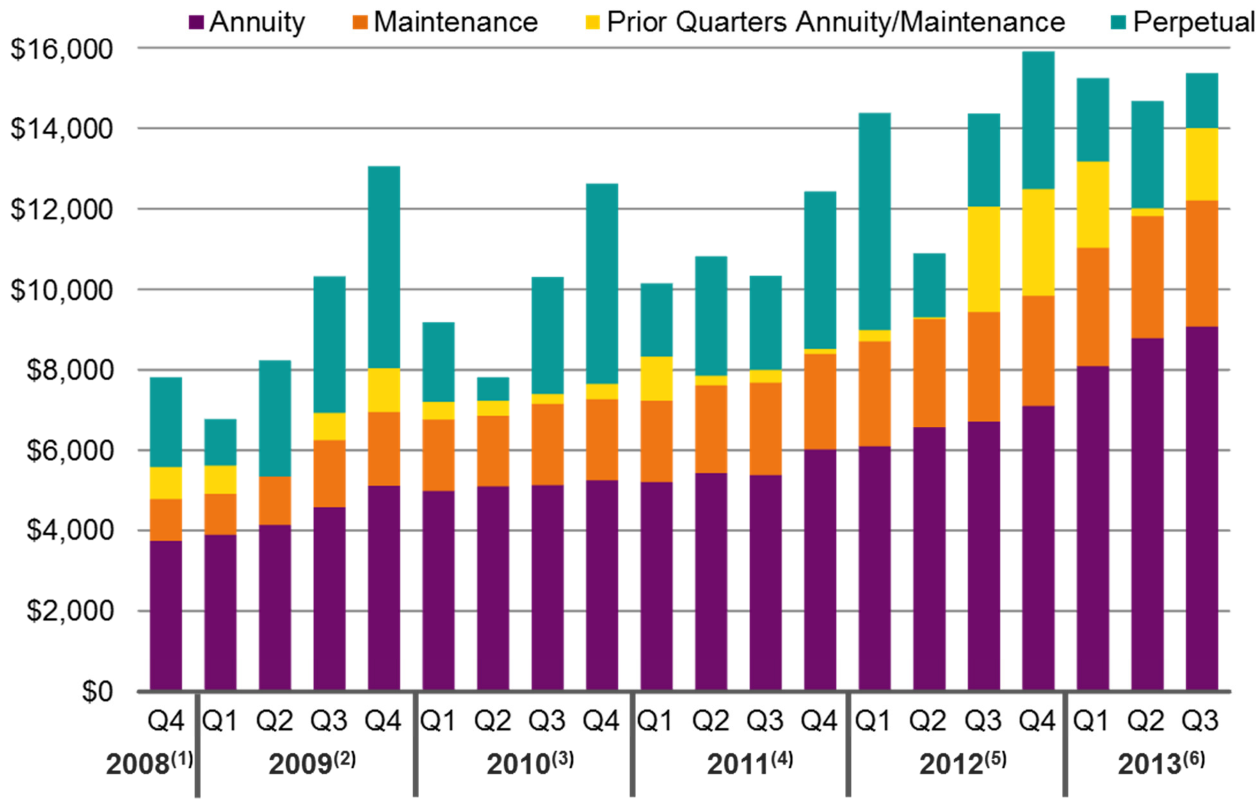
South America (representing 16% of year-to-date total software revenue) experienced a decrease in annuity/maintenance revenue during the three months ended December 31, 2012, compared to the same period of the previous fiscal year. This decrease occurred due to the variability of the payment recorded on the long-term contract for which revenue is recognized on a cash basis. The third quarter of the previous year included the initial payment for a multi-year arrangement which was higher than the payment received in the current quarter for the provision of services in prior quarters (see the discussion about revenue earned in the current period that pertains to usage of products in prior quarters above the “Quarterly Software License Revenue” graph). If we were to adjust annuity/maintenance revenue recorded for the three months ended December 31, 2012 and 2011 for the described amounts, we would notice that the current quarter’s revenue actually increased by 36%. Annuity/maintenance revenue for the nine months ended December 31, 2012 increased compared to the same period of the previous fiscal year due to sales to both new and existing clients. The increase in annuity/maintenance license sales was offset by a decrease in perpetual license sales during the nine months ended December 31, 2012.

Eastern Hemisphere (representing 27% of the year-to-date total software revenue) grew annuity/maintenance license sales during both the three and nine months ended December 31, 2012, compared to the same periods of the previous fiscal year. Perpetual license sales decreased in both the three and nine months ended December 31, 2012, compared to the same periods of the previous fiscal year. Year-to-date perpetual sales decreased as a result of the large perpetual sale made during the first quarter of the previous fiscal year which contributed significantly to revenue growth during the nine months ended December 31, 2011.

Movements in perpetual sales across regions are indicative of the unpredictable nature of the timing and location of perpetual license sales. Overall, our recurring annuity/maintenance revenue base continues to be strong and growing across all regions. We will continue to focus our efforts on increasing our license sales to both existing and new clients and, supported by our product suite offering and our customer-oriented approach, we will endeavor to continue expanding our market share globally.

As footnoted in the Quarterly Performance table, in the normal course of business, CMG may complete the negotiation of certain annuity/maintenance contracts and/or fulfill revenue recognition requirements within a current quarter that includes usage of CMG’s products in prior quarters. This situation particularly affects contracts negotiated with countries that face increased economic and political risks leading to 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 revenue stream and, 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.

QUARTERLY SOFTWARE LICENSE REVENUE ($THOUSANDS)



(1) Q4 of fiscal 2008 includes $0.8 million in revenue that pertains to usage of CMG's products in prior quarters.
(2) Q1, Q3 and Q4 of fiscal 2009 include $0.7 million, $0.7 million and $1.1 million, respectively, in revenue that pertains to usage of CMG's products in prior quarters.
(3) Q1, Q2, Q3 and Q4 of fiscal 2010 include $0.4 million, $0. 4 million, $0.3 million and $0.4 million, respectively, in revenue that pertains to usage of CMG's products in prior quarters.
(4) Q1, Q2, Q3 and Q4 of fiscal 2011 include $1.1 million, $0.2 million, $0.3 million and $0.1 million, respectively, in revenue that pertains to usage of CMG's products in prior quarters.
(5) Q1, Q2, Q3 and Q4 of fiscal 2012 include $0.3 million, $0.04 million, $2.6 million, and $2.7 million, respectively, in revenue that pertains to usage of CMG's products in prior quarters.
(6) Q1, Q2 and Q3 of fiscal 2013 include $2.1 million, $0.2 million and $1.8 million, respectively, in revenue that pertains to usage of CMG's products in prior quarters.

DEFERRED REVENUE

($ thousands)	**2012**	2011	$ change	% change
Deferred revenue at:				
March 31	**21,693**	16,755	4,938	29%
June 30	**18,779**	15,326	3,453	23%
September 30	**18,241**	14,600	3,641	25%
December 31	**15,510**	14,746	764	5%

CMG's deferred revenue consists primarily of amounts for pre-sold licenses. Our annuity/maintenance revenue is deferred and recognized on a straight-line basis over the life of the related 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 increase in deferred revenue year-over-year as at December 31, September 30, June 30 and March 31 is reflective of the growth in annuity/maintenance license sales. The variation within the year is due to the timing of renewals of annuity and maintenance contracts that are skewed to the beginning of the calendar year which explains the decreases in the deferred revenue balance at the end of the first quarter (June 30), second quarter (September 30), and third quarter (December 31) compared to fiscal year-end (March 31).

Deferred revenue at December 31, 2012 increased by 5% compared to the same period of the prior fiscal year. This increase appears lower than the increases recorded in a 20% range in the previous three quarters. The increase in the current quarter is lower due to the timing of the renewal and invoicing of two significant contracts. Whereas in the previous fiscal year, these contracts were renewed and included in our third quarter's deferred revenue balance, in the current fiscal year, the renewal has been deferred to and is expected to be captured in our fourth quarter's deferred revenue balance.

If we were to include these renewals in the current quarter's deferred revenue balance, to provide a normalized comparison, we would notice that the increase at December 31, 2012 compared to the same period of the previous fiscal year, would follow a similar trend as in the previous three quarters of increasing by approximately 23%.

PROFESSIONAL SERVICES REVENUE

CMG recorded professional services revenue of $1.4 million for the three months ended December 31, 2012, representing a decrease of $0.09 million compared to the same period of the previous fiscal year, resulting from a slight decrease in project activities by our clients and the associated consulting activities in the current quarter. Professional services for the nine months ended December 31, 2012 amounted to $4.0 million compared to $4.2 million recorded in the same period of the previous fiscal year. The year-to-date revenue related to consulting activities actually increased slightly; however, this increase was not evident due to the inclusion of a $0.3 million grant in the professional services revenue during the first quarter of the previous fiscal year, which was received from the CMG Reservoir Simulation Foundation ("Foundation CMG") for the DRMS project. The grant was fulfilled during that same quarter; hence, no additional amounts related to the grant have been subsequently recorded as professional services.

Professional services revenue consists of specialized consulting, training, and contract research activities. CMG performs consulting and contract research activities on an ongoing basis, but such activities are not considered to be a core part of our business and are primarily undertaken to increase our knowledge base and hence expand the technological abilities of our simulators in a funded manner, combined with servicing our customers' needs. In addition, these activities are undertaken to market the capabilities of our suite of software products with the ultimate objective to increase software license sales. Our experience is that consulting activities are variable in nature as both the timing and dollar magnitude of work are dependent on activities and budgets within client companies.

Expenses

For the three months ended December 31, ($ thousands)	**2012**	2011	$ change	% change
Sales, marketing and professional services	**3,778**	3,536	242	7%
Research and development	**3,136**	2,747	389	14%
General and administrative	**1,612**	1,522	90	6%
Total operating expenses	**8,526**	7,805	721	9%
Direct employee costs*	**6,716**	6,063	653	11%
Other corporate costs	**1,810**	1,742	68	4%
	8,526	7,805	721	9%

For the nine months ended December 31, ($ thousands)	**2012**	2011	$ change	% change
Sales, marketing and professional services	**11,333**	9,703	1,630	17%
Research and development	**9,061**	7,635	1,426	19%
General and administrative	**4,534**	4,070	464	11%
Total operating expenses	**24,928**	21,408	3,520	16%
Direct employee costs*	**19,802**	17,028	2,774	16%
Other corporate costs	**5,126**	4,380	746	17%
	24,928	21,408	3,520	16%

*Includes salaries, bonuses, stock-based compensation, benefits, commissions, and professional development.

CMG's total operating expenses increased by 9% and 16% for the three and nine months ended December 31, 2012, respectively, compared to the same periods of the previous fiscal year, due to increases in both direct employee and other corporate costs.

DIRECT EMPLOYEE COSTS

As a technology company, CMG's largest area of expenditure is for its people. Approximately 79% of the total operating expenses in the nine months ended December 31, 2012 related to staff costs, compared to 80% recorded in the comparative period of last year. Staffing levels for the first nine months of the current fiscal year grew in comparison to the same period of the previous fiscal year to support our continued growth. At December 31, 2012, CMG's staff complement was 166 employees, up from 148 employees as at December 31, 2011. Direct employee costs increased during the three and nine months ended December 31, 2012, compared to the same periods of the previous fiscal year due to staff additions, increased levels of compensation, commissions and related benefits.

OTHER CORPORATE COSTS

Other corporate costs were comparable between the three months ended December 31, 2012 and 2011 with only a slight increase of 4%.

Other corporate costs increased by 17% for the nine months ended December 31, 2012, compared to the same period of the previous fiscal year, mainly due to inclusion of the costs associated with CMG's biennial technical symposium which took place during the first quarter of the current fiscal year. The remaining increase is attributable to the costs associated with the expansion of our office space, which are comprised of additional office rent, increased computing resources and increased depreciation associated with capital spending on the new space.

RESEARCH AND DEVELOPMENT

For the three months ended December 31, ($ thousands)	**2012**	2011	$ change	% change
Research and development (gross)	**3,586**	3,104	482	16%
SR&ED credits	**(450)**	(357)	(93)	26%
Research and development	**3,136**	2,747	389	14%
Research and development as a % of total revenue	**19%**	17%		

For the nine months ended December 31, ($ thousands)	2012	2011	$ change	% change
Research and development (gross)	**10,458**	8,656	1,802	21%
SR&ED credits	**(1,397)**	(1,021)	(376)	37%
Research and development	**9,061**	7,635	1,426	19%
Research and development as a % of total revenue	**18%**	17%		

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

The above research and development includes CMG's share of joint research and development costs associated with the DRMS project of $1.0 million and $2.8 million for the three and nine months ended December 31, 2012, respectively, (2011 - $0.9 million and $2.3 million). See discussion under "Commitments, Off Balance Sheet Items and Transactions with Related Parties."

The increases of 16% and 21% in our gross spending on research and development for the three and nine months ended December 31, 2012, respectively, demonstrate our continued commitment to advancement of our technology which is the focal part of our business strategy. Research and development costs, net of research and experimental development ("SR&ED") credits, increased by 14% and 19% during the three and nine months ended December 31, 2012, respectively, compared to the same periods of the previous fiscal year, due to increased employee compensation costs, investment in computing resources and facilities costs associated with the newly leased office space.

At the same time, we had an increase in SR&ED credits driven mainly by the increases in our direct employee costs as well as the increase in the eligibility of our expenses for SR&ED credits.

DEPRECIATION

For the three months ended December 31, ($ thousands)	2012	2011	$ change	% change
Depreciation of property and equipment, allocated to:				
Sales, marketing and professional services	**124**	118	6	5%
Research and development	**235**	145	90	62%
General and administrative	**52**	58	(6)	-10%
Total depreciation	**411**	321	90	28%

For the nine months ended December 31, ($ thousands)	2012	2011	$ change	% change
Depreciation of property and equipment, allocated to:				
Sales, marketing and professional services	**341**	305	36	12%
Research and development	**641**	383	258	67%
General and administrative	**140**	189	(49)	-26%
Total depreciation	**1,122**	877	245	28%

The quarterly and year-to-date increases in depreciation, compared to the same periods of the previous fiscal year, reflect the increase in our asset base, mainly as a result of increased spending on computing resources and expansion of the office space in the third quarter of the previous fiscal year, and a minor office space addition in the second quarter of the current fiscal year.

Finance Income and Costs

For the three months ended December 31, ($ thousands)	**2012**	2011	$ change	% change
Interest income	**133**	123	10	8%
Net foreign exchange gain	**147**	-	147	-
Total finance income	**280**	123	157	128%
Total finance costs (represented by net foreign exchange loss)	**-**	(32)	32	-100%

For the nine months ended December 31, ($ thousands)	**2012**	2011	$ change	% change
Interest income	**409**	341	68	20%
Net foreign exchange gain	**13**	768	(755)	-98%
Total finance income	**422**	1,109	(687)	-62%
Total finance costs (represented by net foreign exchange loss)	**-**	-	-	-

Interest income increased in the three and nine months ended December 31, 2012, compared to the same periods of the prior fiscal year, mainly due to investing larger cash balances.

CMG is impacted by the movement of the US dollar against the Canadian dollar as approximately 67% (2011 – 72%) of CMG's revenue for the nine months ended December 31, 2012 is denominated in US dollars, whereas only approximately 22% (2011 – 23%) of CMG's total costs are denominated in US dollars.

CDN$ to US$	At June 30	At September 30	At December 31	Nine month trailing average
2010	0.9429	0.9711	1.0054	0.9697
2011	1.0370	0.9626	0.9833	1.0132
2012	**0.9813**	**1.0166**	**1.0051**	**0.9998**

CMG recorded a foreign exchange gain of $0.1 million and $0.01 million for the three and nine months ended December 31, 2012, respectively, compared to a $0.03 million foreign exchange loss and a $0.8 million foreign exchange gain recorded in the three and nine months ended December 31, 2011, respectively.

The weakening of the Canadian dollar during the third quarter of the current fiscal year, contributed positively to the valuation of our US-denominated working capital for the three months ended December 31, 2012 compared to the same period of the previous fiscal year. On the other hand, the fluctuation in the exchange rates between the Canadian and the US dollars during the current fiscal year, has contributed negatively to the valuation of our US-denominated working capital for the nine months ended December 31, 2012 compared to the same period of the previous fiscal year.

Income and Other Taxes

CMG's effective tax rate for the nine months ended December 31, 2012 is reflected as 29.26% (2011 – 28.69%), whereas the prevailing Canadian statutory tax rate is now 25.0%. This is primarily due to a combination of 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 SR&ED investment tax credit program impacts deferred income taxes. The investment tax credit earned in the current fiscal year is utilized by CMG to reduce income taxes otherwise payable for the current fiscal year and the federal portion of this benefit 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

For the three months ended December 31, ($ thousands, except per share amounts)	**2012**	2011	$ change	% change
Total revenue	**16,802**	15,898	904	6%
Operating expenses	**(8,526)**	(7,805)	(721)	9%
Operating profit	**8,276**	8,093	183	2%
Operating profit as a % of total revenue	**49%**	51%		
Net income for the period	**6,119**	5,790	329	6%
Net income for the period as a % of total revenue	**36%**	36%		
Earnings per share ($/share)	**0.16**	0.16	-	0%

For the nine months ended December 31, ($ thousands, except per share amounts)	**2012**	2011	$ change	% change
Total revenue	**49,341**	43,819	5,522	13%
Operating expenses	**(24,928)**	(21,408)	(3,520)	16%
Operating profit	**24,413**	22,411	2,002	9%
Operating profit as a % of total revenue	**49%**	51%		
Net income for the period	**17,569**	16,771	798	5%
Net income for the period as a % of total revenue	**36%**	38%		
Earnings per share ($/share)	**0.47**	0.46	0.01	2%

Operating profit as a percentage of total revenue for the three and nine months ended December 31, 2012 was at 49%, compared to 51% recorded in the same periods of the previous fiscal year. While our total revenue grew by 6%, our operating expenses grew by 9%, having a slight negative impact on our operating profit. Our high levels of operating profit as a percentage of revenue demonstrate our ability to effectively manage our costs.

Net income as a percentage of revenue remained consistent at 36% for the three months ended December 31, 2012, compared to the same period of the previous fiscal year.

Net income for the period as a percentage of revenue decreased to 36% for the nine months ended December 31, 2012, compared to 38% for the same period of the previous fiscal year, mainly as a result of recording a lower net foreign exchange gain.

We have continued to maintain our profitability by focusing our efforts on increasing license sales while, at the same time, effectively controlling our operating costs. Managing these variables will continue to be imperative to our future success.

EBITDA

For the three months ended December 31, ($ thousands)	**2012**	2011	$ change	% change
Net income for the period	**6,119**	5,790	329	6%
Add (deduct):				
Depreciation	**411**	321	90	28%
Finance income	**(280)**	(123)	(157)	128%
Finance costs	**-**	32	(32)	-100%
Income and other taxes	**2,437**	2,394	43	2%
EBITDA	**8,687**	8,414	273	3%
EBITDA as a % of total revenue	**52%**	53%		

For the nine months ended December 31, ($ thousands)	**2012**	2011	$ change	% change
Net income for the period	**17,569**	16,771	798	5%
Add (deduct):				
Depreciation	**1,122**	877	245	28%
Finance income	**(422)**	(1,109)	687	-62%
Finance costs	**-**	-	-	-
Income and other taxes	**7,266**	6,749	517	8%
EBITDA	**25,535**	23,288	2,247	10%
EBITDA as a % of total revenue	**52%**	53%		

EBITDA increased by 3% and 10% for the three and nine months ended December 31, 2012, compared to the same periods of the previous fiscal year. These increases provide further indication of our ability to keep growing our recurring annuity/maintenance license sales while effectively managing costs in relation to this base.

EBITDA as a percent of total revenue held steady at 52% for the three and nine months ended December 31, 2012, which is comparable to 53% recorded in the same periods of the previous fiscal year.

Liquidity and Capital Resources

For the three months ended December 31, ($ thousands)	**2012**	2011	$ change	% change
Cash, beginning of period	**50,694**	43,310	7,384	17%
Cash flow from (used in):				
Operating activities	**6,720**	7,511	(791)	-11%
Financing activities	**(4,777)**	(2,404)	(2,373)	99%
Investing activities	**(401)**	(802)	401	-50%
Cash, end of period	**52,236**	47,615	4,621	10%

For the nine months ended December 31, ($ thousands)	**2012**	2011	$ change	% change
Cash, beginning of period	**55,374**	41,753	13,621	33%
Cash flow from (used in):				
Operating activities	**16,918**	18,673	(1,755)	-9%
Financing activities	**(18,296)**	(11,745)	(6,551)	56%
Investing activities	**(1,760)**	(1,066)	(694)	65%
Cash, end of period	**52,236**	47,615	4,621	10%

OPERATING ACTIVITIES

Cash flow generated from operating activities decreased by $0.8 million and $1.8 million in the three and nine months ended December 31, 2012, respectively, compared to the same periods of last year, mainly due to the timing differences of when the sales are made and when the resulting receivables are collected, the change in the deferred revenue balance and higher tax payments.

FINANCING ACTIVITIES

Cash used in financing activities during the three and nine months ended December 31, 2012 increased by $2.4 million and $6.6 million, respectively, compared to the same periods of last year, as a result of paying larger dividends. The year-to-date increase was also affected by the amount spent on buying back common shares.

During the nine months ended December 31, 2012, CMG employees and directors exercised options to purchase 601,000 Common Shares, which resulted in cash proceeds of $5.1 million.

In the nine months ended December 31, 2012, CMG paid $21.8 million in dividends, representing the following quarterly dividends:

($ per share)	Q1	Q2	Q3
Dividends declared and paid	0.16	0.16	0.16
Special dividend declared and paid	0.10	-	-
Total dividends declared and paid	0.26	0.16	0.16

On February 11, 2013, CMG announced the payment of a quarterly dividend of $0.16 per share on CMG’s Common Shares. The dividend will be paid on March 15, 2013 to shareholders of record at the close of business on March 8, 2013.

On April 6, 2011, the Company announced a Normal Course Issuer Bid (“NCIB”) commencing on April 7, 2011 to purchase for cancellation up to 1,636,000 of its Common Shares. During the year ended March 31, 2012, 33,000 Common Shares were purchased at market price for a total cost of $438,000.

On April 16, 2012, the Company announced a NCIB commencing on April 18, 2012 to purchase for cancellation up to 3,416,000 of its Common Shares. During the nine months ended December 31, 2012, a total of 91,000 Common Shares were purchased at market price for a total cost of $1,551,000.

INVESTING ACTIVITIES

CMG’s current needs for capital asset investment relate to computer equipment and office infrastructure costs, all of which will be funded internally. During the nine months ended December 31, 2012, CMG expended $1.8 million on property and equipment additions, primarily composed of computing equipment and leasehold improvements, and currently has a capital budget of $2.1 million for fiscal 2013.

LIQUIDITY AND CAPITAL RESOURCES

At December 31, 2012, CMG has $52.2 million in cash, no debt, and has access to just over $0.8 million under a line of credit with its principal banker.

During the nine months ended December 31, 2012, 6,735,000 shares of CMG's public float were traded on the TSX. As at December 31, 2012, CMG's market capitalization based upon its December 31, 2012 closing price of $21.32 was $806.2 million.

Commitments, Off Balance Sheet Items and Transactions with Related Parties

The Company is the operator of the DRMS research and development project (the "DRMS Project"), a collaborative effort with its partners Shell International Exploration and Production BV ("Shell") and Petroleo Brasileiro S.A. ("Petrobras"), to jointly develop the newest generation of reservoir and production system simulation software. The project has been underway since 2006 and, with the ongoing support of the participants, it is expected to continue until ultimate delivery of the software. The Company's share of costs associated with the project is estimated to be $4.0 million ($2.2 million net of overhead recoveries) for the current fiscal year. CMG plans to continue funding its share of the project costs associated with the development of the newest generation reservoir simulation software system from internally generated cash flows.

CMG has very little in the way of other ongoing material contractual obligations other than for pre-sold licenses which are reflected as deferred revenue on its statement of financial position, and contractual obligations for office leases which are estimated as follows: 2013 – $0.5 million; 2014 to 2016 – $2.0 million per year; and 2017 – $1.0 million.

Business Risks and Critical Accounting Estimates

These remain unchanged from the factors detailed in CMG's 2012 Annual Report.

Accounting Standards and Interpretations Issued But Not Yet Effective

The following standards and interpretations have not been adopted by the Company as they apply to future periods:

Standard/Interpretation	Nature of impending change in accounting policy	Impact on CMG's financial statements
IFRS 9 *Financial Instruments* In November 2009 the IASB issued IFRS 9 Financial Instruments (IFRS 9 (2009)), and in October 2010 the IASB published amendments to IFRS 9 (IFRS 9 (2010)). In December 2011, the IASB issued an amendment to IFRS 9 to defer the mandatory effective date to annual periods beginning on or after January 1, 2015.	IFRS 9 (2009) replaces the guidance in IAS 39 Financial Instruments: Recognition and Measurement, on the classification and measurement of financial assets. The Standard eliminates the existing IAS 39 categories of held to maturity, available-for-sale and loans and receivable. Financial assets will be classified into one of two categories on initial recognition: ▪ financial assets measured at amortized cost; or ▪ financial assets measured at fair value. Gains and losses on remeasurement of financial assets measured at fair value will be recognized in profit or loss, except that for an investment in an equity instrument which is not held-for-trading, IFRS 9 provides, on initial recognition, an irrevocable election to present all fair value changes from the investment in other comprehensive income (OCI). The election is available on an individual share-by-share basis. Amounts presented in OCI will not be	IFRS 9 (2010) supersedes IFRS 9 (2009) and is effective for annual periods beginning on or after January 1, 2015, with early adoption permitted. For annual periods beginning before January 1, 2015, either IFRS 9 (2009) or IFRS 9 (2010) may be applied. The Company intends to adopt IFRS 9 (2010) in its financial statements for the annual period beginning on April 1, 2015. The Company does not expect IFRS 9 (2010) to have a material impact on the financial statements. The classification and measurement of the Company's financial assets and liabilities is not expected to change under IFRS 9 (2010) because of the nature of the Company's operations and the types of financial assets that it holds.

Standard/Interpretation	Nature of impending change in accounting policy	Impact on CMG's financial statements
	reclassified to profit or loss at a later date. IFRS 9 (2010) added guidance to IFRS 9 (2009) on the classification and measurement of financial liabilities, and this guidance is consistent with the guidance in IAS 39 expect as described below. Under IFRS 9 (2010), for financial liabilities measured at fair value under the fair value option, changes in fair value attributable to changes in credit risk will be recognized in OCI, with the remainder of the change recognized in profit or loss. However, if this requirement creates or enlarges an accounting mismatch in profit or loss, the entire change in fair value will be recognized in profit or loss. Amounts presented in OCI will not be reclassified to profit or loss at a later date. IFRS 9 (2010) also requires derivative liabilities that are linked to and must be settled by delivery of an unquoted equity instrument to be measured at fair value, whereas such derivative liabilities are measured at cost under IAS 39. IFRS 9 (2010) also added the requirements of IAS 39 for the derecognition of financial assets and liabilities to IFRS 9 without change. The IASB has deferred the mandatory effective date of the existing chapters of IFRS 9 Financial Instruments (2009) and IFRS 9 (2010) to annual periods beginning on or after January 1, 2015. The early adoption of either standard continues to be permitted.	
IFRS 10 *Consolidated Financial Statements* In May 2011, the IASB issued IFRS 10 *Consolidated Financial Statements*, which is effective for annual periods beginning on or after January 1, 2013, with early adoption permitted. If an entity applies this Standard earlier, it shall also apply IFRS 11, IFRS 12, IAS 27 (2011) and IAS 28 (2011) at the same time.	IFRS 10 replaces the guidance in IAS 27 *Consolidated and Separate Financial Statements* and SIC-12 *Consolidation – Special Purpose Entities*. IAS 27 (2008) survives as IAS 27 (2011) *Separate Financial Statements*, only to carry forward the existing accounting requirements for separate financial statements. IFRS 10 provides a single model to be applied in the control analysis for all investees, including entities that currently are SPEs in the scope of SIC-12. In addition, the consolidation procedures are carried forward substantially unmodified from IAS 27 (2008).	The Company intends to adopt IFRS 10 in its financial statements for the annual period beginning on April 1, 2013. The Company does not expect IFRS 10 to have a material impact on the financial statements.
IFRS 11 *Joint Arrangements* In May 2011, the IASB issued IFRS 11 *Joint Arrangements*, which is effective for annual periods beginning on or after January 1, 2013, with early adoption permitted. If an entity applies this Standard earlier, it shall also apply IFRS 10, IFRS 12, IAS 27	IFRS 11 replaces the guidance in IAS 31 *Interests in Joint Ventures*. Under IFRS 11, joint arrangements are classified as either joint operations or joint ventures. IFRS 11 essentially carves out of previous jointly controlled entities, those arrangements which although structured through a separate vehicle, such separation is ineffective and the parties to the arrangement have rights to the assets and obligations for the liabilities and are accounted for as	The Company intends to adopt IFRS 11 in its financial statements for the annual period beginning on April 1, 2013. The Company does not expect IFRS 11 to have a material impact on the financial statements.

Standard/Interpretation	Nature of impending change in accounting policy	Impact on CMG's financial statements
(2011) and IAS 28 (2011) at the same time.	joint operations in a fashion consistent with jointly controlled assets/operations under IAS 31. In addition, under IFRS 11 joint ventures are stripped of the free choice of equity accounting or proportionate consolidation; these entities must now use the equity method. Upon application of IFRS 11, entities which had previously accounted for joint ventures using proportionate consolidation shall collapse the proportionately consolidated net asset value (including any allocation of goodwill) into a single investment balance at the beginning of the earliest period presented. The investment's opening balance is tested for impairment in accordance with IAS 28 (2011) and IAS 36 *Impairment of Assets*. Any impairment losses are recognized as an adjustment to opening retained earnings at the beginning of the earliest period presented.	
IFRS 12 *Disclosure of Interests in Other Entities* In May 2011, the IASB issued IFRS 12 *Disclosure of Interests in Other Entities*, which is effective for annual periods beginning on or after January 1, 2013, with early adoption permitted. If an entity applies this Standard earlier, it needs not to apply IFRS 10, IFRS 11, IAS 27 (2011) and IAS 28 (2011) at the same time.	IFRS 12 contains the disclosure requirements for entities that have interests in subsidiaries, joint arrangements (i.e. joint operations or joint ventures), associates and/or unconsolidated structured entities. Interests are widely defined as contractual and non-contractual involvement that exposes an entity to variability of returns from the performance of the other entity. The required disclosures aim to provide information in order to enable users to evaluate the nature of, and the risks associated with, an entity's interest in other entities, and the effects of those interests on the entity's financial position, financial performance and cash flows.	The Company intends to adopt IFRS 12 in its financial statements for the annual period beginning on April 1, 2013. The Company does not expect the amendments to have a material impact on the financial statements, because of the nature of the Company's interests in other entities.

Standard/Interpretation	Nature of impending change in accounting policy	Impact on CMG's financial statements
IFRS 13 *Fair Value Measurement* In May 2011, the IASB published IFRS 13 *Fair Value Measurement*, which is effective prospectively for annual periods beginning on or after January 1, 2013. The disclosure requirements of IFRS 13 need not be applied in comparative information for periods before initial application.	IFRS 13 replaces the fair value measurement guidance contained in individual IFRSs with a single source of fair value measurement guidance. It defines fair value as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date, i.e. an exit price. The standard also establishes a framework for measuring fair value and sets out disclosure requirements for fair value measurements to provide information that enables financial statement users to assess the methods and inputs used to develop fair value measurements and, for recurring fair value measurements that use significant unobservable inputs (Level 3), the effect of the measurements on profit or loss or other comprehensive income. IFRS 13 explains 'how' to measure fair value when it is required or permitted by other IFRSs. IFRS 13 does not introduce new requirements to measure assets or liabilities at fair value, nor does it eliminate the practicability exceptions to fair value measurements that currently exist in certain standards.	The Company intends to adopt IFRS 13 prospectively in its financial statements for the annual period beginning on April 1, 2013. The extent of the impact of adoption of IFRS 13 has not yet been determined.
Amendments to IAS 1 *Presentation of Financial Statements* In June 2011, the IASB published amendments to IAS 1 *Presentation of Financial Statements: Presentation of Items of Other Comprehensive Income*, which are effective for annual periods beginning on or after July 1, 2012 and are to be applied retrospectively. Early adoption is permitted.	The amendments require that an entity present separately the items of OCI that may be reclassified to profit or loss in the future from those that would never be reclassified to profit or loss. Consequently an entity that presents items of OCI before related tax effects will also have to allocate the aggregated tax amount between these categories. The existing option to present the profit or loss and other comprehensive income in two statements has remained unchanged.	The Company intends to adopt the amendments in its financial statements for the annual period beginning on April 1, 2013. As the amendments only require changes in the presentation of items in other comprehensive income, the Company does not expect the amendments to IAS 1 to have a material impact on the financial statements.

<table>
<tr><th>Standard/Interpretation</th><th>Nature of impending change in accounting policy</th><th>Impact on CMG’s financial statements</th></tr>
<tr><td>Amendments to IAS 32 and IFRS 7, Offsetting Financial Assets and Liabilities

In December 2011, the IASB published Offsetting Financial Assets and Financial Liabilities and issued new disclosure requirements in IFRS 7 Financial Instruments: Disclosures.

The effective date for the amendments to IAS 32 is annual periods beginning on or after January 1, 2014. The effective date for the amendments to IFRS 7 is annual periods beginning on or after January 1, 2013. These amendments are to be applied retrospectively.</td><td>The amendments to IAS 32 clarify that an entity currently has a legally enforceable right to set-off if that right is:
• not contingent on a future event; and
• enforceable both in the normal course of business and in the event of default, insolvency or bankruptcy of the entity and all counterparties.

The amendments to IAS 32 also clarify when a settlement mechanism provides for net settlement or gross settlement that is equivalent to net settlement.

The amendments to IFRS 7 contain new disclosure requirements for financial assets and liabilities that are:
• offset in the statement of financial position; or
• subject to master netting arrangements or similar arrangements.</td><td>The Company intends to adopt the amendments to IFRS 7 in its financial statements for the annual period beginning on April 1, 2013, and the amendments to IAS 32 in its financial statements for the annual period beginning April 1, 2014. The Company does not expect the amendments to have a material impact on the financial statements.</td></tr>
<tr><td>Annual Improvements to IFRSs 2009-2011 Cycle – various standards

In May 2012, the IASB published Annual Improvements to IFRSs – 2009-2011 Cycle as part of its annual improvements process to make non-urgent but necessary amendments to IFRS.

These amendments are effective for annual periods beginning on or after Jan 1, 2013 with retrospective application.</td><td>The new cycle of improvements contains amendments to the following four standards (excluding IFRS 1) with consequential amendments to other standards and interpretations.
• IAS 1 Presentation of Financial Statements
  ○ Comparative information beyond minimum requirements
  ○ Presentation of the opening statement of financial position
• IAS 16 Property, Plant and Equipment
  ○ Classification of servicing equipment
• IAS 32 Financial Instruments: Presentation
  ○ Income tax consequences of distributions
• IAS 34 Interim Financial Reporting
  ○ Segment assets and liabilities</td><td>The Company intends to adopt the amendments to the standards in its financial statements for the annual period beginning on April 1, 2013. The extent of the impact of adoption of the amendments has not yet been determined.</td></tr>
</table>

Outstanding Share Data

The following table represents the number of Common Shares and options outstanding:

As at February 11, 2013 (thousands)	
Common Shares	37,873
Options	3,201

On July 13, 2005, CMG adopted a rolling stock option plan which allows the Company to grant options to its employees and directors to acquire Common Shares of up to 10% of the outstanding Common Shares at the date of grant. Based upon this calculation, at February 11, 2013, CMG could grant up to 3,787,000 stock options.

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 2012 in accordance with the COSO control framework. The evaluation confirmed the effectiveness of DC&P and ICFR at March 31, 2012. During our fiscal year 2013, we continue to monitor and review our controls and procedures.

During the nine months ended December 31, 2012, 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 third quarter of fiscal 2013 has continued to show growth in our annuity/maintenance revenue stream with increases experienced across all geographic regions. Over 80% of our software license revenue is derived from our annuity and maintenance contracts, and with a strong renewal rate, we expect to see continued growth in this revenue base. During the third quarter, our EBITDA represented 52% of our total revenue which demonstrates our ability to effectively manage our corporate costs.

CMG continues to focus its resources on the development, enhancement and deployment of simulation software tools relevant to the challenges and opportunities facing its diverse customer base. While oil prices continue to fluctuate, they remain at levels that should allow our customers to move forward on projects involving various types of unconventional reserves and advanced recovery processes. The greater challenges have been with natural gas prices, which have not fared as well, and petroleum producers are faced with uncertainty related to the fears of another worldwide economic recession, political unrest in several petroleum producing countries and environmental issues that have threatened to increase the costs of development and production.

CMG's joint project to develop the newest generation of dynamic reservoir modelling systems ("DRMS Project") continued to make progress in the third quarter of fiscal 2013. The most recent beta version of the software was recently released. During the first quarter we reported that Rob Eastick had been promoted to the position of Vice President, DRMS and Visualization, taking on the role of Project Manager for the DRMS Project. Rob and the entire DRMS team continue to make progress toward the anticipated limited commercial release of the software by the end of calendar 2013. CMG and its partners remain committed to funding the ongoing development and to the future success of the project.

We will continue to extend our reach globally and focus our efforts on increasing our license sales to both existing and new clients. Our newest effort towards this expansion includes opening a branch office in Colombia which will help us to grow our presence in the South American market.

The excellent reputation behind our Company and its product suite offering will continue to enable us to grow and sustain a healthy market share while generating solid software license revenue. With our strong working capital position, we are well positioned to continue to invest in all aspects of our business in order to continue to grow and diversify our revenue base and to ultimately return value to our shareholders in the form of regular quarterly dividend payments and growth in share value.

Finally, I regret to report that John Kalman, our Vice President, Finance and CFO, has informed the Company of his intention to retire effective August 31, 2013. The Company is currently reviewing its options regarding John's replacement and it is expected that his responsibilities will be gradually transitioned once a successor is in place.

Kenneth M. Dedeluk
President and Chief Executive Officer
February 11, 2013

Condensed Consolidated Statements of Financial Position

UNAUDITED (thousands of Canadian $)	**December 31, 2012**	March 31, 2012
Assets		
Current assets:		
Cash	**52,236**	55,374
Trade and other receivables	**10,636**	15,494
Prepaid expenses	**1,007**	1,195
Prepaid income taxes	**510**	-
	64,389	72,063
Property and equipment	**3,467**	2,829
Total assets	**67,856**	74,892
Liabilities and Shareholders' Equity		
Current liabilities:		
Trade payables and accrued liabilities	**4,809**	5,358
Income taxes payable	**-**	1,404
Deferred revenue	**15,510**	21,693
	20,319	28,455
Deferred tax liability (note 7)	**297**	358
Total liabilities	**20,616**	28,813
Shareholders' equity:		
Share capital	**37,705**	31,751
Contributed surplus	**4,450**	3,535
Retained earnings	**5,085**	10,793
Total shareholders' equity	**47,240**	46,079
Total liabilities and shareholders' equity	**67,856**	74,892

See accompanying notes to condensed consolidated financial statements.

Condensed Consolidated Statements of Operations and Comprehensive Income

UNAUDITED (thousands of Canadian $ except per share amounts)	Three months ended December 31 **2012**	Three months ended December 31 2011	Nine months ended December 31 **2012**	Nine months ended December 31 2011
Revenue (note 4)	**16,802**	15,898	**49,341**	43,819
Operating expenses				
Sales, marketing and professional services	**3,778**	3,536	**11,333**	9,703
Research and development (note 5)	**3,136**	2,747	**9,061**	7,635
General and administrative	**1,612**	1,522	**4,534**	4,070
	8,526	7,805	**24,928**	21,408
Operating profit	**8,276**	8,093	**24,413**	22,411
Finance income (note 6)	**280**	123	**422**	1,109
Finance costs (note 6)	**-**	(32)	**-**	-
Profit before income and other taxes	**8,556**	8,184	**24,835**	23,520
Income and other taxes (note 7)	**2,437**	2,394	**7,266**	6,749
Net and total comprehensive income	**6,119**	5,790	**17,569**	16,771
Earnings Per Share				
Basic (note 8(e))	**0.16**	0.16	**0.47**	0.46
Diluted (note 8(e))	**0.16**	0.15	**0.45**	0.44

See accompanying notes to condensed consolidated financial statements.

Condensed Consolidated Statements of Changes in Equity

UNAUDITED (thousands of Canadian $)	Common Share Capital	Contributed Surplus	Retained Earnings	Total Equity
Balance, April 1, 2011	24,801	2,655	8,314	35,770
Total comprehensive income for the period	-	-	16,771	16,771
Dividends paid	-	-	(15,651)	(15,651)
Shares issued for cash on exercise of stock options (note 8(b))	4,344	-	-	4,344
Common shares buy-back (notes 8(b) & (c))	(25)	-	(413)	(438)
Stock-based compensation:				
Current period expense	-	1,433	-	1,433
Stock options exercised	812	(812)	-	-
Balance, December 31, 2011	29,932	3,276	9,021	42,229
Balance, April 1, 2012	**31,751**	**3,535**	**10,793**	**46,079**
Total comprehensive income for the period	-	-	**17,569**	**17,569**
Dividends paid	-	-	**(21,806)**	**(21,806)**
Shares issued for cash on exercise of stock options (note 8(b))	**5,061**	-	-	**5,061**
Common shares buy-back (notes 8(b) & (c))	**(80)**		**(1,471)**	**(1,551)**
Stock-based compensation:				
Current period expense	-	**1,888**	-	**1,888**
Stock options exercised	**973**	**(973)**	-	-
Balance, December 31, 2012	**37,705**	**4,450**	**5,085**	**47,240**

See accompanying notes to condensed consolidated financial statements.

Condensed Consolidated Statements of Cash Flows

UNAUDITED (thousands of Canadian $)	Three months ended December 31 **2012**	2011	Nine months ended December 31 **2012**	2011
Cash flows from operating activities				
Net income	**6,119**	5,790	**17,569**	16,771
Adjustments for:				
Depreciation	**411**	321	**1,122**	877
Income and other taxes (note 7)	**2,437**	2,394	**7,266**	6,749
Stock-based compensation (note 8(d))	**656**	566	**1,888**	1,433
Interest income (note 6)	**(133)**	(123)	**(409)**	(341)
	9,490	8,948	**27,436**	25,489
Changes in non-cash working capital:				
Trade and other receivables	**1,775**	(1,151)	**4,855**	1,594
Trade payables and accrued liabilities	**660**	1,306	**(549)**	(17)
Prepaid expenses	**179**	102	**188**	(174)
Deferred revenue	**(2,731)**	146	**(6,183)**	(2,009)
Cash generated from operating activities	**9,373**	9,351	**25,747**	24,883
Interest received	**132**	120	**412**	332
Income taxes paid	**(2,785)**	(1,960)	**(9,241)**	(6,542)
Net cash from operating activities	**6,720**	7,511	**16,918**	18,673
Cash flows from financing activities				
Proceeds from issue of common shares	**1,273**	1,675	**5,061**	4,344
Dividends paid	**(6,050)**	(4,079)	**(21,806)**	(15,651)
Common shares buy-back (note 8(c))	**-**	-	**(1,551)**	(438)
Net cash used in financing activities	**(4,777)**	(2,404)	**(18,296)**	(11,745)
Cash flows used in investing activities				
Property and equipment additions	**(401)**	(802)	**(1,760)**	(1,066)
Increase (decrease) in cash	**1,542**	4,305	**(3,138)**	5,862
Cash, beginning of period	**50,694**	43,310	**55,374**	41,753
Cash, end of period	**52,236**	47,615	**52,236**	47,615

See accompanying notes to condensed consolidated financial statements.

Notes to Condensed Consolidated Financial Statements

For the three and nine months ended December 31, 2012 and 2011 (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 Suite 200, 1824 Crowchild Trail N.W., Calgary, Alberta, Canada, T2M 3Y7. The condensed consolidated financial statements as at and for the three and nine months ended December 31, 2012 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 on a going concern basis in accordance with International Accounting Standard ("IAS") 34, *Interim Financial Reporting*, as issued by the International Accounting Standards Board ("IASB"), and using the accounting policies disclosed in note 3 of the Company's annual consolidated financial statements as at and for the year ended March 31, 2012. Accordingly, the condensed consolidated financial statements 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, 2012, prepared in accordance with International Financial Reporting Standards ("IFRS").

The unaudited condensed consolidated financial statements as at and for the three and nine months ended December 31, 2012 were authorized for issuance by the Board of Directors on February 11, 2013.

(b) BASIS OF MEASUREMENT:

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

(c) FUNCTIONAL AND PRESENTATION CURRENCY:

The condensed consolidated financial statements are presented in Canadian dollars, which is the functional currency of CMG and its subsidiaries. All financial information presented in Canadian dollars has been rounded to the nearest thousand.

(d) USE OF ESTIMATES, JUDGMENTS AND ASSUMPTIONS:

The preparation of financial statements in conformity with IFRS requires management to make judgments, estimates and assumptions that affect the application of accounting policies, the reported amounts of assets and liabilities and the disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue, costs and expenses for the period. Estimates and underlying assumptions are based on historical experience and other assumptions that are considered reasonable in the circumstances and are reviewed on an on-going basis. Actual results may differ from such estimates and it is possible that the differences could be material. Revisions to accounting estimates are recognized in the period in which the estimates are revised and in any future periods affected. In preparing these condensed consolidated financial statements, the significant judgments made by management in applying the Company's accounting policies and the key sources of estimation uncertainty are the same as those applied in the annual IFRS consolidated financial statements for the year ended March 31, 2012.

3. Significant Accounting Policies:

The condensed consolidated financial statements should be read in conjunction with the Company's annual financial statements for the year ended March 31, 2012 prepared in accordance with IFRS applicable to those annual consolidated financial statements. The same accounting policies, presentation and methods of computation have been followed in these condensed consolidated financial statements as were applied in the Company's first annual IFRS consolidated financial statements for the year ended March 31, 2012.

4. Revenue:

For the three months ended December 31, (thousands of $)	**2012**	2011
Software licenses	**15,369**	14,377
Professional services	**1,433**	1,521
	16,802	15,898

For the nine months ended December 31, (thousands of $)	**2012**	2011
Software licenses	**45,302**	39,669
Professional services	**4,039**	4,150
	49,341	43,819

5. Research and Development Costs:

For the three months ended December 31, (thousands of $)	**2012**	2011
Research and development	**3,586**	3,104
Scientific research and experimental development ("SR&ED") investment tax credits	**(450)**	(357)
	3,136	2,747

For the nine months ended December 31, (thousands of $)	**2012**	2011
Research and development	**10,458**	8,656
Scientific research and experimental development ("SR&ED") investment tax credits	**(1,397)**	(1,021)
	9,061	7,635

6. Finance Income and Finance Costs:

For the three months ended December 31, (thousands of $)	**2012**	2011
Interest income	**133**	123
Net foreign exchange gain	**147**	-
Finance income	**280**	123
Net foreign exchange loss	**-**	(32)
Finance costs	**-**	(32)

For the nine months ended December 31, (thousands of $)	**2012**	2011
Interest income	**409**	341
Net foreign exchange gain	**13**	768
Finance income	**422**	1,109
Net foreign exchange loss	**-**	-
Finance costs	**-**	-

7. Income and Other Taxes:

The major components of income tax expense are as follows:

For the nine months ended December 31, (thousands of $)	**2012**	2011
Current year income taxes	**6,655**	6,580
Adjustment for prior year	**67**	-
Current income taxes	**6,722**	6,580
Deferred tax recovery	**(61)**	(97)
Foreign withholding and other taxes	**605**	266
	7,266	6,749

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:

For the nine months ended December 31, (thousands of $, unless otherwise stated)	**2012**	2011
Combined statutory tax rate	**25.00%**	26.13%
Expected income tax	**6,209**	6,147
Non-deductible costs	**494**	396
Withholding taxes	**454**	188
Adjustment for prior year	**67**	-
Other	**42**	18
	7,266	6,749

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

(thousands of $)	**December 31, 2012**	March 31, 2012
Tax liability on SR&ED investment tax credits	**(263)**	(267)
Tax liability on property and equipment	**(34)**	(91)
Deferred tax liability	**(297)**	(358)

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

8. 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, 2011	36,427
Issued for cash on exercise of stock options	698
Common shares buy-back	(33)
Balance, December 31, 2011	37,092
Balance, April 1, 2012	**37,307**
Issued for cash on exercise of stock options	**601**
Common shares buy-back	**(91)**
Balance, December 31, 2012	**37,817**

Subsequent to December 31, 2012, 56,000 stock options were exercised for cash proceeds of $487,000.

On May 23, 2012, the Board of Directors considered the merits of renewing the Company's shareholder rights plan on or before the third-year anniversary of shareholder approval of the plan and determined that it was in the best interest of the Company to continue to have a shareholder rights plan in place. Upon careful review, the Board of Directors agreed to approve an amended and restated rights plan (the "Amended and Restated Rights Plan") between the Company and Valiant Trust Company, which is similar in all respects to the existing shareholder rights plan, with the exception of certain minor amendments. The Amended and Restated Rights Plan was approved by the Company's shareholders on July 12, 2012.

(c) COMMON SHARES BUY-BACK:

On April 6, 2011, the Company announced a Normal Course Issuer Bid ("NCIB") commencing on April 7, 2011 to purchase for cancellation up to 1,636,000 of its Common Shares. This NCIB ended on April 6, 2012 and a total of 33,000 Common Shares were purchased at market price for a total cost of $438,000 during the year ended March 31, 2012.

On April 16, 2012, the Company announced a NCIB commencing on April 18, 2012 to purchase for cancellation up to 3,416,000 of its Common Shares. During the nine months ended December 31, 2012, a total of 91,000 Common Shares were purchased at market price for a total cost of $1,551,000.

(d) STOCK-BASED COMPENSATION PLAN:

The Company adopted a rolling stock option plan as of July 13, 2005, which was reaffirmed by the Company's shareholders on July 7, 2011, which allows it to grant options to acquire Common Shares of up to 10% of the outstanding Common Shares at the date of grant. Based upon this calculation, at December 31, 2012, the Company could grant up to 3,781,000 stock options. Pursuant to the stock option plan, the maximum term of an option granted cannot exceed five years from the date of grant. The outstanding stock options vest as to 50% after the first year anniversary, from date of grant, and then vest as to 25% of the total options granted after each of the second and third year anniversary dates.

The following table outlines changes in stock options:

(thousands except per share amounts)	**For the nine months ended December 31, 2012**		For the year ended March 31, 2012	
	Options Granted	**Weighted Average Exercise Price ($/share)**	Options Granted	Weighted Average Exercise Price ($/share)
Outstanding at beginning of period	**2,903**	**9.85**	2,825	7.41
Granted	**1,004**	**18.18**	1,071	13.43
Exercised	**(601)**	**8.42**	(913)	6.43
Forfeited/cancelled	**(49)**	**15.00**	(80)	10.57
Outstanding at end of period	**3,257**	**12.60**	2,903	9.85
Options exercisable at end of period	**1,516**	**9.30**	1,120	7.31

The range of exercise prices of stock options outstanding and exercisable at December 31, 2012 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)
4.52 - 5.63	248	0.6	5.37	248	5.37
5.64 - 7.80	404	1.6	7.80	404	7.80
7.81 - 9.07	706	2.6	9.07	455	9.07
9.08 - 13.43	894	3.6	13.40	400	13.40
13.44 - 20.00	1,005	4.6	18.09	9	13.89
	3,257	3.2	12.60	1,516	9.30

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

	For the nine months ended December 31, 2012	For the year ended March 31, 2012
Fair value at grant date ($/option)	**2.45 to 3.81**	1.23 to 3.42
Share price at grant date ($/share)	**17.90 to 20.00**	13.00 to 16.35
Risk-free interest rate (%)	**1.13 to 1.26**	0.99 to 2.06
Estimated hold period prior to exercise (years)	**2 to 4**	2 to 4
Volatility in the price of common shares (%)	**27 to 36**	24 to 37
Dividend yield per common share (%)	**3.57 to 4.12**	3.20 to 4.94

The Company recognized total stock-based compensation expense for the three and nine months ended December 31, 2012 of $656,000 and $1,888,000 respectively (three and nine months ended December 31, 2011 – $566,000 and $1,433,000 respectively).

(e) 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:

For the three months ended December 31, (thousands except per share amounts)		**2012**			2011	
	Earnings ($)	**Weighted Average Shares Outstanding**	**Earnings Per Share ($/share)**	Earnings ($)	Weighted Average Shares Outstanding	Earnings Per Share ($/share)
Basic	**6,119**	**37,754**	**0.16**	5,790	36,976	0.16
Dilutive effect of stock options		**1,103**			990	
Diluted	**6,119**	**38,857**	**0.16**	5,790	37,966	0.15

For the nine months ended December 31, (thousands except per share amounts)		**2012**			2011	
	Earnings ($)	**Weighted Average Shares Outstanding**	**Earnings Per Share ($/share)**	Earnings ($)	Weighted Average Shares Outstanding	Earnings Per Share ($/share)
Basic	**17,569**	**37,538**	**0.47**	16,771	36,757	0.46
Dilutive effect of stock options		**1,127**			1,056	
Diluted	**17,569**	**38,665**	**0.45**	16,771	37,813	0.44

During the three and nine months ended December 31, 2012, 31,000 and 118,000 options respectively (three and nine months ended December 31, 2011 – 88,000, and 155,000 respectively) were excluded from the computation of the weighted-average number of diluted shares outstanding because their effect was not dilutive.

9. Commitments:

(a) RESEARCH COMMITMENTS:

The Company is the operator of the DRMS research and development project (the “DRMS project”), a collaborative effort with its partners Shell International Exploration and Production BV (“Shell”) and Petroleo Brasileiro S.A. (“Petrobras”), to jointly develop the newest generation of reservoir and production system simulation software. The project has been underway since 2006 and, with the ongoing support of the participants, it is expected to continue until ultimate delivery of the software. The Company’s share of costs associated with the project is estimated to be $4.0 million ($2.2 million net of overhead recoveries) for fiscal 2013.

(b) LEASE COMMITMENTS:

The Company has operating lease commitments relating to its office premises with the minimum annual lease payments as follows:

Nine months ended December 31, (thousands of $)	2012	2011
Less than one year	**499**	475
Between one and five years	**7,089**	5,533
	7,588	6,008

10. Line Of Credit:

The Company has arranged for a $1.0 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, 2012, US $165,000 (2011 – US $165,000) had been reserved on this line of credit for the letter of credit supporting a performance bond.

11. 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.

Revenues and property and equipment of the Company arise in the following geographic regions:

(thousands of $)	Revenue		Property and equipment	
	For the nine months ended December 31,		As at December 31,	
	2012	2011	**2012**	2011
Canada	**19,243**	14,059	**3,323**	2,548
United States	**8,736**	7,439	**49**	83
South America	**8,345**	7,906	**51**	83
Eastern Hemisphere(1)	**13,017**	14,415	**44**	29
	49,341	43,819	**3,467**	2,743

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

In the nine months ended December 31, 2012, the Company derived 7.3% (2011 – 9.5%) of its revenue from one customer.

12. Joint Venture:

The Company is the operator of a joint software development project, the DRMS project, which gives the Company exclusive rights to commercialize the jointly developed software while the other partners will have unlimited software access for their internal use. Accordingly, the Company records its proportionate share of costs incurred on the project (37.04%) as research and development costs within the condensed consolidated statements of operations and comprehensive income.

For the three and nine months ended December 31, 2012, CMG included $1.0 million and $2.8 million, respectively (2011 - $0.9 million and $2.3 million, respectively) of costs in its condensed consolidated statements of operations and comprehensive income related to this joint project.

Additionally, the Company is entitled to charge the project for various services provided as operator, which were recorded in revenue as professional services and amounted to $0.4 million and $1.3 million during the three and nine months ended December 31, 2012 (2011 - $0.4 million and $1.2 million, respectively).

13. Subsequent Events:

On February 11, 2013, the Board of Directors declared a cash dividend of $0.16 per share on its Common Shares, payable on March 15, 2013, to all shareholders of record at the close of business on March 8, 2013.

CORPORATE INFORMATION

DIRECTORS

Kenneth M. Dedeluk

Christopher L. Fong [(2)]

Patrick R. Jamieson [(1)]

Peter H. Kinash [(2)]

Frank L. Meyer [(1)]
Chairman of the Board

Robert F. M. Smith [(3)]

John B. Zaozirny [(4)]

(1) Member, Governance Committee
(2) Member, Audit Committee
(3) Chair, Audit Committee
(4) Chair, Governance Committee

OFFICERS

Kenneth M. Dedeluk
President & CEO

Robert R. Eastick
Vice President,
DRMS Development

Jim C. Erdle
Vice President,
USA & Latin America

John Kalman
Vice President,
Finance & CFO

Ronald D. Kutney
Vice President,
Canada & Eastern Hemisphere

Long X. Nghiem
Vice President,
Research & Development

Ryan N. Schneider
Vice President, Marketing

Kathy L. Krug
Corporate Secretary

HEAD OFFICE

Suite 200, 1824 Crowchild Trail N.W.
Calgary, Alberta
Canada T2M 3Y7

Telephone: 403.531.1300
Facsimile: 403.282.1823
Email: cmgl@cmgl.ca
Website: www.cmgl.ca

SALES OFFICES

Calgary, Alberta, Canada
Caracas, Venezuela
Dubai, UAE
Houston, Texas, USA
London, England

TRANSFER AGENT

Valiant Trust Company

STOCK EXCHANGE LISTING

Toronto Stock Exchange: **CMG**